

# the Australian Cane Farmer

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## Smut Report Underwhelming

The report entitled 'The Economic Impact of Sugarcane Smut' which was released by Dr David Watson recently was underwhelming and underscored what cane farmers already knew.

ACFA Chairman Ross Walker said the report made 'commonsense' recommendations which were pleasing after earlier policy released by the Queensland Cane Growers Organisation and the Queensland Government had much of the industry shaking its head.

"The initial strategy of eradicating the disease was pursued for too long at too great a cost to the industry, particularly farmers in the Bundaberg region who were forbidden to plant smut-prone varieties at considerable economic cost," said Mr Walker.

Mr Walker welcomed the report's recommendations and its adoption of ACFA policy addressing the economic impact of the disease through regional autonomy.

"The Regional approach towards tackling the disease is a positive as the Government won't be directing local areas and instead adopting a facilitating role in the management process."

ACFA also supports the speedy release of resistant varieties to farmers.

"I urge the Queensland Government to swiftly direct funding to the BSES and local productivity organisations in order to accelerate the breeding and release of resistant varieties."

Despite finding agreement with the recommendations, Mr Walker expressed his disappointment with the Queensland Government's lack of consultation with the industry which casts doubt over the report's credibility.

"The organisations that were consulted were mainly Government Departments and some 'government-friendly' organisations, for example, the Queensland Cane Growers Organisation," said Mr Walker.

"Major stakeholders such as the Queensland Mechanical Cane Harvesters Association and ACFA were excluded from the entire process."

"This was done at the discretion of Minister for Primary Industries and Fisheries Tim Mulherin who failed to ensure a truly representative consultation."

"This report has taken a costly three months to produce and has delivered little new information but it is pleasing to report commonsense is finally prevailing," said Mr Walker.

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#### Update

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## Breaking News

ACFA Chairman Ross Walker recently appeared on ABC Queensland's radio programme The Country Hour to discuss the Queensland Government's handling of the Smut outbreak.

He was joined by Shadow Minister for Primary Industries and Fisheries Mike Horan.

Part of the interview can be heard at  
<http://www.abc.net.au/rural/qlld/content/2006/s1853477.htm>



Leading farmers into the future

### Smut Report released and board nominations being called



By ACFA.  
Chairman  
Ross Walker.

#### Smut Report

The release of the report 'The Economic Impact of Sugar Cane Smut on the Queensland Sugar Industry' on February 20 had many in the Industry again shaking their head in disbelief.

The report contained basically no new information and confirmed what farmers and the regional Smut groups know and are actioning by releasing resistant varieties as soon as possible.

The economic analysis is at best of little value to farmers. The report confirms that smut will have a negative economic impact and that it will vary from region to region and from individual to individual.

The dollar figures presented are an academic exercise in futility. There are so many initial assumptions, variables and caveats that the results are of little benefit to farmers.

The conclusion that the smut incursion is manageable in the normal course of business and that the government should adopt a facilitating role is a revelation in

common sense.

The initial strategy of eradicating the disease was pursued for too long. The main game became 'political' as the Queensland Government and the Queensland Cane Growers Organisation tried to coerce the Federal Government and the other states into coming on board even after it was perfectly clear that the incursion was a runaway train.

Problems arose from securing Federal funding to battle Smut under the Emergency Plant Pest Response Deed (EPPRD) and more specifically, The Emergency Plant Pest (EPP) Response Plan.

The Emergency Plant Pest Response Plan is agreed by the National Management Group (NMG) following a determination by the Committee that the smut incursion relates to an EPP that is capable of being eradicated or contained.

The incursion was out of control yet the charade continued. Yes, we would request the Federal Government to contribute but it was never going to be via this channel.

In the meantime the industry was being hindered through unnecessary regulation that was stopping many farmers from making normal commercial decisions.

The 'politics before industry' approach has harmed sections of the industry. It

did allow QCGO to grab additional control and attention but that has now backfired.

ACFA deserves a fair go

Minister Mulherin's undemocratic and discriminatory procedure in the composition of the Dr Watson committee has undermined its legitimacy.

An otherwise commonsense report is betrayed by its lack of credibility over the committee's composition and the handling of the consultation process.

ACFA was deliberately excluded from the process because the organisation has previously rejected or challenged State Government proposals. For ACFA to be included, Minister Mulherin stated that QCGO would have to give their consent. No surprises on the answer there!

Minister Mulherin has stated he would prefer to deal with one organisation for all farmer related business.

The actions of Minister Mulherin are not be-fitting a Minister of the Crown in a democracy and even more ironic from a ministry that deregulated the sugar industry, including cane farmer representation, in the interests of competition.

Running a closed-shop where those who dare to differ are excluded is not a moral or sensible way forward.

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### ACFA celebrates its Centenary of Service

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ACFA is an apolitical organisation and has always worked closely with all levels of government and members deserve a fair go.

Trade talks continue

The World Trade talks continue to flounder with the Doha Round yet again falling into disarray.

Negotiations are continuing but farmers shouldn't be holding their breath for any major concessions from the United States or the European Union as both doggedly protect their farmers.

Centenary of Service

2007 also marks ACFA's Centenary of Service to the sugar industry.

ACFA began in Townsville in February 1907 as the Australian Sugar Producers Association (ASPA).

ACFA is Australia's overarching sugar industry body and is the oldest farmer representative organisation in the industry.

