The Australian
Cane Farmer
Leading farmers into the future

Is the Sun Setting on Farmer-owned Sugar Mills?

Inside this issue

We are now seeing a last chance for some cane farmers to retain equity in their local sugar mills; with the boards of iconic farmer owned mills, Tully Sugar and Proserpine Cooperative, recommending the sale of these historic assets to foreign interests.

These events bring home the adage, 'You can only sell the farm once!' and once sold, farmers will have forever lost control over their mills and over any say in a major part of their business.

ACFA has urged farmers to focus on maximising long-term shareholder value and to explore the synergies of rationalising these assets into a majority, farmer-owned Australian sugar milling company. It is better that farmers retain some equity in their industry assets and farmers needn't look too far to see what has happened in other industries when the locals no longer control assets that are vital to their farming businesses. Farmer ownership of milling assets ensures that premiums from the more lucrative Asian markets, stay local! It also ensures that they have an influence in issues affecting costs and profitability, such as season length.

The international market for sugar, especially the premiums in the Asian region is driving a 'feeding frenzy' on Australian sugar milling assets. We are currently in a time of unprecedented international interest in Australian sugar milling assets, a good news story for our industry which needs to be managed carefully. Sugar assets in the hands of the trade will ultimately serve the interests of the trade. That may align with the immediate needs of shareholders and their local economies but may not best serve the longer-term interests of their farming businesses.

The Mackay Sugar led initiative to amalgamate farmer-owned mills is one way to preserve farmers' interests and to retain the advantage of pooling our sugar and retaining our markets, through QSL. It is also a way to maintain a critical mass which is essential to provide forward pricing. Without grouping together there can be no QSL and without QSL there can be no pooling, and forward pricing would be difficult to fund.

Grouping together also increases the efficiency of the bulk sugar terminals, whereas a fragmented industry may cause issues with terminal access and associated costs.

It is now decision time for farmer controlled structures in the Australian Sugar Industry!

Don Murdy
Chairman

Chairman's Comment

It will take several years to re-build the industry after our 'top to bottom' flogging in 2010. With the season underway we hope that tonnes of cane and CCS will hold up. This season will be critical to clear the poor crops and plant as much cane as possible. Obtaining quality seed stock is going to be difficult; however farmers should be careful not to plant unsuitable and diseased cane which might not be economically feasible. Farmers should liaise closely with prod-boards and BSES.

Once more the industry has been occupied with mergers and takeover offers. This issue discusses the state of play and it serves us well to thoughtfully ponder the ramifications of the consolidation of milling assets, especially the impact on cane supply, contract conditions, industry structures and policy interests. Our front page story asks wether the sun is setting on grower controlled assets in the Australian industry?

For the moment market look positive with some good prices available.

Don Murdy
Chairman

Proposed R&D Restructure

In April 2011, ACFA received a letter about the first phase of the review of sugar industry research, development and extension (RD&E) being progressed by the Australian Sugar Industry Alliance (ASA). It also advised of formation of a Reform Project Group (RPG) to oversee and be responsible for Implementation, reporting to the ASA Board, and that a Reform Project Leader would be appointed to manage the project including achieving agreement on new structures and sustainable arrangements for sugar RD&E.

The Reform Project Group, involving the Chair and Deputy Chair of ASA, Chair and a Deputy Chair of ASMC and CANEGROWERS plus the Chairmen of BSES, SRDC and SRL, had its first meeting in Mackay on 5 May. This meeting appointed Dr Sandra Welsman in the role of Reform Project leader. Dr Welsman has been consulting with a wide range of stakeholders and has twice met with the ACFA. We will continue to inform members of developments in this review.

Carbon tax

Sunday 10 July, the Prime Minister announced the **'Securing a Clean Energy Future'** climate change plan, incorporating a carbon tax. This policy will result in embedded costs in farm inputs, raising farmers' costs. This is a complex issue where potentially farmers could earn income from carbon sequestered in their farmers but it is not yet known whether farmers would incur a net gain or loss from this. The plan includes a $1.7 billion Land Based Sector Package. This package is aimed to support farmers to take climate change action, and includes a $429 million Carbon Farming Futures Program and others discussed in this newsletter.

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Market Summary

Price volatility continues to be an ongoing feature of the international sugar market. In the past month, we have seen the ICE No. 11 July 2011 contract move from a low of US20.47c/lb in early May to a high of US25.64c/lb on 13 June. Other contracts, including forward contracts, have also reached life-of-contract highs over the same timeframe. The stronger prices we've seen most recently are due to a shortage of raw sugar for shipment in the near future. There is plenty of sugar being produced – particularly in Thailand which is experiencing a bumper harvest – but infrastructure problems and shipping delays there and in CS Brazil have slowed the physical movement of sugar around the world, ensuring the price remains higher. One of the advantages QSL offers customers in the Asian region is a high quality and reliable shipping and logistics service. This helps us to attract premium prices for Australian raw sugar because we can guarantee on-time delivery.

The white sugar market has showed stronger gains than the raw sugar market, with the London white sugar basis August 2011 contract adding US$97.00 to end at US$712.10 per tonne. The nominal white sugar premium reached its highest level in approximately a year when it peaked at US$176.13 per tonne on 6 June. The current premium level makes toll refining economical.

The Australian dollar has also experienced significant volatility across this reporting period. The Australian dollar posted a high of USD 1.1012 on 2 May 2011, the highest it had reached since the currency was floated in 1983. The dollar then fell to a low of USD 1.0464 on 25 May. For much of the reporting period the AUD has been tracking in a range of 1.0550 to 1.0750. Its strength continues to be driven by global risk appetite and broad base USD weakness. QSL operates a unique and flexible pricing program, which enables us to lock in prices up to five years in advance. Some of the pricing strategies developed for future seasons have allowed us to lock in sales for future seasons at a rate of around USD 0.85, which is a great benefit given the Australian dollar is predicted to remain strong against the US for some time.

Crush Update

According to the Australian Sugar Milling Council, Australia's annual sugar cane crush is gathering pace, with eight of 21 mills now operating. The first million tonnes of the forecast cane crop of 30 million tonnes had been processed by 8 June. Cane left unharvested from last year due to poor weather has accounted for more than half of the crush so far this year. Industry sources have

noted that sugar content to date is encouraging. QSL's first shipment of sugar for the season left Townsville this week, destined for New Zealand.

International Market

The CS Brazil harvest started about one month later than last season, due to earlier rain. Cane has been left in the field for longer than the normal number of ratoons, resulting in lower yields and potentially impacting the overall crop forecast for the season. Balancing the lower Brazil crop are continuing reports on the bumper Thai crop. Thailand has produced 9.964 million tonnes of sugar, raw value, to date – compared with earlier estimates of 6.7 million tonnes. The extraordinary improvement in the Thai crop has greatly diminished the global sugar deficit.

QSL releases update on 2011 sugar market outlook

QSL today released an update on the outlook for the 2011 sugar season, confirming that a recent upswing in global raw sugar prices has lifted expected returns for Australian growers and millers this season, with the current forecast return for the QSL Seasonal Pool now at more than $500 per tonne net IPS.

These returns are a combination of priced and yet-to-be-priced foreign exchange and sugar prices, so this number will move up or down depending on how the season progresses.

"Back in May, market commentators were focused on the expected global surplus for 2011/12 which was anticipated to be around eight million tonnes. At this time, QSL gave Queensland millers and growers the opportunity to reduce their individual pricing levels in response to the poor outlook for the Australian crop in some districts," said John Bird, QSL Chief Operating Officer.

"Those millers and growers were able to buy back pricing at around $450 per tonne. Since then, the sugar market has really gone from strength to strength and with today's 2011 season prices currently up over $500 per tonne, those growers and millers who took advantage of this offer will be patting themselves on the back."

Mr Bird noted that most futures contracts last week reached life-of-contract highs, with the changing fortunes of the Brazil crop playing a key role in price activity.

"The current crop outlook for CS Brazil is much less optimistic than it was at the start of their harvest. This has tempered the bumper Thai crop and strong beet crop expectations from Europe. High raw sugar prices are also being supported by a positive outlook for the grains market and an increase in oil prices."

In updating the currently stronger Seasonal Pool price, Mr Bird noted that the next two months will be key for determining whether the high global raw sugar prices will be sustained.

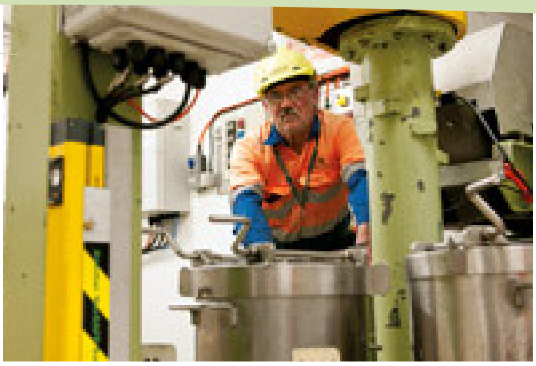
"We are cautiously optimistic that the current prices will be sustained over the next two months, but we are closely monitoring the macro economic conditions in Europe with the unfolding debt crisis there, as well as the possible slow-down in Chinese growth prospects. We're also closely following industry expectations on the Indian, Brazil and Thai crops as changing conditions in these areas may impact on forecasts," he said.

