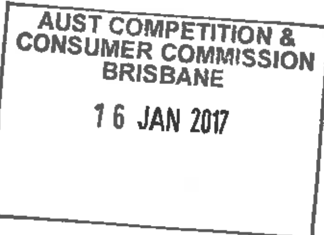

Submission in response to the ACCC Draft Determination
in respect of the proposed collective bargaining
& making of cane supply & related contracts
between sugarcane growers, processors, & sugar marketers.
10th January 2017

Submission by:
Dr John Williams*
Senior Researcher, Australian Commodity Research Institute
PO Box 603 Werribee, Victoria 3030 M. 0428-260549
Email: john.williams@commodityinstitute.com
*Author: Williams, J. 2014, *Agricultural Supply Chains and the Challenge of Price Risk.* Routledge, UK.

Summary:

1. The ACCC draft determination contradicts the Government's deregulation agenda
2. The draft determination compromises the Competition & Consumer Act 2010
3. The draft determination does not meet AS/NZS ISO 13000 risk management criteria
4. Australian Government's financial reputation on risk management is jeopardised
5. 2A(18b) Public Governance, Performance & Accountability Act 2013 is contravened
6. ACCC provides no definition of key aspects to its proposed collective bargaining
7. Forcing negotiation on undefined issues represents extremely poor public governance
8. ACCC bundles two incompatible issues together under forward pricing
9. Pooling of sugar for price speculation by growers is an anathema to millers
10. Some growers want an additional 12 months to speculate on price after cane delivery
11. ACCC is aiding and abetting sugar price and currency speculation for cane growers
12. Selling accumulated commingled non-differentiated raw sugar is not 'marketing'
13. ACCC provides no justification for supporting a virtual monopoly single-desk seller
14. The 'marketer' of sugar (QSL) is a not-for-profit registered charitable organisation
15. QSL acts a merchant with virtual monopoly single-desk export power
16. Standardisation of contracts ignores individual and regional differences
17. Regulated third-party agricultural contract enforcement has no Australian precedent
18. Grower Economic Interest maximises risk (price, currency, product, freight, logistics)
19. Some growers have a misbelief that 'controlling' sugar over-rides price-currency risk
20. Millers are hindered in marketing differentiated sugar into diverse Asian value chains
21. Forcing millers to buy back QSL product contradicts many Federal policies
22. Collectively bargaining on pooling and single-desk issues is trade distorting
23. There needs to be justification as to how Asian consumers have no 'public detriment'
24. An explanation is required as to how maximising risk is a 'clear benefit' for growers
25. No evidence is provided to justify why growers should be burdened with sugar risks
26. QSL is against millers who want to market their own sugar
27. Uncertainty is preventing adequate capital investment in supply chain infrastructure
28. Sugar regulation often resulted in mills resembling worse than under former USSR
29. Many of the current cane grower problems are a result of the loss of mill viability
30. ACCC has failed to indicate how collective bargaining assists cane-sugar industries

1. Lack of definition.

The ACCC Draft Determination on cane supply dated 15 December 2016 provides no glossary of definition of terms, particularly on 'forward pricing' and 'grower economic interest', yet proposes to compel industry to collectively bargain on such issues. The intent is either to confuse the Queensland industry further and impose additional supply chain costs which the grower will ultimately bear, or mischievous in that failure to define will most likely cause the collapse of collective bargaining and renew calls for re-regulation, or there has been a serious error of omission by ACCC.

2. Forward pricing.

Forward pricing is proposed by the ACCC Draft Determination (Section 3f) as one of the terms for collective bargaining, without any clear definition, explanation, or justification. Section 51 provides an understanding by ACCC that forward pricing refers to either 'a choice of pools or individual grower forward pricing arrangements' between a miller and cane grower. Pooling is price speculation which is the antithesis of forward pricing, yet ACCC bundles two incompatible issues together under forward pricing. Once a product is forward priced, it cannot be pooled, yet ACCC provides no separation in collective bargaining. Making a further reference to one miller offering a fixed price (sugar) on forward cane supply contracts to growers, does not clarify the ACCC ambiguity on a major issue which ACCC is planning to compel industry participants to collectively bargain.