ACFA was founded by the sugar industry for the sugar industry and always has been and is still completely independent from all forms of Government.

AGM in Ayr

As part of the centenary celebrations ACFA will be holding its Annual General Meeting and Conference at the Delta Cinema in Ayr on the 15th of May.

The AGM will commence at 9am and the Conference will start at 10.30am.

ACFA will be inviting five prominent speakers to talk on various sugar issues.

Farmers will find the day informative and I would encourage all farmers to attend.

Board Elections

2007 will also see marked changes to the composition of the Board.

Adrian Ivory (Burdekin) has resigned as Director and Dawn Brown (Herbert) and Paul McKay (Central) will reluctantly not be offering themselves for re-election.

I wish them all the very best for the future and thank them for their contribution to ACFA. I will have more to say in the next edition.

Nominations are being called for Directors in the Northern, Herbert, Burdekin, Central and Southern (South Queensland) Regions. Nomination forms are enclosed.

This is an excellent opportunity for a farmer who is genuinely interested in the sugar industry's future to stand up and make a difference.

The industry is not without its problems but I have every confidence that our industry's renowned resilience, coupled with strong and effective representation, will see it continuing to recover.

Interested members should contact ACFA on 1800 500 025. I encourage you to take an active interest in your organisation and industry.

You can make a difference!

I wish all of you all the very best for the year ahead.

### Jamaica and Brazil sign agreement to modernise sugar industry

Jamaica and Brazil have signed two agreements aimed at modernising the sugar industry, developing the ethanol industry and enhancing co-operation on fruit processing.

The agreements signed by Foreign Affairs Minister Anthony Hylton and Brazil's external affairs minister, Celso Amorim, will also focus on training Jamaicans in the production of sugar.

Under the agreements Brazil has committed to identifying

varieties of sugar cane that can be adapted to grow in the Jamaican climate.

Brazil has also agreed to explore the provision of technical expertise for the establishment of a Soya Bean processing plant and in the production of Castor Bean oil for use as a bio fuel.

Meanwhile, both ministers also finalised an agreement to begin teaching Portuguese at the University of the West Indies as of September this year.



## A sugar cane farmer who stood up to be counted

*The following article was printed in the Innisfail Advocate on Januray 27 2007*

Always standing up for the little guy, Paul Grima will be remembered for for his tenacity in fighting for the rights of cane farmers.

Mr Grima, 66, died last Wednesday after suffering a haemorrhage related to a brain aneurism while driving a truck for his family business.

Around 400 people packed the Black's Funeral Chapel in Innisfail on Monday to pay their respects to a man who will be remembered for his passion for the local sugarcane industry.

"He was the chief negotiator, the battler that was always there for the farmer no matter what," John Blanckensee of the Australian Cane Farmers Association said.

A second generation farmer, Mr Grima established and chaired the [ACFA] Northern Suppliers Committee, which facilitated group negotiations with sugar mills.

"He also started the South Johnstone Cane Farmers in Association in about 2000," Mr Blanckensee said.

Paul Louis Grima was born in the Innisfail district on September 22, 1940. Mr Grima's father had come to Innisfail from Malta after World War I and established a cane farm at Mena Creek. He married his wife Jacque on January 21, 1972 and together they had four sons.

"He used to tell us he was born on a dirt floor in a farm house," son David said.

Mr Grima built a successful family business that took in his farm, a trucking business and contract cane harvesting and farm work.

David and Tristan Grima described their father as generous, highly sentimental and as having a great capacity to make friends.

"Anyone who was willing to talk to him, he would consider a friend and he had people he'd never met face to face calling him to see how he was doing," David said.

"Like everyone, he had times of hardship and there were people who stood by him and he never forgot those people.



Like others in the sugarcane industry, Mr Grima's sons will remember their father for his generosity toward others and drive to help others whenever he could.

"He was a genuine bloke who would do anything for anyone," Tristan said.

Over the years, Mr Grima has given his time to the State Emergency Service, Rural Fire Service, school P and C committees, scouting groups and other community organisations.

He is survived by his wife Jacque, four sons and their partners Jason and Michelle; Matthew and Leanne; David and Lisa and Tristan and Rebecca and three grandchildren Jack, Austin and Elijah.

Mr Grima's family wishes to thank all who attended Monday's funeral and have supported during this difficult time.

*Article reproduced with permission from the Innisfail Advocate.*

## The Economic Impact of Sugarcane Smut on the Queensland Sugar Industry

*The following is an edited extract of 'The Economic Impact of Sugarcane Smut on the Queensland Sugarcane Industry'.*

*Extract from page 6*

### Conclusions from Economic Analysis and Industry Consultations

The conclusions are based on the economic analysis and the detailed industry consultations undertaken. First, the economic analysis implies:

- The incursion is detrimental to the value of the sugar crop;
  - The impact is not as large as earlier commentaries seem to imply;
  - The detrimental economic effect is within the normal range of other external factors that the industry experiences;
  - The normal planting, 4 ratoons and fallow year cycle should continue uninterrupted;
  - The industry should replace smut-susceptible varieties of cane with smut-resistant varieties at the normal planting rate and cycle;
  - The industry has little to gain, in general, from a delay in replacing the smut-susceptible varieties during their normal cycle; and
  - There may be a window of opportunity for the Isis - Bundaberg region to gain an economic advantage by planting smut-susceptible cane in autumn 2007.
- Second, the remaining conclusions can be found in the full report.