Raw Sugar Supply Agreements rolled over until June 2015

Eight mills that supply raw sugar to QSL have rolled over their three year supply agreements, confirming they will maintain marketing arrangements with QSL through to the end of the 2014 season, which is 30 June 2015.

The eight mills are:

- Bundaberg Sugar Limited
- The Heck Group
- Isis Central Sugar Mill Company Limited
- Mackay Sugar Limited
- Mossman Central Bill Company Limited
- Proserpine Co-operative Sugar Milling Association Limited
- Sucrogen
- Tully Sugar Limited



"The fact that the overwhelming majority of mills have chosen to continue to work with QSL is a pleasing indication of shared confidence in the sugar industry's future," said QSL's Managing Director and Chief Executive Officer, Neil Taylor.

"QSL will continue to work hard to ensure the best possible outcomes for Queensland's sugar millers and the cane growers who supply the mills. The rollover of the RSSAs provides additional certainty for our customers and for planning future seasons."

The Raw Sugar Supply Agreements (RSSAs) are the supply contracts under which QSL aggregates and pools raw sugar supplied by the mills and markets it to customers around the world, providing pricing, financing, risk management, shipping and logistics services to mills.

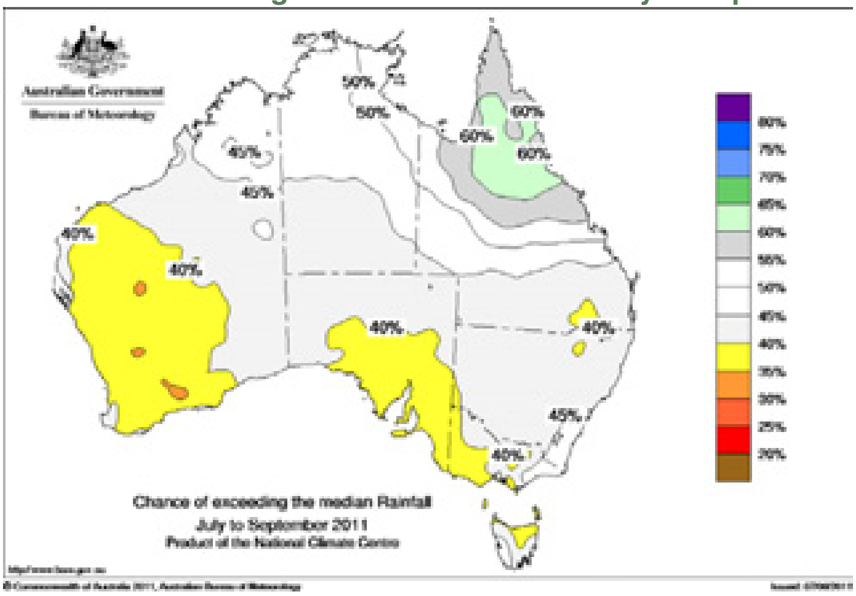
Mills contract to supply raw sugar to QSL on a rolling three-year basis, and at the end of June each year have the opportunity to not roll over their contract, effectively giving three years' notice of their intention to withdraw from QSL's pool.

QSL is currently focused on the sales and marketing programme for the 2011 Season crop and is also working with industry on a pooling and pricing review which is due to be complete in August.

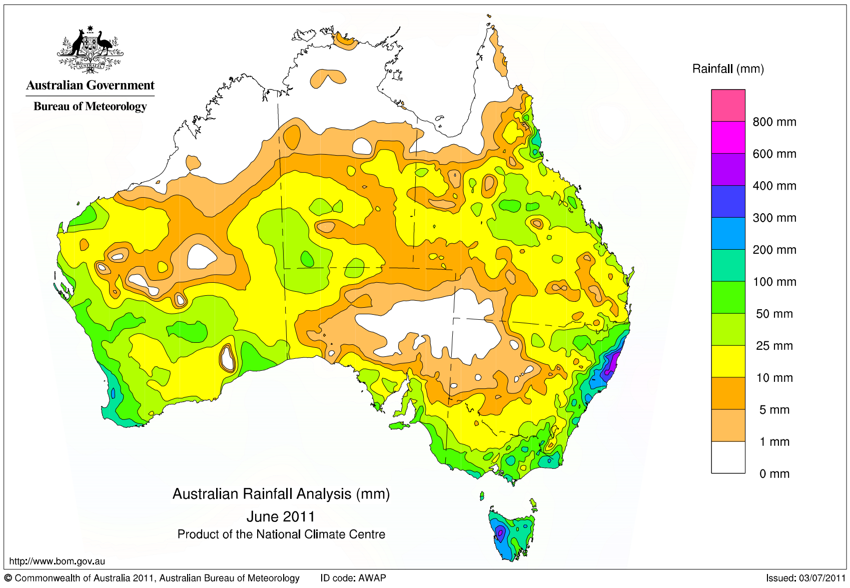
MSF Sugar was the only mill not to roll over its supply agreement with QSL. QSL will continue to market raw sugar on behalf of MSF Sugar until June 2014, and is confident the supplier will reconsider its marketing arrangements prior to that date.

RAINFALL

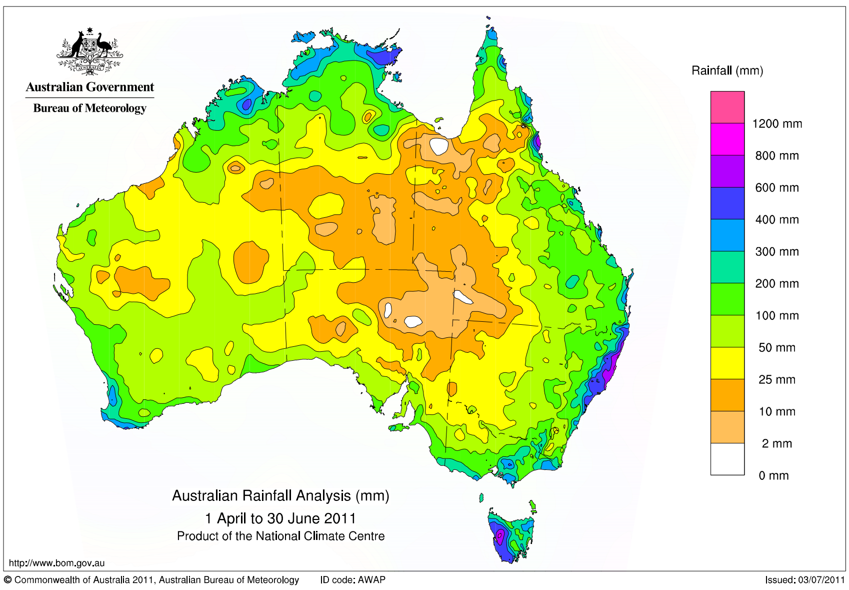
Chance of exceeding the median rainfall for July to Sep 2011



Rainfall June 2011



Rainfall 1 April 2011 to 30 June 2011



A message from SRDC

Annette Sugden
SRDC Executive Director

This month SRDC Executive Director Annette Sugden shares her observations and experiences.

If you want to contact Annette call SRDC on phone 07 3210 0495 or asugden@srdc.gov.au

Two of the sugarcane industry's premier research conferences held in May, strongly demonstrated the benefits of industry support for research and development. The Australian Society of Sugar Cane Technologists conference in Mackay was a blockbuster event, featuring the SRDC Innovation Awards as part of a very full and invigorating program.

Through SRDC's Innovation awards, recognition was given to outstanding research groups, researchers, technicians and grower groups and an award was given for long service to the industry. This issue of SRDC e-news features an article about the winners of each award category some of whom have already been featured on ABC Landline including long service award winner - Robert Quirk from NSW, and research scientist award winner - Prakash Lakshmanan from BSES Ltd. The SRDC Innovation Awards booklet features information about all finalists and the video presentation from the awards can be viewed from YouTube.

The International Society of Sugar Cane Technologists factory workshop titled Technologies for profitable cogeneration included participants from Brazil, Colombia, South Africa, Reunion, India, England and more. It provided a great opportunity for Australian technologists to gain first hand information about cogeneration issues, approaches and solutions in many other parts of the world. The workshop also showed the value of the research team from Sugar Research Institute at the Queensland University of Technology. Yet again, Floren Plaza, Ross Broadfoot, Geoff Kent and Anthony Mann and their team gave dynamic presentations on their research that showed direct relevance to industry and a very good use of SRDC funding. Their presentations also showed the need to maintain the impetus of research in the milling sector and support for this team, as other countries are investing strongly in infrastructure and research staff.