Section 77 is very ambiguous when referring to 'forward price exposure' and it is extremely mischievous in not separating the forward pricing of new crop cane before delivery, from old crop pricing of sugar through pools. Forcing collective bargaining negotiation on undefined issues and obfuscated outcomes represents poor public governance by ACCC and contravenes Division 2A(18b) of Public Governance, Performance & Accountability Act 2013.

3. Pooling.

Commodity pooling is un-priced and unsold non-perishable product accumulated and owned by a collective supplier-seller entity and hoarded for the sole purpose of price speculation,

although some of price risk within the pool exposure may be hedged on a futures market or through a bank swap. Any product which has been priced and sold is not eligible for pooling. Revenue from pool sales and any price hedging as well as associated costs are pooled, which then obscures financial transparency of the pool and therefore provides no market signals to growers to make informed production and farm investment decisions, or to millers making future capital investment decisions.

The problem for both the Queensland and Federal Government is that cane growers do not own the raw sugar (acknowledged in Section 36), and never have in the annals of Queensland history, except as a cooperative miller or through regained possession through Queensland Sugar Ltd which has some grower ownership. Even in the days of vesting powers, it was the Queensland Government via its associate entities such as marketing boards who owned the raw sugar. Title transfer of cane from the grower to miller under deregulation occurs at the cane delivery point, which is generally specified in individual mill cane supply agreements. Most millers then reluctantly transfer title of the milled sugar under raw sugar supply agreements to a registered charitable organisation (Queensland Sugar Ltd) to sell the raw sugar.

ACCC is making judgement on a product (sugar) which is owned by the mill, for which pooling is an anathema to millers because of unnecessary price and currency risk. It is also making judgement on the sugar subsequently sold by the millers to the registered charitable organisation (QSL), which growers may have a shareholding interest (Section 56) for 'control' and price-currency speculation. However, ACCC provides no rationale as to why it should be making such judgements, it provides no justification for grower 'control' over the international selling of sugar, and it is a complete misnomer to refer to selling accumulated commingled non-differentiated raw sugar as 'marketing'.

Some of these QSL shareholding growers then believe that by regaining indirect title over the sugar through the registered charitable organisation enables them to speculate on sugar prices and currency movements for another 12 months, and they want the Federal Government to enforce this through 'choice of pools'. These growers want an additional 12 months to speculate on price and currency post-delivery on an old crop sugar product that they have contrived to own, in lieu of forward pricing during the 18 months prior to cane delivery on a new crop product that they do own, or pricing on the day of delivery.

ACCC is aiding and abetting price and currency speculation for growers (refer to attached document: *Queensland sugar – The case of lost opportunities*). It is poor governance for the Queensland Government to enable commodity price and currency speculation beyond the cane delivery point through its Sugar Industry Amendment Act 2015, and for the Federal Government to actively encourage commodity price and currency speculation through ACCC compulsory collective bargaining on an issue which is acknowledged as not being in the commercial interest of millers (Section 182) and contrary to AS/NZS ISO 13000 guidelines.

Determining industry law via compulsory industry collective bargaining on issues that have been a minefield for the Federal Government since WW1 appears masochistic and trouble-making for both industry and government. The Australian Securities and Investment Commission (ASIC) is currently reviewing its Code of Practice requirements for commodity pool providers. The Federal Courts and ASIC have only just concluded their cases on the AWB wheat pool management fifteen years after the AWB Oil-for-Food scandal. In contrast, ACCC now wants the Federal Government to enforce collective bargaining on speculative sugar pooling to enable growers to 'play the pools' on international sugar prices and currency.