*Extract from page 7*

### Recommendations

The recommendations are premised on four observations, namely:

- . in an economic sense, the smut incursion is manageable by the sugar industry in the normal course of business;
- . government should not be directing how local areas are to manage the incursion, but rather should adopt a facilitating role in the management process;

- . there is considerable uncertainty with respect to the epidemiology of smut in Queensland and the practical aspects of farm management of the disease; and
- . there is considerable urgency to increase the number of smut-resistant varieties of cane available, both to improve the yield and CCS characteristics of the cane and to ameliorate the risk to the industry of a reliance on too few varieties of cane.

The recommendations are:

1. Each PQA should prepare a regional smut response plan to be developed prior to planting in spring 2007. The plan should be based on, and address local factors, but should address at a minimum, the following issues:

- An assessment of the risk of smut infestation on the region
- A proposed course of action when smut is detected in each farm in the region
- A program for reducing smut-susceptibility in the region and for reducing the rate of spread of smut in the region (that is, minimising the inoculum pressure), including:
  - Surveillance
  - The propagation and distribution of clean (smut-free) planting material
  - Planting of smut-resistant varieties
  - Mechanisms for reducing the probability of the spread of smut by mechanical means (eg through the movement of people or equipment from smut-infested to otherwise clean areas, eg through burning of cane prior to harvesting)

- The destruction and removal of infected plants or blocks
- Recommendations for changing the approved variety lists for planting and ratooning.

2. Because of the considerable uncertainty with respect to the epidemiology<sup>1</sup> of smut and the actual rate of spread of smut, decisions relating to the approved variety lists for planting and ratooning should be made on the basis of consultation with and advice from BSES Ltd. and industry in each PQA.

*Continued on page 6...*

### The Economic Impact of Sugarcane Smut on the Queensland Sugar Industry

...continued from page 5

3. The government should consider mechanisms for permitting PQA5 growers to plant up to 2,000 hectares of Susceptible cane for autumn 2007. In order to respond to the concerns of Isis growers, this planting must minimise the spread of smut by ensuring the planting of disease-free plants, increased surveillance and the "roguing out" of diseased plants.

4. The broader implications of Recommendations 2 and 3 should be addressed by the government. This includes:

- in particular, whether any mechanism designed to accommodate additional plantings of smut-susceptible cane in PQA5 should also be made available to other PQAs; and
- in general, whether there should be any economic criteria for judging consequences of action taken under the Plant Protection Act.

5. The collection, organization and dissemination of smut management information to farmers are essential. The government should consider augmenting funding for such a program.

6. The FutureCane Farm Economic Analysis Tool (FEAT) model should be made available to all growers and be backed by sufficient technical support to implement this decision tool effectively. The FEAT model will also assist in the broader onfarm agronomic decisions required to maintain economic viability as growers transition to resistant varieties.

7. In the short term, perhaps two years, the government should consider ways to augment industry surveillance activities to both ensure planting material is disease-free and to obtain reliable epidemiological data on smut. This should be accomplished through consultation with industry in each PQA.

8. The government should consider augmenting industry research and plant breeding activities in order to increase the variety and availability of smut-resistant canes. The augmentation could occur through expanding current BSES Ltd. programs and/or funding research activities at organizations, such as the CSIRO, private research organizations or universities, particularly in the biological and agricultural sciences areas.

The Smart-Sett program<sup>2</sup> and genetic modification technology programs could benefit from increased research activity. Government funding in these areas could produce long term benefits for the industry and the State.

9. The above recommendations (particularly 7 and 8) could be funded by the government, in consultation with the industry, by reallocating the residual of the \$15.6m as part of its previous commitment. Since there are most likely positive economic externalities arising from Recommendations 7 and 8, it would be reasonable to fund these activities from any uncommitted residual.

10. If it is determined that abandoned cane becomes a significant smut infection risk, the government should ensure that any threat posed by abandoned cane is addressed.

### NSW and New Zealand to Mandate Ethanol

The announcement by NSW Premier, Morris Iemma, that if he wins the March state election his Government will introduce a volumetric mandate in September 2007 requiring a minimum of 2 percent ethanol be blended into the total volume of petrol sold in NSW, has been welcomed by the Australian biofuels industry.

The Executive Director of RFA, Bob Gordon, said today.

"Under the mandate there will be graduated annual increases in the level of ethanol use until the NSW 10 percent mandate target is reached in 2011.

"This is a historic step made with clear sight of the energy security, environment, and public health challenges confronting Australia and the rest of the world in the years ahead in relation to oil based transport fuels

"The biofuels industry in Australia has been fortunate that both the Government and NSW Opposition stand together in supporting the accelerated introduction of ethanol and biodiesel in the NSW state transport fuel market.

"NSW now joins the Queensland Government and the QLD Opposition parties in supporting the regulated use of cleaner burning, domestically produced biofuels in Australia.

## ACFA calls on the Government to 'scrap the cap'

Australian Cane Farmers Association Chairman, Ross Walker, has again called on the Federal Government to raise its biofuel production target in the wake of President Bush's State of the Union address.

In the address, President Bush called on the US Congress to join him in reducing the amount of gasoline America uses by 20 per cent in the next ten years.