It is events like these that highlight the high calibre of researchers supporting the Australian sugarcane industry and the difference they make to industry productivity and viability. It also demonstrates the benefits of the Australian Government's leveraging funds that allow more research to be done without additional industry contributions, particularly in bad seasons such as the one we have just had.

Everyone in the sugarcane industry has been invited to contribute their thoughts to a process supported by the Australian Sugar Industry Alliance (ASA) that is looking at mechanisms to improve the delivery of sugar industry research, development and extension. The ASA commissioned Port Jackson and Partners to review the current R&D structures and processes and recommend future directions. This next stage is looking at the report recommendations of the review and seek comment from industry on their preferences, ideas and observations about the document. Comments are to be sent to sandra.welsman@frontiers.net.au Copies of the review document are available from Canegrowers and the Australian Sugar Milling Council.

The government's response to the Productivity Commission's - Review of Rural, Research and Development Corporations (RDCs) was released on 15 June. SRDC was happy to hear the Government's decision to maintain funding of Research, Development and Extension (RD&E) programs across all 15 RDCs. We are pleased the Minister is voicing his support and faith in the ability of the RDCs to deliver critical research programs. Research is vital to the productivity and competitiveness of Australia's rural industries – without it we cannot meet future challenges. Read media release view Productivity Commission's Report

SRDC's next Call for RD&E projects opened on 17 June 2011. This call will target specific areas for investment in line with the National Sugar Industry RD&E Strategy and industry identified research priorities for 2012. We have also started advertising for project proposals for Grower Group Innovation Projects, Scholarships and Capacity Building Projects. Full details on how to apply for SRDC funding, the assessment process, guidelines and forms will be made available from the apply section of the SRDC website shortly www.srdc.gov.au.

Recently, the Minister for Agriculture, Fisheries and Forestry Senator the Hon. Joe Ludwig announced the appointment of six Directors to the SRDC Board. The new SRDC Board met for the first time in Brisbane this week with Steve Guazzo appointed Deputy Chairman and Athos Yannakou appointed head of the Audit committee. Profiles of SRDC Board Directors can be viewed from the SRDC website.

I wish to thank past SRDC Board members Ian Sampson, Tony Pressland, Caroline Coppo, Michael Braude, Angela Williams, and David Campbell for their commitment and dedication to the SRDC Board over the past three years.

SRDC Board Directors appointed

SRDC Chairman Ian Causley has welcomed the appointment of six skilled Directors to the SRDC Board for a three year term (2011 to 2014).

This Board is well-equipped to offer qualified and considered advice to support SRDC operations and future industry challenges facing the research and development sector", Mr Causley said. "I am pleased the SRDC Board is a diverse group of qualified professionals with expertise across finance, research, environmental sustainability, government policy, milling and growing sectors", Mr Causley said.

Directors include: - Mr Steve Guazzo - Deputy Chairman - Dr Anthos Yannakou - Audit Committee Chairman - Dr Paul Donnelly - Ms Lindy Hyam - Mr Jay Venning - Dr Tracy Henderson

SRDC Events Diary

10-11 Aug - SRDC Board field trip, Mackay

19 Aug - Applications close for SRDC funding of RD&E projects commencing in 2012

24 Aug - SRDC Board meeting

02 Sep - Applications close for SRDC funding of Grower Group Innovation Projects commencing 2012

02 Sep - Applications close for SRDC funding of Capacity Building Projects commencing 2012

02 Sep - Applications close for SRDC funding of Scholarships commencing 2012

SRDC calls on the world's top researchers to focus on sugarcane RD&E

SRDC is calling on researchers to submit new research, development and extension (RD&E) proposals for activities commencing from 1 July 2012.

SRDC Executive Director Annette Sugden said priority will be given to projects which contribute to changes in sustainable productivity in sugarcane growing, harvesting and/or milling. "If you are applying for SRDC project funding, it is advised that you read the National Sugarcane Industry Research, Development and Extension Strategy as project applications should address one of ten themes outlined in the strategy", Ms Sugden said.

Research themes

In this funding round, higher weighting will be given to the first four research themes listed (not in priority order), however applications addressing any of these ten themes will be considered.

1. Improving farming, harvesting and milling systems
2. Variety improvement
3. Adopting best practice
4. Enhancing environmental and social performance
5. Biosecurity
6. Resource input efficiency
7. Value chain efficiency
8. Alternative and complementary products from existing production systems
9. Analysis and benchmarking of business practices
10. Adaptability and risk management.

SRDC works in partnership with the Australian sugarcane industry and the Australian Government to foster an innovative and sustainable sugarcane industry, through targeted investment in research and development.

"SRDC is charged with the responsibility of investing limited financial resources as effectively as possible, so it's our role to make sure projects generate advances in industry profitability and sustainability", Ms Sugden said.

To apply for SRDC funding of a research project, applicants need to email their expression of interest application form to SRDC via email apply@srdc.gov.au by 19 August 2011.

Other types of projects funded by SRDC, including Grower Group Innovation Projects, Capacity Building Projects and Scholarships, will be advertised on the SRDC website www.srdc.gov.au with applications due to SRDC via email to apply @srdc.gov.au by 2 September 2011.

"I encourage those interested in applying for SRDC project funding to view the SRDC website www.srdc.gov.au for full details on the application process or contact an SRDC Investment Manager on phone: (07) 3210 0495", Ms Sugden said.

Stars shine at SRDC Innovation Awards

Australia's top research scientists were put in front of the spot light at the SRDC Innovation Awards at the ASSCT conference in Mackay on 5 May 2011. SRDC Executive Director Annette Sugden said winners of the five awards categories were won by dedicated researchers who are committed to ensuring the Australian sugarcane industry maintains a competitive edge.

The winners of the awards were:

Research Group Innovation Award ($10,000 grant) - BSES Limited's Six Easy Steps program

Individual Research Scientist Award ($5,000 grant) - Dr Prakash Lakshmanan, BSES Limited

Individual Long Service Award ($3,000 grant) - Mr Robert Quirk

Grower Group Innovation Award ($10,000 grant) - Mackay Fibre Producers

Individual Research Technician Award ($5,000 grant) - Phil Lethbridge, BSES Limited

Irrigation Australia Conference, Tasmania 22nd - 25th August 2011

Sugarcane growers are encouraged to apply for travel support grants (up to $2,000 each) to attend the Irrigation Australia Conference in Launceston Tasmania from 22nd August to 25th August 2011.

As SRDC is one of the partners involved in the National Program for Sustainable Irrigation, we are pleased funding has been set aside to allow some growers to attend the National Conference.

The criteria for obtaining travel funding support includes:

1. Willingness to share information gained at the Conference with others from their region and an ability to do this through personal contact as well as other mediums.
2. A knowledge of irrigation research and extension and an interest in continuing investment in development of technologies and ways of improving water use efficiency/productivity.
3. Irrigation farmer (or employee)

To apply send a letter addressing the above criteria to Dr Guy Roth, Coordinator of the National Program for Sustainable Irrigation guyroth@roth.net.au

Contact:

National Program for Sustainable Irrigation ph: 02 6792 5340 or www.npsi.gov.au or view details about the Irrigation Australia Conference from www.irrigation.org.au

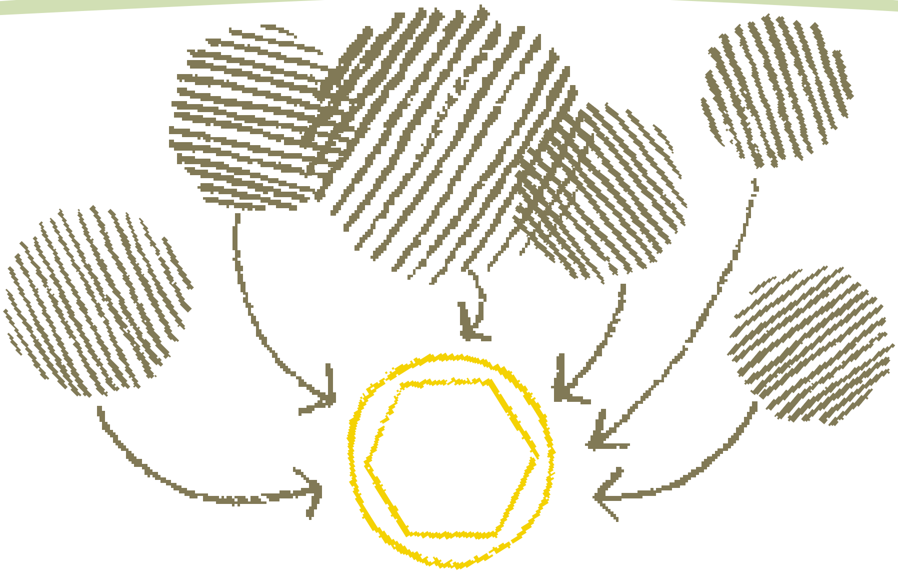
SRDC Update - Mackay Fibre Producers trial alternative rotation crops

The idea of planting legume crops in rotation with sugarcane is not new, however, a group of growers from Mackay have been trialling fibre crops to determine if these crops will perform better than legume crops used in the region in the past.