QSL functions as a merchant with Sections 57 & 58 listing accumulation, storage, financing, hedging, chartering, and payment, yet it is registered as a non-for-profit charitable organisation for its grower and miller shareholders. The Federal Government has already stretched ASIC's definition of a charitable organisation to new limits in merchant activities, and is now forcing compulsory collective bargaining onto millers which is designed to support a virtual monopoly single-desk seller, thus compromising the Competition & Consumer Act 2010. ACCC provides no justification for this support for a virtual monopoly single-desk seller of Queensland sugar.

4. Forward contracts on new crop cane.

It is highly questionable as to why ACCC or a third party such as Canegrowers would want to involve themselves in a forward contract on pricing and future cane delivery when it is a private contractual arrangement between the grower and miller for a specific cane district. Compelling a third party to be involved with private individualised contractual arrangements establishes a huge precedent in agricultural supply contracts, which will have ramifications across many

industry sectors in contract law, as does the standardisation of contracts. Wanting one fit that fits all in a standard Cane Supply Agreement (Sections 91 & 138) ignores individual and regional differences that make contract law workable, particularly when there are molasses, bagasse, and co-energy gain-sharing agreements involved.

Other agricultural industries recommend supply contract templates and guidelines, but individual terms and conditions can always be added or subtracted without reverting to a regulatory third party enforcement through government-regulated collective bargaining. That is the essence of contract law, which is administered through the Australian Securities and Investment Commission. The Federal Government is opposed to collective bargaining corruption in the Australian building construction industry, yet is considering enforcing collective bargaining in the Queensland sugar industry to enhance the speculative price and currency interests of some cane growers.

5. Grower economic interest (GEI).

The sole reason for extending the 'economic interest' of growers beyond the cane delivery point is to allow some growers to extend their price and currency speculation for another 12 months in their misbelief that 'control' of sugar over-rides price and currency risk. Such post-delivery 'control' maximises grower risk (price, currency, product, freight, and logistics) and distracts from managing the price and currency risk of 18 months new cane crop before delivery. ACCC, Federal Government, and the Queensland Government have failed to justify why they are supporting some growers in the speculation of old crop sugar to the detriment of pricing new crop cane-sugar, thus contravening AS/NZS ISO 13000 good risk management practice. It is poor governance in an era of supposed public accountability transparency.

Legislating 'grower economic interest' with the regaining of sugar title through the Sugar Industry Amendment Act 2015, and formalising the merchant activities of Queensland Sugar Ltd, has essentially stripped millers from marketing differentiated product into diverse Asian value chains. Millers are forced to buy back commingled undifferentiated pooled product from QSL under Miller Economic Interest arrangements (Sections 36 & 55). This is contradictory to other Federal Government initiatives in deregulation, reducing compliance costs, investment, innovation, and agribusiness, as well as distorting Australian export trade.

The Queensland Government through its 2015 legislation has failed to justify why it is so opposed to millers marketing differentiated product into Asia, particularly when Asian consumers are demanding food product safety certification based on product traceability and identify preservation. This would indicate that the Queensland Government has no desire to allow food exports to meet Asian customer demand, instead preferring to advance the selfish interest of some growers who distain forward pricing of new crop and demand government enforcement of price and currency speculation of old crop.

Canegrowers as a cane grower organisation needs to justify how commingled undifferentiated pooled raw sugar product from QSL does 'not result in any public detriment' (Section 151) to Asian consumers, and it needs to explain how maximising risk exposure (price, currency, product, freight, and logistics) through extending grower responsibility beyond the point of cane delivery is somehow contrived to be in the 'clear beneficial interest' of growers (Section 86). Canegrowers (and the Queensland Government) have never confronted the reality that both consumers and growers might be adversely affected in advancing their rhetoric of GEI.

6. Re-regulation.

The essence behind the move to impel the Federal Government into collective bargaining on Grower Economic Interest derives from the attempt by QSL and Canegrowers to reinstate the single desk method of selling that was removed in 2006 (Section 54). QSL needs to justify why growers 'need to negotiate terms to the marketing' of sugar sold by the millers to QSL (Section 180), why growers need to 'collectively negotiate terms' of raw sugar supply agreements between the millers and QSL (Section 182), and why QSL perceives 'an imbalance of negotiating power between millers and growers' when all they are advocating is sugar risk reduction for millers from 100 percent back to 33 percent, sugar risk maximisation for growers from zero back to 66 percent (Section 59), and total contravention of AS/NZS ISO 13000:2009.