"We need to press on with battery research for plug-in and hybrid vehicles, and expand the use of clean diesel vehicles and biodiesel fuel. We must continue investing in new methods of producing ethanol -- using everything from wood chips, to grasses, to agricultural wastes," said Mr Bush.

"To reach this goal, we must increase the supply of alternative fuels, by setting a mandatory fuels standard to require 35 billion gallons (132 billion litres) of renewable and alternative fuels in 2017."

Comparatively, Australia's biofuel production target is currently set at 350 million litres by 2010.

Mr Walker said the target is

inadequate and is calling on the Federal Government to revise it upwards.

"The Federal Government must raise our biofuels production target immediately," he said.

"It's totally inadequate when compared to the targets set by other countries and does little to diversify our energy supplies," he said.

"Furthermore, the Federal Government must follow the lead of other nations and introduce a volumetric ethanol mandate in response to the oil companies' aversion to selling ethanol-blended fuels at the pump.

"The 2006 usage target agreed to in 2005 between the oil companies and the Federal Government was 89 to 124 million litres.

"This target did not come close to being met and it is clear the oil companies are not meeting commitments given to the Federal Government."

Mr Walker also expressed reservations about the 10 per cent cap on selling ethanol-blended fuels and said he will

continue to call on the Prime Minister to 'scrap the cap'.

"The 10 per cent cap on ethanol blending in fuels must be scrapped so Australians can take advantage of flex-fuel cars and other new technologies and move into the future with confidence that their petrol supply doesn't depend on the Middle East's volatile oil fields," said Mr Walker.

"Australia has the potential to be an ethanol power house."

"We have the right climate to grow the crops for production; we have the will amongst our agricultural industries, particularly the sugar industry, to produce ethanol and we have car manufacturers who are producing more and more flex-fuel vehicles.

Ethanol production will help lift the enormous strain the decades of fossil fuel use has placed on the environment and will revitalise Australia's agricultural sector.

ACFA was proud to be the only sugar industry body to organise the Ethanol 2006 conference in Brisbane and we shall again be involved with Ethanol 2007 in Melbourne.

## Drought assistance for 'bigger' small businesses

The Government has today extended Exceptional Circumstances (EC) drought assistance to farm-dependent businesses employing up to 100 staff.

Minister for Agriculture, Fisheries and Forestry, Peter McGauran, said the decision widened the EC eligibility criteria from businesses employing up to 20 staff, to those with up to 100.

"The drought is taking a heavy toll on small businesses that are heavily reliant on farmers, such as agricultural machinery and equipment retailers," Mr McGauran said.

"These businesses provide valuable jobs in towns across the

country and are an important part of the rural economy, and this assistance will help many through these tough times.

Mr McGauran said the new measures would extend interest rate subsidies and income support to agricultural businesses employing up to 100 staff that derived at least 70 per cent of their income directly from farmers located in EC-declared areas.

Farmers and small business operators are urged not to self-assess their eligibility for assistance or other payments and services, but to contact the National Drought Assistance Hotline on 13 23 16 to check their eligibility.



### ACFA calls for nominations

As per section 38 of the Australian Cane Farmers Association constitution:

#### 38. Term of appointment

(a) No Director shall hold office for a period in excess of 4 years, or until the 4th annual general meeting following the Director's appointment (whichever is the longer) without submitting himself or herself for re-election.

In 2007, the members of the Board who shall retire from office but shall, subject to paragraph 34(b) be eligible for re-appointment are Don Murday, Dawn Brown, Paul McKay and Graham Parker.

ACFA is now calling for nominations for the position of Director for the following regions:

- Northern
- Herbert
- Central
- Southern

Due to the resignation of Adrian Ivory, Director for the Burdekin region, nominations are also being called for a Director for the Burdekin region.

Members of the company are able to nominate for the Director position in their region only.

If you would like to nominate someone for the position of ACFA Director, please complete the enclosed nomination form (including signature of nominee) and return it to ACFA offices by the closing date of 23rd March 2007.

Nominations must be

- (i) Written; and
- (ii) Signed by the nominee and at least 1 member; and
- (iii) If the nominee is an authorised representative

State the name of the corporate member that the nominee represents: and

Be accompanied by a representative authority for the representative from the member; and

- (iv) given to the returning officer before nominations close.

You must be a member of the company to participate in the election of ACFA Directors.

Membership & Nomination forms can be downloaded from the ACFA Web site [www.acfa.com.au](http://www.acfa.com.au)



## SRDC Update

### Call for projects to help sugar industry people grow

Growers, harvesters, millers, marketers and others involved in Australia's sugarcane industry are invited to help grow the industry by growing themselves.

The Sugar Research and Development Corporation has announced that up to \$600,000 is now available to do just that, calling for project applications for Travel and Learning Opportunity and Grower Group Innovation projects.

SRDC Executive Director Russell Muchow said that these projects have been making a real difference to the skills and abilities of the men and women of the sugarcane industry.

"Travel and Learning Opportunity Projects (TLOP) are available for mentoring, conducting workshops and seminars, study tours or any other activity intended to build capacity for learning, change or innovation in sugar industry people," Dr Muchow said.

"Successful projects have seen members of the sugarcane industry travel to learn from counterparts in other regions and other industries

"They have allowed women and younger people to gain leadership skills that will help them play an increasingly prominent role in the industry.

"These projects have seen researchers travel to learn from their peers in internationally recognised institutions," he said.

SRDC has allocated up to a total of \$200,000 for new TLOP projects commencing in 2007-08.