The use of a rotation crops is considered good farming practice where canegrowers plant a break crop in between the cane cropping cycle to rejuvenate crop conditions. Traditionally, legume crops such as soybeans have been planted as break crops for sugarcane.

The Mackay Fibre Producers group formed in 2002 with the aim of evaluating the validity of legume rotation crops, and studying the benefits of introducing fibre crops to break the cycle of growing sugarcane in the Mackay region.

The Mackay Fibre Producers group is made up of six farming enterprises who all share the common vision of increasing the variety of crops to plant in rotation with sugarcane. The group conducted both an economic and agronomic assessment of three new fibre crops, Kenaf (Hibiscus cannabinus), Sunn Hemp (Crotalaria juncea) and Industrial Hemp (Cannabis sativa), and commenced a trial of these crops across seven sites in the Mackay region.



Election of Grower Members 2011

Nominations are now being sought from persons wishing to seek election as a grower member of QSL.

Elected Holders contribute to the interests and future of the Australian sugar industry by attending QSL's general meetings and voting on matters put to those meetings. Elected Holders are appointed for a period of three years. The position is unpaid.

Growers in each mill area may elect **a number of** Elected Holders in proportion to the size of the mill area. A mill area includes all sugar cane farms where the growers supply to a mill under an agreement:

MILL AREA	NUMBER OF REPRESENTATIVES
Rocky Point, Maryborough, Isis, Plane Creek, Proserpine, Tully, Mulgrave, Mossman, Tableland	One for each mill area, nine in total
Northern region (South Johnstone mill area)	One
Southern region (Bingera and Millaquin group of mills)	Two
Herbert River (Victoria and Macknade group of mills)	Two
Central region (Farleigh, Marian and Racecourse group of mills)	Three
Burdekin region (Kalamia, Invicta, Pioneer and Inkerman group of mills)	Four

To be eligible for nomination as a QSL Elected Holder, a person must be a **grower** – someone who supplies sugar cane under contract to a mill.

For more information about the role, please visit www.qsl.com.au, or contact QSL on 07 3004 4400 or at info@qsl.com.au.

Nomination forms can be obtained from QSL (contact details above), your local mill or local ACFA representative.

Signed nomination forms must be returned by post and received by QSL by 5:00pm Tuesday 2 August 2011, addressed to:

QSL
Attention: Company Secretary
GPO Box 891
BRISBANE QLD 4001

Voting will be held if there is more than one nomination for each vacancy. Further information will be made available if a vote is required.

Carbon tax

On Sunday 10 JULY 2011, the Prime Minister, in her Address to the Nation, set about explaining why the Government is putting a price on carbon and what this means for Australians.

The Prime Minister stated that:

‘Around five hundred big polluters will pay for every tonne of carbon pollution they put into our atmosphere.

‘By 2020 this will cut carbon pollution by 160 million tonnes a year.

‘And because some businesses will put prices up, there will be tax cuts, increased pensions and increased family payments.

‘From 1 July next year, big polluters will pay $23 for every tonne of carbon they put into our atmosphere.

‘By 2020 our carbon price will take 160 million tonnes of pollution out of the atmosphere every year.

‘That’s the equivalent of taking forty five million cars off the road.

‘Some of the cost paid by big polluters will be passed through to the prices of the goods you buy.

‘Most of the money raised from the carbon price will be used to fund tax cuts, pension increases and higher family payments. These will be permanent, matching the carbon price over time.

That’s why 9 in 10 households will get a combination of tax cuts and payment increases. For almost 6 million households this will fully meet the average extra costs.

‘And of these, 4 million Australian households – including every older Australian who relies solely on the pension – will get a “buffer”, with the extra payments being 20 per cent higher average extra costs.’

The Government claims that it will take special measures to support jobs and keep Australia competitive internationally. And some of the money paid by polluters will also fund billions of dollars of investments in clean technologies like solar, wind and geothermal.

‘All up, the carbon price will support $100bn worth of investment in renewables in the next forty years.’

Opposition Leader Tony Abbott's Response to the Carbon Tax

In his address to the nation in response to the carbon tax plan, the opposition Leader Tony Abbott made the following point, among others;

‘This carbon tax is a bad idea because everything will cost more: at $23 a tonne, power prices will immediately rise by 10 per cent and the cost of living of average households will rise by $515 a year that you can’t afford.

‘The Prime Minister says that most families will be compensated but you can’t compensate people who lose their jobs and the compensation won’t keep pace as the tax goes up and up and up.

‘Even on the Government’s own modelling, millions of Australians will be worse off – including a single income family with one child on just average weekly earnings.

‘The whole point of this carbon tax is to make coal, gas and oil more expensive.

‘The price signal won’t work if the price isn’t high. The tax doesn’t work if it doesn’t hurt.

‘It has to make turning on your heater more expensive and make using transport more expensive to work.

‘Under a carbon tax, Australians won’t use less steel, aluminium, and cement – we will just import them from countries without a carbon tax and without any plan to reduce their own emissions.

‘The world’s emissions won’t change at all but Australia will have fewer jobs because there is no such thing as a solar-powered steel mill, a wind-driven motor manufacturing plant, an electric passenger plane or cheap base load power other than from coal or gas.

'The Coalition's plan to cut emissions means more trees, better soil and smarter technology.

'Over the past 15 years, Australians have reduced their emissions intensity by nearly 50 per cent by using energy more efficiently.

'I've seen farms that have captured thousands and thousands of tonnes of carbon by moving from chemical to organic fertiliser.

'I've seen power generation that actually reduces emissions because it burns what would otherwise rot in landfills.

'None of this needed a carbon tax. In fact, a carbon tax would make this kind of innovation harder.

'This is the kind of innovation and ingenuity that our plan would fund.'

The National Farmers' Federation Response to the Carbon Tax

The National Farmers' Federation (NFF) has acknowledged moves by the Government to reduce the cost burden for Australian farmers from the carbon tax and to assist agriculture develop genuine carbon mitigation options through new R&D.

NFF CEO Matt Linnegar said, "Confirmation that agriculture will not be covered by the carbon tax, that agricultural fuel will be removed from the scheme, that more than $400 million will be invested into agricultural carbon mitigation R&D and extension, and that support for primary food processors will be provided to transition to a low emissions future, demonstrates the Government has been listening. "We are pleased to see movement in each of these areas, as well as measures to support non-Kyoto compliant CFI credits and to reward on-farm biodiversity projects," Mr Linnegar said.

"However, despite today's concessions, independent research by the Australian Farm Institute over recent months has highlighted that additional costs from electricity and other indirect energy related sources will remain embedded in the carbon tax for all Australian farmers.

"This research shows that even with fuel excluded, the average Australian farmer will still incur an additional $1,500 a year in costs under a carbon price of $23 per tonne, eroding their net farm income by 2.4 percent.

"These costs will erode the competitiveness of the agricultural industry in the domestic and international markets on which we depend.

"As the recent Productivity Commission review highlighted, across the world, countries are developing climate policies that recognise the importance of agriculture and deliberately prevent any additional costs being added into their farmers' businesses.

"For these reasons, the NFF and our members remain opposed to the carbon tax," Mr Linnegar said.

"We also remain extremely concerned about the treatment of fuel. While we have today seen that agricultural fuel has been excluded from the carbon tax, we are concerned that heavy-vehicle fuel will only be excluded for a two year period, and that any future review of fuel excise could add additional costs into farm businesses.

"We will be critically analysing the information provided today, and working with all sides of politics to ensure our concerns are heard as the carbon tax goes before Parliament," Mr Linnegar concluded.

Minister for Agriculture, Fisheries and Forestry Senator Joe Ludwig on the Governments Securing a Clean Energy Future' climate change plan

The **'Securing a Clean Energy Future'** climate change plan announced by the Prime Minister will cut pollution, drive investment, and help to ensure Australia's prosperity in the low pollution world of the future. The plan includes a fixed carbon price starting at $23 tonne from 1 July 2012, transitioning to a full emissions trading scheme on 1 July 2015.

As previously announced, direct emissions from agriculture, fisheries and forestry will be excluded from the carbon price. This means that there will be no requirement for farmers to pay for emissions from livestock, fertiliser use or land use change.

In addition, to help reduce cost impacts for farmers, foresters and fishers, fuel use within the sector, which currently attracts fuel tax credits, has been excluded. Light on-road vehicles will be exempt, and heavy on-road vehicles will be exempt initially. It is the Government's intent to cover heavy on-road vehicles from 2014-15.