QSL, Canegrowers, and the Queensland Government have all failed to justify why growers under re-regulation should be made liable once again for sugar risks (Section 86) such as (international) payment, (commingled) quality, risk (product, price, currency), liability (default, insurance), (international) contract terms, and (warehouse and shipping) logistics,

merely to facilitate sugar price and currency speculation up to 12 months post-delivery of cane. These risks in other agricultural industries are borne by the processor, merchant, freight forwarder, and buyer, and not by the grower.

Growers are specialist cane producers and their expertise does not extend to sugar product or sugar marketing. Negotiating the terms to sugar marketing are an anathema to cane growers who are specialists in managing cane risks. Increasing the sugar risk exposure for growers after the delivery of cane from zero to 66 percent through contrived re-ownership when growers have not got professional expertise in international selling or marketing of sugar into Asian value chains is extremely poor governance and only destroys the reputation of good financial governance on risk management for any government who encourages such policies.

QSL is against millers who want to market their own sugar (Section 115), hoping that Queensland-legislated 'marketing choice' and collective bargaining enforcement by the Federal Government and Canegrowers will result in majority of sugar being sold by QSL. However, the era of selling a homogenized commingled undifferentiated product by a single-desk seller to Asian buyers finished 20-30 years ago, and it is time that all tiers of Australian government acknowledged this change instead of clinging to the past.

The constant uncertainty over sugar re-regulation is preventing adequate capital investment in sugar industry infrastructure at a time when Australian desperately needs economic growth and employment. There were periods under sugar regulation when Queensland sugar mills resembled a state of industry decay that was worse than under the former USSR. The question arises as to whether this potential for supply chain deterioration that is detailed in Section 154 is the real intention of QSL, Canegrowers, and the Queensland Government. The plight of the cane grower becomes even worse without viable sugar mills that are responsive to international consumer trends. It could be argued that many of the current cane grower problems are a result of the loss of mill viability and subsequent mill closures.

7. Compromising competition law

Regardless of the myriad of Federal laws that Queensland Sugar Limited is avoiding by being a not-for-profit registered charitable organisation, it remains a merchant (Sections 57 & 58)

with exclusive powers to operate the six export sugar terminals which millers are forced to deliver into for export (Section 35 & 55). This operation of port 'land and buildings', which are owned by Sugar Terminals Ltd, is exempt from exclusive dealing of Section 47 (Part IV, Schedule 1, Division 2) of the Competition and Consumer Act 2010 through Clause 11 exemption of a charitable institution. However, Section 47 does prevent QSL forcing millers to sell raw sugar to QSL, which explains why some millers intend to rescind 'voluntary agreements' after 30 June 2017 (Section 60). However, millers are currently forced to buy back sugar from QSL if they wish to export themselves (Miller Economic Interest in Section 55).

Section 50(a) of the Competition and Consumer Act states that a person must not directly or indirectly acquire shares in the capital of a body corporate if the acquisition would have the effect of substantially lessening competition in a market. QSL has avoided Section 50 by a Section 51(b)1 exemption through the Queensland Sugar Industry Amendment Act 2015. Referring to this Amendment Act as a 'Real Choice in Marketing' legislation is false because the growers do not own sugar, and sugar is sold commingled by QSL and not marketed as differentiated product. Growers actually wanted 'Real Choice' in pool selection for the sole purpose of commodity price speculation after cane delivery, however Canegrowers and QSL distorted this into 'Real Choice in Marketing' which was a complete misnomer. This would suggest that the 2015 Queensland legislation was built on false pretences to protect QSL against Section 50(a) of the Competition and Consumer Act.