"Our Grower Group Innovation Projects (GGIP) have helped growers take science from the laboratory to the paddock," Dr Muchow said.

"Groups of innovative growers are working with researchers to try new things and are seeing results; not only in their on farm operations, but also in the way they embrace change.

"One grower group is investigating the implementation of zero-till planting systems. They found that

their economic evaluations show that zero-till planting gives better net results than conventional planting.

"These growers are spreading the word at the grass roots level, and many in the local area are keen to try the improved planting practice."

A total of \$400,000 is available for new GGIP projects commencing in 2007-08.

Applications close Monday 16 April 2007. There will be a second call for TLOP projects in July.

To find out more about this call, or download the application kits and forms, interested people should visit the 'Apply' page of the SRDC website [www.srdc.gov.au](http://www.srdc.gov.au)

### The search for the sugarcane industry's top innovators

The Sugar Research and Development Corporation is searching for the top innovators in the Australian sugarcane Industry.

Nominations are now open for the 2007 SRDC Innovation Awards, the sugarcane industry's premier awards aimed at recognising innovation and innovative thinkers.

SRDC Executive Director Russell Muchow said that the Corporation was looking for 'the best-of-the-best' and expected nominations to come from right across the industry and research sectors.

"Individuals and teams make a huge contribution towards the implementation of technologies and practices that create a positive change to the Australian sugarcane industry, and this is our opportunity to profile their work," Dr Muchow Said.

SRDC encourages industry, researchers and other stakeholders to collaborate and embrace advances in science, technology and engineering to maintain a leading edge in the competitive world market.

"Innovation is critical for the long-term sustainability of the industry, and it is important that the industry takes time to recognise the men and women who play a leading role in driving innovative thinking," he said.

### El Nino Weakening by Yvette Everingham (JCU)

#### SOI Update

The monthly average SOI for January was minus 8.9 (-8.9) compared to minus 1.4 (-1.4) in December. Therefore the SOI phase for January came out as "Near Zero".

PHASE	SOI VALUE	SOI
End of February 2005	- 23	"Rapidly Falling"
End of March 2005	- 1	"Rapidly Rising"
End of April 2005	- 10	"Rapidly Falling"
End of May 2005 - 13	"Consistently Negative"	
End of June 2005 + 0.5	"Rapidly Rising"	
End of July 2005 + 3.3	"Rapidly Rising"	
End of August 2005	- 6.5	"Rapidly Falling"
End of September 2005	+ 3.4	"Rapidly Rising"
End of October 2005	+ 11.5	"Rapidly Rising"
End of November 2005	- 2.2	"Rapidly Falling"
End of December 2005	- 1.4	"Near Zero"
End of January 2006	- 8.9	"Near Zero"

#### Rainfall Probability

The probability that rainfall, will reach or exceed the region's median rainfall amount for February-April.

These probabilities are based on a near zero SOI phase at the end of January.

Probabilities much greater than 50% highlight there is a moderately high chance of experiencing above median rainfall.

Probabilities much less than 50% highlight there is a moderately high chance of experiencing below median rainfall.

Chances close to 50% (say, between 40 and 60%) are unable to improve upon what you already know about above median rainfall.

This is the case for most sugarcane growing regions along the east coast of Queensland and NSW.

#### Sea Surface Temperature Update

During the 2006 harvest season warmer than average sea

surface temperatures emerged in the central equatorial Pacific. This kind of pattern is commonly called an El Niño pattern. The El Niño pattern is likely to have contributed to a drier than average harvest season for most sugarcane growing regions in 2006.

By comparing the January SST map with the December SST map, we can see that the El Niño pattern has started to weaken.

Many computer models predict a further weakening of the El Niño pattern.

Interestingly, one computer model that is being further investigated as part of an SRDC funded project "Defeating the Autumn Predictability Barrier" is predicting substantial cooling (La Niña) to emerge during the 2007 harvest.

We will keep readers updated on outputs from this new experimental system.

#### Key Points

There is a 'fifty-fifty' chance of reaching median rainfall targets for February to March for most of the sugar strip. Despite the "flip-a-coin" uncertainty, a 50% chance of reaching the median, is higher than a 30% chance.

Although the equatorial Pacific is warm enough to reflect an El Niño pattern, the SST anomalies in this key region started to cool during January.

For more information about sea surface temperatures and general climate information see <http://www.longpaddock.qld.gov.au> and <http://www.bom.gov.au/climate/ahead>.

#### Disclaimer:

*The seasonal climate forecasting information provided in this document is presented for the purposes of raising awareness of the potential value of seasonal climate forecasting information and should be considered as a guideline only. The user assumes all risk for any liabilities, expenses, losses, damages and costs resulting directly or indirectly from the use of the climatic forecast information.*

## Slow start to the new year Compiled by Queensland Sugar Limited

December was a volatile time for the New York No.11 raw sugar futures market as it fluctuated as much as 1.00 c/lb over the month.

November finished on a good note with the market rallying strongly from Trade support and Fund buying, starting December on a positive note.

The March 2007 (prompt) New York No.11 raw sugar futures contract commenced the month at 12.26c/lb. Into the new month the rally lost momentum, as buyers questioned whether crop damage in Australia and parts of China, together with the failure to remove the export ban in India were reason enough to move the price so dramatically.