The Government has also committed $150 million to assist food processors to implement energy efficiency measures or low emissions technology, including switching from coal to gas.

To recognise the important role the land sector has in continuing to address climate change, the government has introduced the Carbon Farming Initiative (CFI). To provide low cost abatement to entities liable under the carbon price, the government has decided to link the CFI with the carbon price mechanism. This will encourage demand for offset credits.

A $1.7 billion Land Based Sector Package has also been announced. This package will support farmers to take climate change action, and includes the following initiatives:

The new $429 million Carbon Farming Futures Program which includes:

- $201 million Filling the Research Gap which will provide competitive grants funding to support research into emerging abatement technologies, strategies and innovative management practices that improve soil carbon and reduce greenhouse gas emissions and enhance sustainable agricultural practice.
- $99 million Action on the Ground which will provide grant funding to regional landholders and research, industry and farming organisations across Australia to undertake projects to implement innovative management practices to achieve sustainable outcomes, reduce emissions and boost soil carbon stores. Grants will be available to landholders to take action on the ground including testing new ways to increase soil carbon.
- $64 million over its first six years for Extension and Outreach activities to provide information and support to landholders in integrating carbon management into farm planning; new research and farm techniques; and improving productivity and farm sustainability.
- $20 million to convert this important research into practical methodologies which are recognised under the Carbon Farming Initiative.
- A 15% tax offset to encourage the uptake of conservation tillage farming techniques.

A $250 million Carbon Farming Initiative-Kyoto Carbon Fund for the purchase of non-Kyoto carbon credits generated through the Carbon Farming Initiative.

A $22 million ongoing Indigenous Carbon Farming Fund to assist Indigenous communities to benefit from the Carbon Farming Initiative.

A $44 million Regional Natural Resource Management Planning for Climate Change Fund for the development of natural resource management plans to guide where carbon farming projects should be located in the landscape.

A $4.2 million Carbon Farming Skills Program to develop a new, nationally accredited qualification for carbon service providers who will connect farmers and landholders to the Carbon Farming Initiative market.

A $946 million Biodiversity Fund which will fund farmers and land holders to undertake projects such as revegetating areas of high conservation value, managing and protecting biodiverse ecosystems and action to prevent the spread of invasive weeds; and

A $4.4 million Land Sector Carbon and Biodiversity Advisory Board.

These important initiatives will assist farmers and land managers to use their skills, experience and knowledge of the land to lower carbon pollution and be rewarded for their efforts.

Full details on the Land Sector Package can be obtained from the Clean Energy Futures website: www.cleanenergyfuture.gov.au.

Proserpine

On 3 June 2011, Proserpine Co-operative Sugar Milling Association Limited (PCSMA) announced that it had entered into an agreement with Wilmar International Limited's Australian-based sugar subsidiary, Sucrogen, for the sale of all of the business assets of PCSMA, on a debt and cash-free basis, for A$115 million. PSM made the announcement to growers in a meeting called ahead of the 9 June AGM.

PCSMA is a co-operative sugar mill, wholly owned by its grower members. It is Australia's 5th-largest raw sugar mill, with a current sugar cane crop of around 1.75 million tonnes of cane.

The agreement is subject to the approval of PCSMA members, the Australian Competition and Consumer Commission (ACCC) and the satisfaction of other customary conditions precedent.

Sucrogen currently owns and operates seven sugar mills in North and Central Queensland, producing almost half of Australia's raw sugar total supply.

PCSMA CEO John Power said the sale of PCSMA would secure the future of the Proserpine Sugar Mill and the sugar industry in the Proserpine area.

"Sucrogen has a significant presence in the Australian sugar industry in raw sugar production, sugar refining, ethanol and liquid fertiliser production," he said.

"They currently process about 15 million tonnes of cane and manufacture over two million tonnes of raw sugar annually.

"Being part of the Sucrogen group will ensure the sugar industry in Proserpine will grow and prosper and that all stakeholders will have a secure future."

Mr Power said Sucrogen's vision was to grow the business and invest in the local area.

"Sucrogen is a good fit for Proserpine and will ensure that the potential in the region for expansion of the cane-growing area and increase of cane to the mill as recently seen in Sarina and Burdekin regions," he said.

"This will benefit all local sugar industry stakeholders and ensure the industry thrives.

"As part of the sale, Sucrogen will honour all existing cane supply agreements and community support projects and provide continuing employment for all staff and employees."

PCSMA Chairman Lou Raiteri said the Board of PCSMA had investigated a number of different options with the advice from lead adviser Peter Bishop of Crowe Horwath with legal advice provided by HopgoodGanim. The Board believes the Sucrogen offer represented fair value, considering what was being offered for similar assets in Tully.

"The offer from Sucrogen will secure the mill for growers and employees, going forward, and ensure access to sources of capital and sugar expertise to sustain the future growth and prosperity of the sugar mill," he said.

"In addition, members of the co-operative will also receive a much-needed cash return for their share of the co-operative."

Mr Raiteri said the final decision rested with the members, who would have several weeks to consider Sucrogen's offer before they would vote on a special resolution, by postal ballot, to sell the assets. This was expected to be held in late July.

"We recognise this is a major decision for our members and we will ensure that they are provided with as much information as possible to allow them to make an informed decision," he said.

"There is a long history at Proserpine of grower ownership and control. However, we need to recognise that times have changed and we need to move with the times if we are to secure the future of the sugar industry in Proserpine."

Tully Sugar

On 8 July Tully Sugar Chairman Dr Ralph Craven wrote to shareholders that, 'Tully Sugar was notified on 5 July 2011, that COFCO had acquired 61.25% of Tully Sugar shares.

The most recent notice from Mackay Sugar indicated that it had acquired approximately 30% of Tully Sugar shares. As Bunge has indicated its intention to sell its relevant interest in Tully Sugar to COFCO, Bunge will have no shareholding in Tully Sugar.' This is now the finale of a five month bidding war to take Tully mill.

Rival bidder Mackay Sugar wrote to its members, 'The offer made by Mackay Sugar to Tully Sugar shareholders was an offer that made sense for Mackay Sugar, and one that we believe offered value to the growers in Tully. However, the one dollar difference between the Mackay Sugar, Bunge (both at $43), and COFCO ($44) offers, seems to have been the determining factor with Tully Sugar shareholders (many ofwhich were dry shareholders).'

'COFCO's final position was also supported by Bunge's decision to withdraw from the contest and sell their portion of shares to COFCO on 4 July. The Board is now considering our options and the opportunities a significant stake in Tully presents.'

Mackay Sugar to bid for Proserpine

After losing out in Tully, Mackay Sugar has turned its attention to neighbouring Proserpine mill. Mackay's letter to members states, ' In respect to Proserpine – we have aspirations to have Proserpine Co-operative Sugar Milling Association Limited (PCSMA) form part of our vision to create a larger Australian sugar business that fosters strong grower involvement. '

On Thursday 16 June and 21 July, Mackay Sugar held grower meetings to explain their intentions.

Mackay has written to Proserpine members making the follow points, among others;

Proserpine and Mackay conducted merger discussions which were terminated by Proserpine in December 2009. In December 2010, upon an urgent request for Proserpine, Mackay paid cash for Proserpine's molasses stocks. Recently, Mackay provided process syrups to assist Proserpine to start up for the 2011 season. Mackay's proposal for a large Australian-owned sugar company was not reliant on a successful bid for Tully. Any acquisition of Proserpine requires the approval of Proserpine members.

Mackay is in a strong financial position. Mackay is restricted from conducting due diligence in the short-term because of the prescriptive form of the offer from Willmar. The only way Mackay can make an offer is for Proserpine members to vote against the Willmar offer.

Proserpine CEO pulls up stumps

Proserpine CEO John Power announced his resignation early July. According to the Whitsunday Coast Guardian 'he sees a future in co-operatives, just not in the sugar industry'.

Sugar Australian Imports Sugar

Bloomberg reports that Sugar Australia, owned by Sucrogen, imported sugar for a second time in three years to meet domestic demand after cyclone Yasi in February and the wet 2010 season cut supply. The company purchased 42,000 metric tons of sugar from Thailand in April and 26,000 tons from Brazil in May 2011.

Maryborough Sugar

Mitr Phol Increases Holding in Maryborough Sugar

On 7 June 2011, Thai sugar company Mitr Phol informed Maryborough Sugar that Mitr Phol's subsidiary Mitr Siam International has increased its holding in Maryborough to 22.01%.

Maryborough Sugar Serves Notice To Withdraw From QSL Marketing Arrangement In 2014

On 28 June 2011 MSF Sugar Limited ("MSF") forwarded to Queensland Sugar Limited ("QSL") a notice advising them it will not be taking up its option to further extend its raw sugar marketing arrangements under the Raw Sugar Supply Agreement ("RSSA") between the two organisations.