Rescinding miller voluntary agreements with QSL leaves QSL in a legal bind because any enforcement of raw sugar contract delivery to QSL would contravene Section 46(c) of the Competition and Consumer Act whereby such misuse of market power would prevent millers from engaging in competitive conduct in that or any other market. It would also contravene Section 45(b) regarding contracts that substantially lessen competition.

This legal bind explains why QSL is using the Canegrowers organisation to seek collective bargaining rights from the Federal Government which would extend 'Growers Economic Interest' over miller's sugar through pooling 'rights'. QSL hopes that such de-facto sugar ownership through pooling 'rights' would then exclude them from Sections 45(b) and 46(c) of the Competition and Consumer Act. The reality is that pooling necessitates prior ownership of raw sugar, which growers do not have, and which would expose them to an array of new risks.

Federal Government Performance Index

on the ACCC Draft Determination regarding the proposed collective bargaining & making of cane supply & related contracts between sugarcane growers, processors, & sugar marketers

Criteria	0	1	2	3	4	5	6	7	8	9	10
Meets government deregulation agenda	x										
Aligns with intent of Competition & Consumer Act 2010	x										
Meets AS/NZS ISO 13000 risk management criteria	x										
Protects government's reputation on risk management	x										
Adheres Governance, Performance & Accountability Act	x										
Provides clear legislative intent with no ambiguity	x										
Encourages investment, economic growth & trade		x									
Contributes to stakeholder enhancement		x									
Aligns with government innovation initiatives	x										
Meets local & international consumer needs		x									

Outcome: 3 / 100

Queensland sugar – The case of lost opportunities

By Dr John Williams, Executive Director of the Australian Commodity Research Institute
T. +61 428 260549 john.williams@commodityinstitute.com www.commodityinstitute.com
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Price transparency, risk minimization, and product differentiation might be considered the business success fundamentals for agricultural producers. Maximizing the strengths of these and minimizing the weaknesses are often perceived to be the essence of business management.

Despite the growth in Queensland sugar production since regulation began in 1915, the industry has tended to be contrary by maximizing its weaknesses and minimizing its strengths. The industry has generally maximised the commoditization of sugar through least-cost pathways, and minimized product traceability or identity preservation that would differentiate product, which has resulted in complete price-taking dependency on global sugar markets.

The Queensland sugar industry remains one of the last bastions of Australian agricultural commodity mentality, whereby the 12 months of old-crop sugar takes precedence over the 18 months of new crop cane. Pricing of new crop cane generally commences only when mature cane is delivered, thereby ignoring 18 months of new crop cane price risk. Much emphasis is then placed on old-crop sugar pricing which is exemplified in cif destination-port pricing and disguised by natural price premiums through shorter freight distances (far-eastern 'premium'), inherent product quality attributes due to soil and climate (polarisation, colour, starch, and dextrin), and hedging old-crop prices.

Sugar is one product that is totally polarized between its opportunities and its threats. Positives for sugar include international price transparency at the port of export, identical international free-on-board origin-port pricing (little basis difference that is completely unlike other commodities), well-established global price discovery, and a high-volume forward market. However, these positive attributes for sugar arise because of one serious negative – a homogenized sugar crystal that tends to undermine product differentiation and commoditizes the supply chain, thereby reducing pricing to global parity.

Opportunities that do arise are generally lost through the price-product pooling system. The problems of pooling in each of the three areas of price transparency, risk minimization, and product differentiation will now be examined.

Lack of price transparency. Title transfer of cane ownership occurs from the grower to the miller under deregulation at the cane delivery point. Spot cash prices upon delivery are the essence of price discovery for most agricultural prices, providing growers with benchmarks for price comparison, basis determination and transparency with international export port-prices, and clear signals as to whether to produce and invest. However, the Queensland sugar industry almost demonises the spot cash price upon delivery, instead generally preferring a multiple pool pricing system that is not finalized until 12 months after delivery, which provides the grower with no clear market signals in farm decision making. Unnecessary complication plus doubt over price and pool cost obfuscation leads to much grower angst and industry confusion.