Prices came under pressure from trade and fund selling and by the middle of the month the March 2007 NY11 was down to 11.50c/lb. The second half of the month in the lead up to the Christmas break was much of the same with the price initially rallying and then succumbing to downward pressure to start the New Year on a low.

The prompt March 2007 New York No.11 raw sugar futures contract finished the year at US 11.75 c/lb on 29th December 2006.

The raw sugar market began the New Year under pressure during a shortened trading week due the New Year holiday and then the closure of US markets on Tuesday for a National Day of mourning for former US President Ford.

The market re-opened on 3rd January 2007 and continued its steady decline to close out the week at 11.09US c/lb, losing 0.66US c/lb over the 3 days. The prompt New York No.11 is now at its lowest value since early October last year.

Speculative and producer selling initiated the downward slide, and Fund liquidation contributed to the decline, pushing the market towards the 11.00US c/lb mark. The prompt March 2007 New York No.11 raw sugar futures contract closed at US 11.02 c/lb at the time of writing.

The London No.5 (LDN5) white sugar March 2007 contract began December at USD374.00 per tonne. The white sugar market displayed similar strengths and weakness to the raws market over the same period. The March 2007 contract finished the year at USD342.80 per tonne. The March 2007 contract fell a further USD9.50 per tonne over the first three days of the year. The March 2007 contract closed at

USD327.80 at the time of writing.

The Indian government decided to partially lift the ban on exports out of India on the 18th December 2006, with an export volume cap set at 1 million tonnes.

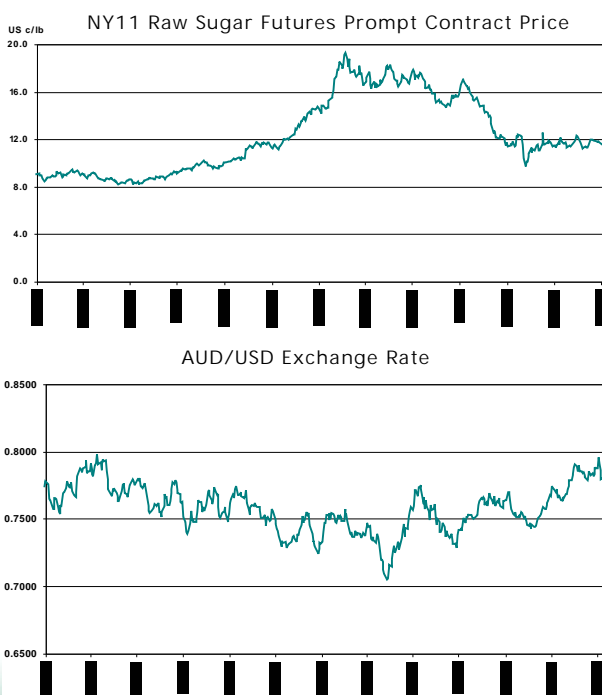
The consensus of expectations are that it will be sometime before the exports reach full capacity and the mills are asking the government for transport and ocean freight subsidies.

At the time only mills holding obligations to export whites under the Advanced Licence Scheme (ALS) could sell to the world market. A total lift of the export ban on sugar was released on the 11 January 2007.

The decision was made after the government was comfortable that sugar production was strong and there were enough buffers in the stocks.

There are rumours that the government might agree to offer export subsidies if the sugar price continues to fall to assist the export market.

The AUD decreased due to an increase in employment and softer oil and commodity prices in the US to close at AUD/USD 0.7773 at the time of writing.



## The Better Manager Series...Managing Redundancy

*Article provided by McKays Consulting, a division of McKays Solicitors*

Welcome to the first edition of our McKays Consulting 2007 "Better Manager" series...

Since WorkChoices commenced we have learned much from commission decisions about how it will affect day-to-day and also strategic IR planning.

The aim of the 2007 series (monthly from February to December) is to distil and apply what has been learned.

The "Better Manager" series will cover:

- Managing redundancy
- Managing ill health employees
- Managing under performance
- Managing individual contracts - strategic issues
- Managing collective bargaining - strategic issues

I hope you find this series relevant and practical for your industrial relations management challenges.

The Better Manager series...  
Managing Redundancy

Redundancy under WorkChoices has been in the public spotlight... with the AIRC upholding Village Roadshow's recent termination for redundancy of a long standing employee provoking strong union reaction.

The 7.30 Report's broadcast about the Village Roadshow case (at

<http://www.abc.net.au/7.30/content/2007/s1828479.htm>) is proof that redundancy under WorkChoices has captured the public attention:

ALI MOORE: The Federal Government's WorkChoices legislation is set to be a key focus in the lead-up to this year's federal election and a landmark decision by the Industrial Relations Commission has triggered fresh debate about its fairness.

Currently, companies with less than 100 employees are exempt from unfair dismissal laws.

Now, the Commission has delivered a judgment which backs the right of large companies to sack workers for operational reasons.

The case involves a 52-year-old Melbourne man, Warren Cutler, who was employed by Village Roadshow for almost 20 years before being laid off when the company closed the cinema where he worked.

Village Roadshow has defended its action, but the unions say he should have been redeployed in a corporation that's forecast significant profits in the year ahead.

This public attention may not have assisted employers and employees in understanding the key issues to consider for a redundancy under WorkChoices, though.