MSF has been conducting its own independent sugar marketing for all of its production since industry deregulation in 2006. The sugar production obtained in the acquisition of the Bundaberg Sugar Ltd ("BSL") northern milling assets in April 2011, had an obligation to retain BSL's existing raw sugar marketing arrangements with QSL until at least the notice period provided under the RSSA, which is the completion of the 2013 season.

The effect of MSF not exercising its option is that raw sugar currently supplied to QSL from the South Johnstone and Tableland Mills for them to market will cease from June 2014.

MSF's CEO, Mr Mike Barry, said "This decision to provide notice under the agreement was reached after canvassing a range of views from our growers and other stakeholders but it is in keeping with our current strategy to control the marketing of raw sugar produced from our mills. We have developed a proven track record in the marketing of our sugar and it removes a degree of uncertainty at a time when the sugar industry is undergoing fundamental changes in its structures and participants".

ACCC investigates

ACCC investigates Sucrogen's proposed acquisition of Proserpine Co-operative

The Australian Competition and Consumer Commission (ACCC) is currently examining Sucrogen Limited's proposed acquisition of the business assets of Proserpine Co-operative Sugar Milling Association Limited .

The ACCC is currently considering the proposed acquisition under section 50 of the Competition and Consumer Act 2010 (Act). Section 50 of the Act prohibits acquisitions that substantially lessen competition in a market, or are likely to do so. The ACFA has made a submission.

ACCC investigates the conduct of mills regarding the QSL 2010 season shortfall

After extensive consultation with members and other parties, the ACFA requested the ACCC to investigate the conduct of mills regarding the QSL 2010 season shortfall. The ACFA understands that the ACCC has contacted QSL and the relevant mills asking a series of in-depth questions.

The complaint was triggered by the actions of milling regarding the RSSA, the Raw Sugar Supply Agreement between Queensland Sugar Limited (QSL) and the seven milling companies who supply it.

The RSSA sets out this relationship, down to what should happen if pools are caught short and therefore, where losses are to be channelled. In a season such as 2010 where some mills were unable to deliver their committed tonnage, requiring adjustment to the seasonal pool, the costs or benefits from settling futures positions should have been allocated to the pricing platform pools, according to the RSSA.

However in late 2010 when there was a cost of \$105.5milion to allocate to the pricing platform pools, some mills with little exposure to the seasonal pool wanted to novate the RSSA with QSL and allocate these costs to the shared pool and therefore over all tonnes. ACFA argues that this is not fair because in October/November 2010, the seasonal pool had already absorbed its share of costs, amounting to around \$32 million above and beyond the \$105.5 million. The seasonal pool was thus expected to take a second hit. In March 2011, the mills and QSL agreed to amend the RSSA with respect to the 2010 season, triggering the new and unfair allocation of costs.

World's first certified mill reinforces Brazilian sugarcane industry's commitment to sustainability

The first certification in the world for a sugarcane processing unit under the new Bonsucro sustainability standard, granted on June 21 to a Brazilian mill, reinforces the sustainability performance of the country's sugarcane industry and will serve as a stimulus for additional mills to obtain certification.

The assessment, following the certification of the Maracaí mill, located in São Paulo state and part of the Raízen Group, was made by the Sustainability Manager at the Brazilian Sugarcane Industry Association (UNICA), Luiz Fernando do Amaral.

"This first certification reflects the strong engagement of Brazilian companies with production methods that increasingly meet the requirements of a modern world. This is one of the several existing mechanisms to differentiate products, facilitating their global commercialization and consolidation," said Amaral.

The development of certification standards for products such as ethanol and sugar has been intense in recent years, with several initiatives from companies, NGOs and governments surfacing around the world along the lines of the Bonsucro effort. UNICA has been an active participant in this process, supplying information and contributing with data and expertise. UNICA President and CEO Marcos Jank sees certification becoming a sort of passport or stamp of approval: "This will be essential for the Brazilian product to become an international commodity."

Intensive work

According to Luiz Eduardo Osório, Vice-President of Sustainable Development and External Relations at Raízen, all of his company's 24 mills will be certified under Bonsucro by the 2017/2018 sugarcane harvest and four mills should receive certification by the end of the current harvest. For now, 1.7 million tons of sugarcane, 130 thousand tons of sugar and 63 million liters of ethanol produced by the Maracaí mill meet the Bonsucro Production Standard.

Bonsucro General Manager David Willer described the first certification of a sugarcane processing mill as "the conclusion of five years of intense collaboration between the world's biggest sugarcane producers, corporations and influential NGOs". Originally called Better Sugarcane Initiative, or BSI, Bonsucro was set up in 2009 to develop production standards, to establish social and environmental principles and criteria for sugarcane production around the world. The London-based multi-stakeholder and nonprofit organization includes producers, traders, retailers and investors committed to the continuous improvement of the sugarcane industry.

New members

Among UNICA member companies, Raízen and Cevasa, controlled by Cargill, are already members of Bonsucro. Others joining the effort include ETH Bioenergy, a member-company of the Oderbrecht Group; São Manoel and Zilor, both associated with Copersucar; Renuka, controlled by India's Shree Renuka and Petrobrás. All have submitted membership applications and are waiting for approval from the Bonsucro Board. Non-government organizations and companies already affiliated with Bonsucro include WWF, Ethical Sugar, Solidaridad, Cargill, Bacardi, Cadbury Schweppes, BP and Coca-Cola.

On 19th of July 2011, the board of Australian Cane Farmers unanimously decided to apply for membership of Bonsucro. The ACFA believes that membership is beneficial to ACFA and its members as the world's major sugar buyers are now members. ACFA's membership in Bonsucro provides opportunities for ACFA members but does not obligate them to seek membership or accreditation.

Revised projection shows reduction in South-Central Brazil sugarcane harvest

The Brazilian Sugarcane Industry Association (UNICA), together with the Center for Sugarcane Technology (CTC) and other associations in the South-Central region of Brazil, completed a review of their estimate for the 2011/2012 sugarcane harvest.

The revised forecast points to a total cane crush of 533.50 million tons, a 6.16% decrease over the original estimate announced in March of 2011 (568.50 million tons), and a 4.21% drop compared to the total amount of cane harvested at the end of the 2010/2011 season (556.94 million tons).

In UNICA's evaluation, the main factors that led to the reduction were:

- Advanced age of sugarcane fields – the lower renewal rate of cane fields in recent years, combined with a reduction in maintenance and upkeep in some regions, lead to a drop in the productivity of the area to be harvested, as older cane fields produce lower yields. This aspect was considered in the original harvest forecast announced in March;
- Reduced rainfall - the lengthy dry period observed between April and August of 2010, with rainfall well below historical averages, coupled with a "veranico" (a period of unseasonably warm weather) in May of this year, severely hampered plant development. The impact of these adverse weather conditions on agricultural productivity has proven to be more severe than originally expected.

Data compiled by the CTC shows that agricultural productivity of the harvested area to date stands at 76.0 tons per hectare, down 19.66% over the same period a year ago (94.6 tons per hectare).

According to UNICA Technical Director Antonio de Padua Rodrigues, greater availability a year ago of what is known as "bisada" cane (cane that could not be harvested in the prior season) helped to increase average productivity in South-Central Brazil. "However, even if we disregard the amount of "bisada" cane available this season, productivity of the harvested area to date is 13.8% lower than that in the 2010/2011 harvest," said the executive.

- Unexpected aspects – some variables observed in the current harvest were not considered in the original projection. These include flowering and frost.

The flowering of sugarcane, a phenomenon induced by specific temperature, humidity and solar radiation conditions, has occurred in some producing regions, mainly in the states of São Paulo, Goiás and Minas Gerais. This condition is not desirable in commercial cane fields, because the flowering plant directs energy to its own propagation, which reduces both agricultural productivity and the concentration of sugars in the cane stalks.

Beyond flowering, some sugarcane regions, especially in the states of São Paulo, Mato Grosso do Sul and Paraná, were damaged by frost in late June, which compromised the availability of cane for crushing at several mills. Losses range from the "burning" of sugarcane tips, which inhibits growth, to severe damage to plant tissue.

Fungal diseases such as rust and curvularia, a type of mold, are also being monitored, although they were not yet a significant factor in the downward revision of the forecast for the current harvest. Depending on moisture conditions in coming months, productivity may be affected in areas to be harvested that include cane varieties susceptible to these diseases.

According to Rodrigues, the current situation imposes an additional challenge to any forecasting exercise: "In addition to an imbalance in the harvested areas, atypical climate conditions and varying physiological responses by the crop hinder the use of parameters established with data from past harvests."

"The situation requires continuous monitoring of field conditions over the next three months, during which about 45% of overall production will take place. We will closely monitor these developments and, if necessary, further adjustments and corrections to our harvest projection will be announced," he added.