Cash prices for cane can be made relevant by the subsequent addition or subtraction of price premiums-discounts based on final ccs of the sugar derived from the cane. There should be a clear local mill-based cane price transparency from international sugar prices to cane through

the ccs formula. There should be a direct relationship between the miller and grower through direct end-user based pricing. As well, the international forward sugar prices can be directly related to forward cane prices offered by the mill to growers for new crop before cane delivery.

However, any benefits from the cane pricing formula to ensure international sugar price transparency are lost though old-crop pool pricing. This applies to all commodity pooling, irrespective of whether the pool is based on sugar, wheat, dairy, rice, or oilseeds. Pool pricing translates into price averaging over time based on sales and possibly some mixed hedging performances, less costs that are frequently non-transparent, obscure, and confusing, especially when it involves cif destination-port pricing. Clear price signals to enable growers to make well-judged farm decisions are lost in the process.

This lack of price transparency through pooling is all supposedly incurred to enable some misguided growers delude themselves that they have some control over international prices in a commodity price-taking market. Alternatively, many Queensland cane growers have the vain hope that by becoming old-crop price speculators via the pools, the international market will somehow respect their increasing cost of local production and profit expectations. Playing the pools is probably a better metaphor.

Risk maximization. Many growers feel despondent in a falling market because they regret what they should have done. However, many growers are similarly unhappy in a rising market because they always want to maximize their price by doing nothing with pricing. It is a no-win situation because growers want prices skewed more to the high end, but the reality is that commodity prices are skewed more to the low end. The more the miller is perceived as a conduit to ensure grower profitability, the more likely millers will get blamed when the market price falls or growers become unprofitable.

Grower price speculation on an old crop product that they do not own has completely distracted growers from managing new crop product which they do own. Few growers avail themselves of the cash price offered by mills for new crop, either as a spot price on delivery or forward prices during the cane production season. Most cane growers ignore the cash price offered by the mills, preferring to speculate on price post-delivery for a product (sugar) that is now owned by the mill and was not delivered by growers.

The traditional method of price deferment (speculation) in the Queensland sugar industry is hoarding. Growers cannot hoard unsold cane on farm, which means that the only other method to hoard is through unsold-sugar pools, despite growers not owning the sugar. The rationale for price deferment on a product they do not own or even delivered is embedded in the speculative psyche of many cane growers.

Pricing off someone else's product (millers) and giving the benefits to a third party (growers) is extremely unusual from a legal ownership perspective, yet this is exactly what Queensland Sugar Ltd (QSL) is doing with its old-crop pools through its registration as an Australian not-for-profit charity. This charity management of price on a product (sugar) that is owned by the miller but for the benefit of a third party (growers) and with supply chain responsibilities through to destination-port (Asian buyer) has created a very unusual precedent in Australian legal and legislative history of both companies and charitable organisations. It is akin to the Red Cross pricing off a Woolworth's product for the benefit of Coles' suppliers, then delivering the Woolworth's product to an overseas buyer for a commission fee, and then wondering why

Coles' suppliers have industry angst and confusion over the pricing method. Blame and responsibility can then be conveniently passed from the grower to miller to QSL, especially when QSL is registered as a charitable company.

Financing old-crop advance payments to growers is the mainstay of pooling and price speculation post-harvest. However, financing unsold unpriced pooled product is considered high risk by lenders which then attracts the highest rates of loan interest. The last-resort highest-cost pool financing method is where the financier purchases the pool product at a low price and then sells it back at a high price, with the margin being deducted as pool costs to the grower. Pool financing costs are always borne by the speculative grower through pool deductions.

Queensland cane growers have generally borne the whole of the price-product risk to destination port for most of the last 101 years. Retaining control over the international supply chain has often resulted in the grower bearing all the logistics-shipping costs and risks on sugar, irrespective of ownership of the product. The risks associated with sugar product, price, and cost should have been the responsibility of the miller, refiner, buyer, and the freight forwarder.