Our experience is that many employers misunderstand redundancy, and much of the misunderstanding can be resolved by understanding the following:

· Redundancy is where employment ends because the position itself is no longer required by the employer, eg

- new technology on the factory line reduces the number of factory employees needed by the employer;
- a car parts manufacturer with a workforce of 500 employees loses a large contract and only has enough work for 300 employees.

There is no requirement for fault or poor performance by the employee. The only WorkChoices requirement is that the employee has been terminated due to reasons that include "genuine operational reasons."

· There is no automatic entitlement to redundancy pay. An employee is only entitled to a payment on redundancy where a contract, industrial award / pay scale, or other industrial instrument dictates.

· A genuinely redundant employee cannot claim for unfair dismissal: Under WorkChoices, an employee terminated for reasons that include "genuine operational reasons" cannot claim for unfair dismissal regardless of the size of the business.

· Can an employee dispute that he/she was terminated for "genuine operational reason"?

An employee can challenge the termination by requiring the employer to prove in an industrial commission hearing that the operational reasons relied on are not genuine.

If the redundancy is proved to not be genuine, then the employee can claim for unfair dismissal if he/she is eligible

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to make that claim (eg works for an employer with more than 100 employees).

· What are "genuine operational reasons?" "Operational reasons" are defined as "reasons of an economic, technological structural or similar nature relating to the employer's undertaking, establishment, service or business" or to a part of the foregoing."

· Redundancy in the Village Roadshow case: The Full Bench of the AIRC determined that a cinema manager's unfair dismissal claim failed because the termination of his

employment was due to the closure of the Melbourne theatre complex where he was employed as a theatre manager, even though:

- He had 19 years' of service with the company, and

- His skills and talents could suit him for other positions that might come available in the company at other sites.

Therefore, once it is established that the termination was due to operational reasons, then factors like eligibility for redeployment, and length of service, are not relevant to decide the operational reasons were genuine.

The implications for employers are:

- Redundancy is a practical industrial relations strategy to ensure the workplace is structured to meet the demands of the employer's business.

- The Village Roadshop interpretation of "genuine operational reasons" for a redundancy is favourable to employers.

- Nonetheless, if a redundancy is challenged, an employer must still be able to prove that the redundancy was for genuine operational reasons.

In our next edition we examine how a WorkChoices employers should approach a potential redundancy situation.

## FIU, Florida crystals to develop ethanol technology

Lt. Governor Jeff Kottkamp announced today [date] the Florida Department of Environmental Protection will award FIU's Applied Research Center (ARC) and Florida Crystals Corporation (FCC) a \$1M grant to develop cellulosic ethanol technology under the Florida Renewable Energy Technologies Grant Program.

The grant, the product of a unique partnership between FIU-ARC and FCC, will identify a pretreatment process that can cost-effectively convert sugar cane bagasse to ethanol. The study will determine the feasibility of using Florida bagasse as a feedstock for a future large-scale bioenergy plant in Florida.

The grant will be matched by FCC, the largest sugar producer in the United States.

"This public-private partnership is an important first step in developing alternative fuel sources in Florida," said Harlan Sands, Executive Director of FIU-ARC.

"Improving the biomass to ethanol process is critical." Corn is currently the feedstock for ethanol in the U.S., but experts have forecasted corn can only supply 10% of future U.S. gasoline demand. While biomass is more

abundant and cheaper than corn, the technology to break it down into fermentable sugars is lacking.

"We are enthusiastic about engaging in this collaborative project with FIU," said Alfonso Fanjul, Chairman and CEO of FCC.

"Our investment in ethanol research and technology will further our commitment to improving and expanding our eco-friendly, renewable energy program."

Bagasse is a plentiful Florida by-product of sugar extraction from sugar cane. More than one million tons are annually produced by the Florida sugar industry.

FCC already mixes their bagasse with urban wood waste to fuel their Biomass Renewable Energy Facility, the largest of its kind in the U.S.

"We hope this effort with FIU will enable us to develop cellulosic ethanol from our sugar cane that will reduce our dependence on foreign oil," said J. Pepe Fanjul, COO and President of FCC.

Although bagasse is a valuable fuel, there is strong

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### What's going on in the sugar regions?

#### Mossman/Mulgrave Regional Report

This year's crop is the best looking one I've seen in a long time.

We have been enjoying ideal growing conditions with rain falling almost every night accompanied by long hot days.

Early estimates for the season calculate we could grow 600,000 tonnes of cane this year which will be a vast improvement over the 450,000 produced last year.

Almost four million dollars was received by Mossman Mill in the third round of the Federal Government's Regional and Community Projects to fund low GI sugar.

The funding was greatly beneficial.

Don Murday  
ACFA Northern Region Director

#### Innisfail Regional Report

We have been back in the headlines for all the wrong reasons in 2007.

We have had major flooding in Tully and minor flooding in Innisfail, Babinda and Gordonvale.

The affect this rain will have on the crop is too early to predict at this stage.

The Mulgrave area looks as though it has a good crop this year.

On behalf of ACFA and the Northern Supply Committee I would like to pay my respects to Paul Grima who passed away recently.

Paul was a strong supporter of ACFA and his contribution to his

local community and to our organisation will be greatly missed.

John Blanckensee  
ACFA Northern Director  
Herbert Regional Report

Last year was one of the longest seasons we've ever had due to the rain and mill performance.

Total tonnes cut were round 4.9 million tonnes. The crop is looking better than in past years but we now have to contend with Smut.