Sugar and Ethanol Production

Of the overall revised forecast for the 2011/2012 season, UNICA estimates that 46.94% of the harvested cane will be directed to sugar production, a slight increase over the 45.56% in the original March projection.

As in previous years, most of the cane harvested this season (53.06%) will be used for ethanol production.

Sugar production is now projected to reach 32.38 million tons, down 6.36% from the original estimate and 3.35% from the 33.50 million tons produced in the 2010/2011 season.

Ethanol production is expected to total 22.54 billion liters, down 11.61% compared to the volume projected initially and 11.19% below the 25.38 billion liters reached in the previous harvest.

"Basically, the new crushing and ATR levels should translate into a reduction of 2.2 million tons of sugar and nearly 3 billion liters of ethanol compared to the initial projection for this season," said Rodrigues.

Of the 22.54 billion liters of ethanol to be produced this season, 13.99 billion will be hydrated and 8.55 billion will be anhydrous ethanol - enough to meet domestic market needs considering the 25% blending level of ethanol in gasoline currently in force, without taking into account the possibility that additional ethanol may be imported.

Regarding the level of ethanol blended with gasoline, ethanol industry representatives have participated in multi-stakeholder meetings set up by the federal government, where producers, distributors and government officials are continuously monitoring production and consumption levels for both ethanol and gasoline.

Rodrigues says the regular meetings have allowed for dialogue and discussion between the government and all market players, in an attempt to anticipate possible supply problems during the inter-harvest period and provide all necessary support for the government to make informed decisions in relation to the fuels market, especially with regard to ethanol supplies.

Sugar & Ethanol Markets

Under the revised harvest projection, sugar exports are expected to reach 23.13 million tons this season.

Ethanol exports, in turn, should experience a drop of 23.60% compared to the year before, totaling 1.35 billion liters for the 2011/2012 season.

According to UNICA's Rodrigues, "most of the exports refer to commitments made in the past that need to be met this season."

Quality of the Raw Materials

The same conditions that have caused a drop in sugarcane productivity have impacted the quality of the harvested raw material.

By the end of June, the amount of ATR (total recoverable sugars) per ton of cane was 2.80% lower than in the same period of the 2010/2011 harvest (126.82 kg ATR / ton).

The revised estimate indicates an ATR of 135.70 kg per ton of cane, compared to 140.11 kg projected in March and 140.50 kg observed in the previous harvest.

"The concentration of sugars in the plant should remain below last season's rates and our view is that current conditions will not allow for an adequate response by the plant in terms of ATR," assesses Rodrigues.

Mossman region

Gerard Puglisi
Northern Region Director

Well what a difference a couple of dry months make. Since April 10th to the start of June the Mossman region has only recorded around 45mm of rain. Most of the farmers in the area are now full swing into preparing their fallow for planting or are close to finishing their early plant. The main varieties that have been planted are Q208, KQ228 and Q231. It has also been a busy time for our contractors preparing for the harvest.

Mossman Mill started crushing on Wednesday the 15th of June. The final grower estimate is now in, and the Mossman Mill will start with a crop estimate of just over 517,000t. The area to be harvested is 7,319ha with 1,433ha of this total under plant cane. This estimate may be a little high and a figure closer to 470 000 – 480 000 is more likely. Time will tell and by my next report I will have a better idea of a final figure.

The dominant variety in the Mossman area is still Q200, with 2380ha of the total area and the next major variety being Q220 with 608ha of the total area.

Hopefully the weather will be kinder to us this year, then last year. Forecasters are now leaning toward a more average weather pattern for the remainder of the 2011 season. The recent colder than normal days at the end of April and into the start of June will hopefully boost up our early CCS, and we are hoping for a CCS close to our 5 year average of 12.8.

I would like to remind and encourage farmers to participate in this year's 'Mossman Next Generation' Cane Display to be held at the Mossman Show. Farmers are invited to deliver cane to be judged on the Saturday morning of the show. With significant money on offer, it is well worth the effort. For more information please give me a call on 0428 988 136.

Farmers are also reminded that SRDC is calling for new Grower Group Innovation Projects. These projects allow a group of farmers to investigate an issue which they believe will make a difference to farming productivity, sustainability or bottom line. SRDC provide successful Grower Group Projects with a maximum of $80,000 over a 2 to 3 year project.

If you are interested in trialling a new concept or idea, get a group of likeminded farmers together and starting thinking of a project. If you need assistance or more information please contact Joe Muscat on 0439 377 162; Che Trendell on 0439 588 627 or Chris Aylward on 0408 706 611 and good luck.

With the 2011 crush finally here let's hope that the worst of the weather is behind us and we all have a safe crush.

Gerard Puglisi

Northern Director

Tableland, Babinda, Innisfail, Tully

John Blanckensee
Northern Region Director

With the SOI sitting in a neutral phase, the wet tropics have been basking in bright sunshine. The 2011 slack season will go into the record books as a disaster. The early onset of the monsoon season, heavy rain, no sunshine, two cyclones – one was the severe Cat 5 TC Yasi – and a disastrous 2010 season has left most farmers stunned in looking for a way forward.

Ratoon crops and some stand over cane which did not survive the prolonged wet have been ploughed out and are being prepped for replanting, along with fallow ground from the failed 2010 planting. Good quality planting material, especially in the cyclone affected areas, is a rarity and farmers are sourcing plants off-farm. There is further concern over the availability of planting material for plough-out and replant in 2011. Farmers who have planted have commented that they have cut a larger area of plants than the area they are planting.

All mills in the area commenced crushing by the end of June. Due to damage to mill infrastructure from cyclone Yasi, Tully delayed crushing until late June. The Tully mill estimate is 1.5Mt. Maryborough Sugar mills, Mulgrave and South Johnstone started late June. The Mulgrave estimate is 956kt, while the South Johnstone estimate is 958kt. This includes the now closed Babinda mill area. The Tableland mill started in late May, working on an estimate of 680kt.

John Blanckensee

Independent Director

Herbert region

Carol Mackee
Herbet Region Director

Crushing commenced in the Herbert on the 23rd June. The official estimate for the district is 3.1million tonnes. There are signs of optimism in the district as some farmers believe the official estimate to be understated; however, it is a difficult call as there is quite a lot of smut in some paddocks, so only time will tell.

A critical issue for the mill is the standover blocks and Sucrogen is asking farmers to initially harvest some 1-year cane, where possible, to mix with the standover cane, in order to get enough bagasse fuel for the boilers.

A 19 megawatt co generation alternator powered by renewable energy will be on line within the first month of the crushing and will be feeding into the electricity grid. If this is successful then another co-generation plant will be put into the mill at a later date.

While the weather has taken a turn for the better farmers are out preparing their ground for planting, with parts of the district looking quite good, at present.

There is a question mark over the quality of seed that some farmers are using and care needs to be taken when selecting planting material.

Carol Mackee

Herbert Region Director

Burdekin region

Margaret Menzel
Burdekin Director

Looking back to my district report for June, 2010, I am disappointed to note that while mill performance is as poor as last year's, ccs levels are worse for the same period, in 1 year cane (not just in the standover results).

Approx. 45,000 tonnes to date has recorded less than 7ccs and the district average ccs was recorded at 10.78 over a weekly crush of approx 254,000tonnes, totalling around 805,000 tonnes for the season up to 16 June. KQ228 and Q208 standover are still performing poorly in ccs levels, with Q183 and Q171 giving farmers significantly better results.

All of the mills have again suffered breakdown and poor mill availability at around 65%, with Invicta once again recording much lower mill availability than the district average for the other mills this week. Representations to Sucrogen to lift the performance levels and introduce better systems to harvest the district crop, are not receiving positive responses or an understanding of the serious, financial impacts this is having on farmers. Regular meetings will continue throughout the season to try to address these issues.

After just a few weeks, the estimate has been raised to over 10 million tonnes and the season length has already blown out to mid to late December, sparing rain...who are we kidding? This effectively means farmers are likely to be facing another year of standover cane and thanks to the deregulation process, another year of shouldering all risk, little reward and no market power to change the status quo. This is a completely opposite result to the promises given, pre-deregulation.

Another body-blow to local farmers was the announcement on water pricing, hot on the heels of QCA meetings and 'investigations' into fairer water pricing...but ahead of any reporting outcomes. With SUNWATER reducing staffing and services locally, it is impossible for the state government to justify a ballooning Brisbane bureaucracy which has clearly lost touch with the clients they are there to service. Nor can they justify any increases in charges, when farmers are already buying their allocations and forced to pay for water, whether they use it or not.