There have been 18 farms listed as positive identifications in the Herbert which is of great concern to all growers.

We all look forward to a reasonable wet season and a degree of co-operation from the mill in 2007.

Dawn Brown  
ACFA Herbert Director

#### Burdekin Regional Report

The Burdekin crop is doing well due to the large amount of rain we've had.

This wet season has been one of the best in my memory; however, the late ratoons are still behind at this stage.

Contract planting is increasing in the Burdekin with many billet planters coming to the area.

Due to the variety of planting methods requested by farmers, contractors are finding it more desirable to have two sets of planting equipment to accommodate farmers' needs.

This will be my last regional report as I have tendered my resignation to the board.

I have enjoyed serving the farmers of

the Burdekin District as well as the whole industry and I would like wish ACFA all the very best in the future.

I would encourage anyone interested in applying for the position of Burdekin Director to contact the ACFA on 1800 500 025.

Adrian Ivory  
Burdekin Regional Director

#### Central Regional Report

The crop is looking exceptionally good and it looks as though the district will push 10.5 million tonnes this coming season.

Teemburra Dam is about 50 per cent full due to good rain across the district.

Mackay Sugar's new producer pricing scheme is shaping up well and has been widely embraced by farmers.

Debate is raging over the planting of smut resistant varieties in the area. We must not remove high producing varieties from the approved list at this time.

Ross Walker  
Central Region Director

#### Southern Region Report

Conditions have been very dry. Mike Barry is the new CEO at the Maryborough Mill.

Preliminary estimates for the coming season's crush are currently at 820,000 tonnes down from the 985,000 tonnes cut last year.

Farmers shouldn't lose heart as good crops have been salvaged later in the season.

Soyabeans have been planted widely in the area.

Graham Parker  
Southern Region Director

## Regional Reports

## Florida crystal develops ethanol technology

## New South Wales Regional Report

Work on the two co-generation sites at Condong and Broadwater is ahead of schedule.

Both plants hope to be fully operational at the end of 2007 season.

Both mill areas will be harvesting the whole crop for the co-generation plants this season.

Work on all harvesting equipment for Broadwater and Condong is extremely busy with all modifications being completed on haulout and harvesting equipment so it is ready for the 2007 season.

The late harvest has affected this season's ratoons negatively and they are looking pretty poor at this stage.

Wayne Rogers  
New South Wales Director

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commercial interest in upgrading its value by converting it to ethanol.

Demand for ethanol is driven by the President's call to boost

annual ethanol and other alternative fuel production to 35 billion gallons by 2017 and reduce U.S. dependence on foreign oil.

FIU and FCC will investigate promising pretreatment processes for bagasse conversion to sugars that can be readily fermented to ethanol and will scale up those findings to a pilot facility to assess the feasibility of commercialization of the bagasse-to- ethanol technology.

"We are determined to make Florida a front runner in cellulosic ethanol production using local biomass, attracting investment, and creating well-paying jobs in our State," said Dr. George Philippidis, FIU-ARC's Associate Director and Principal Investigator and an expert in the cellulosic ethanol business.

The project's aim of catalyzing the commercialization of ethanol production from biomass will constitute the first case where a major commercial company (FCC) and a leading technology development institute (FIU) are jointly performing pilot development to take cellulosic ethanol to full commercial scale.

*Source: Florida Crystals Corporation*

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## ACFA services

## Publications:

The Australian CaneFarmer - Every month.

Australian Sugarcane - the leading R&D publication - Bimonthly

**Representation:** ACFA has a proven record of fighting for farmers where others have either given up or not begun.

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Leading farmers into the future

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## EU to cut sugar production by 2 mn tonnes

The European Union, the world's second-biggest sugar exporter, cut the amount of the sweetener that can be produced in the bloc, a decision that will force beet farmers and companies such as Suedzucker AG to scale back their output.

The yearlong reduction in production quotas, used by the 27-nation EU to limit output, will apply from September and amount to 2 million metric tons, or 13.5% of output.

Twelve countries will be totally or partially exempt, based on the percentage of their quota they already gave up voluntarily, the EU said yesterday in an e-mailed statement. „

Without this measure, the Community sugar market would suffer a major surplus,” the Brussels-based European Commission, the EU's regulator, said in the statement.

“It is now hoped that sugar producers and beet growers will make a common effort.”

The EU wants to produce and export less sugar after the WTO ruled that it must cut the amount of subsidized sugar it sends abroad.

The bloc has slashed its guaranteed price by 36% and is offering to pay companies to relinquish some of their production quotas.

Yesterday's decision comes after European sugar growers applied to pare production by 660,000 metric tons in exchange for one-time payments in the 2007-2008 marketing year.

That's well below the EU's target of 1.2 million tonnes.

Greece, Ireland, Italy, Latvia, Slovenia and mainland Portugal all are exempt from the one-off cut announced yesterday, since all have given up 50% or more of their quota in exchange for one-off payments.

Cuts imposed on the Czech Republic, Spain, Hungary, Slovakia, Finland and Sweden, will be less than 13.5%, in recognition of their respective achievements in voluntarily renouncing part of their production quota.

Even with the exemptions, total EU output will still fall by 13.5% due to yesterday's decision, regulators said.

In the event that yesterday's cuts aren't respected, companies will have the option of selling excess sugar at the world price for industrial uses such as making biofuels, or counting their excess production against next year's quota.

*Source: Budapest Business Journal*