Since the Queensland Competition Authority report is still not completed, farmers could be forgiven for their justifiable indignation and distaste at the recent announcement by the state government corporation, SUNWATER's announcement of a $2 per megalitre +CPI increase in the price of irrigation water across the state. This is further poor judgement from the state government in the face of the hardship faced by farmers after Cyclone Yasi and more than a year of flooding rains and ongoing mill performance issues. With local farmers already faced with massive water bills, for unused water during periods of flooding, the state government has a responsibility to provide justification for these increases and for their lack of compassion and reasonable support for primary industries after the recent hardships endured by farmers across the state.

Margaret Menzel

Burdekin Director

Central region

Harvesting commenced at Farleigh Mill on Monday 23rd May. By the end of the week there was more supply than required. The following week saw the Marian and Racecourse start up. The sugar has been good for 12 month old cane. The CCS in standover is low, which was expected.

Shed meetings have been held to explain where the Mackay/Tully proposal is at. After the Wilmar announcement about Proserpine, Mackay Sugar stands as one of a few remaining grower-owned milling businesses.

The recent announcement of increased water charges has added to the list of increased farming inputs. With the increased cost of electricity and fuel, the cost of irrigation becomes even more expensive. This combined with the issue of unmet labour requirements weigh heavily on farmers' budgets.

Expressions of interest are sought for the release of Sugarcane tissue culture. This brings about a process of introducing clean seed by accelerating the release and adaption of new varieties and reduces the impact of pest and disease incursions. Applications need to be in for delivery of seedlings in April 2012.

Steve Fordyce

Central Region

Southern region

It is a pleasure to report that harvesting and crushing is off to a promising start in the Southern Region areas of Bundaberg and ISIS. Bundaberg has estimated 1.5Mt and Isis 1.275Mt. Maryborough is reporting good prospects, but have held off until 29th June to allow a little more drying off. Their estimate is 650kt. Rocky Point is estimated at 260kt.

Peter Downes, Maryborough Sugar Factory (MSF), is confident that although other mills have started ,MSF is on track with just a bit of waiting time to ensure cane supply will not be interrupted by wet ground. No major work was necessary to have the mill ready. Recent tests record that the sugar content is acceptable.

The MSF area has the seedling clean plant distribution more fine-tuned these days. Seedlings are available in Spring and Autmn. Peter Downes noted that mostly Autumn distribution is planned. More favourable weather for growing seedlings and time available to farmers are deciding factors.

MSF hopes to increase its throughput , but faces the long term issue of land area available – an all too common problem in the Southern Region. My personal thought is that more leasing will have to be pursued to unlock areas of land-banked, arable land.

Paul Nicol, Chief Field Officer , Isis Central Mill called a near perfect start for Isis. 30,000t crushed from start 8am Monday 20th until Thursday afternoon at around 12.0 CCS is as good as hoped for. Some difficulty with wet ground was noted, but this has so far not slowed the cane supply. The estimate of 1.275Mt expected to go through the rollers has every one ready for a bit of a job , but keen to get into it. The tonnages mentioned show a large Spring planting is planned in the Isis area.

The flooding of the Bundaberg area earlier in the year and the rather bumpy ride with income has made the sight of a rolling cane train very welcome. That CCS levels are in line with the five year average, despite the wet growing season, is apparently due to recent cool dry weather over the area. Continued favourable weather will be the most important ingredient in the mix for a succesful harvest.

Recently Kerry and I visited Cologne Germany where our eldest daughter arranged for me to visit a farm. This was a mixed farm in more ways than one. One hundred or so hectares, about 10km from the Rhine River. This farm was founded in about 50 A.D. It was laid out or down or whatever Romans called their method of setting up,

Mike Hetherington
Southern Director

to supply grain and vegetables to the newly established settlement of Collonia. This was corporate farming in the days of Julius Caesar. Commercial farming is still going on here. Some farm operations mesh with archaeological digs. Bits of history are always bending blades and causing shear-bolt failure on the tines. The city of Cologne has grown and now this is almost urban land, but still supplying. These farmers have had a new cropping system for almost two thousand years!

The Max Planck Institute for plant Breeding Research is also here. Dr. Wolfgang Schuckert was our host for the afternoon. Our daughter , Dr, Rehan Villani, is in a research project which involves human gene research and so at times when the good Drs fell into discussion about sub-molecular 'stuff', I had the chance to see a little of where science is leading us. Having a 'Wissenschaflerin' as company was a bit of a cheat, but great. Wissenschafflerin is a female scientist. I translate this literally as 'Information shuffler, female'. From an 'out in the paddock' point of view, seeing the value of plant breeding to humankind is an almost spiritual experience. The ancient forms of modern food crops are still grown at this Institute and to see so clearly the results of a long-term improvement programme is as previously stated. To try to give some feeling to it, I'd say that what a nuclear bomb is to destruction, good plant breeding is to production. Without this science, we would be starving!

I would take this opportunity to thank Dr Schuckert for his patience with communicating his ideas in a different language. Ideas and principles being much more abstract than a lunch order it was almost like 'paper, scissors rock', getting some things across. While not being directly a sugar story, seeing how science on the other side of the world is conducted, I hope to put the experience to good use whenever R&D in sugar is the topic. The commercial crop grown on the leased area of the farm was… you got it, sugar beet!

So to a new season, with new varieties and full tracks, we tackle 2011!

Michael Hetherington

Southern Region Director

NSW region

Robert Quirk
NSW Director

The three NSW mills started crushing during the week of 20th June. The Richmond and Clarence Mills will have a reasonable crop for 2011 due to their two-year cane. The flooding in late 2010 and early 2011 will show its full effects in 2012, in those two mill areas.

In 2011, Condong has one of the poorest crops in living memory, with a grower estimate of 385,000t. Some farmers – affected mostly by the weather – will harvest between 30-50% of a normal crop.

The Richmond River farmers last year amalgamated four harvesting groups into one. So this year, one group will harvest about 50% of the 735,000t available at the mill – quite a big effort and in my opinion, the way of the future. The Clarence River estimate is a little over 600,000t.

All rivers had heavy rain in mid-June and will have a wet start to the season.

The period from September to December 2010 was the wettest period ever recorded at our mills since records started in the late 1800's. It is little wonder that the crop is small and optimism is not at the highest.

The three rivers' executives along with extension staff have done a wide consultation with farmers. This has shown that farmers who are fortunate to have reasonable to good seed cane are willing to sell it to other farmers. Some are also prepared to go off-farm to do work or planting, to help their fellow farmers back on their feet.

The CEO of the NSW Sugar milling Co-op Chris Connors has made arrangements with the receiver of the co-gen plants at Condong and Broadwater to provide steam to the mills; so as far as the farmers are concerned, it is business as usual this year, in the milling of the crop.

Farmers are looking forward to some fine weather to finish the soy bean harvest and to start the preparation of ground for planting in September.

We are looking forward to getting the crop off this year, so we can start to rebuild the industry for 2012-13.

Robert Quirk

NSW Director

QSL Review of Pooling and Pricing

In 2010, the Queensland sugar industry suffered one of the most extreme weather events in a generation. This extreme weather event resulted in a very challenging 2010 season. A total supply shortfall of 723,000 tonnes of raw sugar generated delivery shortfall issues and costs across the industry.

QSL announced on 9 March 2011 that it would establish a sugar industry working group to conduct an industry-wide review focused on pooling and pricing arrangements (with particular emphasis on the establishment of new RSSAs) better suited to coping with weather related and other production shocks.

It is the intention that the future pooling and pricing solution, as agreed by industry stakeholders, will be delivered and implemented by mid-October 2011.

The intention is to review QSL pooling and pricing arrangements to ensure that they are relevant for the future.

The project is investigating, among other things;

- Collation of industry requirements to form the basis of future pooling and pricing arrangements.
- Coordination, with milling companies and key grower organisations, of the development of and approval process for future pooling and pricing arrangements.
- Implementation of new pooling and pricing arrangements in time for the 2012 season, following all participants' agreement.

Project deliverables will:

- protect the value to the Australian sugar industry provided by the pooling system.
- provide uniformity of contracts between QSL, millers and growers.
- provide greater transparency on and industry input into the forward hedging and sales program.
- develop (or enhance existing) pricing and risk management products appropriate to industry's risk appetite and commercial objectives.
- provide for appropriate allocation of costs incurred as a result of extreme events develop options on independent and timely crop and crush forecasting.

The project has significant time constraints. The current pricing declaration date for the 2012 Season is 30 November 2011. To enable any new pooling and pricing arrangements to be utilised in the 2012 season, changes need to be agreed and implemented prior to the declaration date. To ensure that the review will meet these time constraints, QSL will undertake a coordination role through the project lifecycle, including monitoring adherence to required schedule and quality criteria.

Round one of stakeholder consultation on future pooling and pricing arrangements is to be completed by 31 July 2011. A first draft future pooling and pricing arrangements, based on stakeholder requirements, is to be completed for stakeholder feedback by 10 August 2011. Round two of stakeholder consultation on future pooling and pricing arrangements is to be completed by 31 August 2011.The review is to be completed by 15 October 2011.

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