Proprietor millers have no incentive for pooling, yet many do so to provide a 'service' to growers to enable them to speculate on price, well after delivering the old cane crop. It is irrational and illogical for growers to force millers into sugar pools when the growers do not own the product, and when the sole motivation by growers is price speculation for another 12 months. This is particularly the case when cane growers have already speculated 18 months on price during cane production before delivery. Therefore, the time span for price speculation by growers is frequently up to 2.5 years.

Commodity pool pricing may stack up when prices are coming off peaks, depending on pool management hedging performance and cost control. However, what is gained post-peak from the old-crop pool has been offset from the potential loss by growers in not pricing new crop into the price peak using mill forward prices that reflect the international forward market. Pricing opportunities by cane growers for new crop are obfuscated by the predominance of attention to old crop price speculation.

Third party management (such as Queensland Sugar Ltd) of old crop pricing when growers do not own the product is a complete distraction for growers to manage their new crop pricing when they do own the product. As well, growers become completely dependent on external management performance to maximise old-crop price in a price-taking international market, and to minimize operating and supply chain costs which in the past have extended through to the destination port.

Undifferentiated product. Distractions on old crop after delivery have destroyed incentives for growers to better market their product prior to delivery. There has been very little attempt by grower supplier committees to integrate supply chains with local millers to benefit from the advantages being offered in Asian markets by district traceability, regional identity preservation, food safety, or the benefits offered through the Smartcane BMP program.

Regional generic branding such as Bundaberg Rum may benefit distillers, but it provides little benefit for local Bundaberg cane growers unless there is clear identification of suppliers. Similarly, Bundaberg Sugar is a product brand for the miller, but not the growers. Even the co-operative mills do not have brand identification for growers or traceability to regions/districts,

preferring instead to lose individuality in the subsumption of co-operative commoditized 'common good' through a homogenized sugar crystal.

The problem historically is that growers have adopted the least-cost supply chain pathway which inevitably has reduced them to commingled blended undifferentiated pooled product, which can then attract only a price-taking international commodity price. Possible premiums associated with Asian markets through district traceability, regional identity preservation, food safety, and environmental sustainability are foregone by growers either through old crop price distractions or general apathy.

The consumer world is quickly changing which creates opportunities for those willing to recognise and accept the challenges. The Chinese Government is requiring that all food imports (including sugar) after 1st October 2017 to be certified as safe food. This necessitates traceability and identity preservation, which are an anathema to the Queensland sugar industry. Other countries are quickly following suit, with the Food Safety Modernization Act already being implemented in the USA.

Growers need to partake in a program of product brand marketing that reflects local uniqueness, district traceability, regional identity preservation, food safety certified through the miller, and environmental sustainable practice certified through industry. Some opportunities may involve toll refining and containerization, which may lead to less traditional bulk handling and port commoditization. Benefits arise when Asian consumers are made aware of special product attributes and perhaps are willing to paid a higher price. Miller-grower cooperation and agreements are then required to reward supply chain participants, which include growers. Alternatively, failure to adhere to increasingly discerning Asian consumer expectations could result in loss of market share and discounted prices.

The biggest weakness of agricultural product marketing is pricing. Therefore, price needs to be separated from product marketing because farmers have a habit of chasing higher prices. Pricing should be done by the grower either on the actual delivery day of cane, or before the delivery date of the new crop either through the mill or through over-the-counter products such as a bank Tripartite Agreement.

Conclusion. There are major deficiencies in the current least-cost pathway approach in the selling and pricing of sugar. The potential for transparency from international market prices to local cane prices in the current cane pricing formula is obscured by pooling. Pricing through old crop pooling also lacks cost transparency, distorts price signals to growers, and increases grower costs including pool financing costs, especially when growers are made responsible for supply chain costs-risks to destination port. Speculating on old crop is an anathema to good management, and distracts growers from new crop pricing. Product commoditization inevitably leads to a farmer poverty-trap of higher farm costs and lower average prices.

Solutions involve avoiding speculation through pools on an old crop product which growers do not own, and differentiate their product to Asian consumers through grower-miller agreements and certification to reflect a product with local uniqueness through district traceability, regional identity preservation, food safety, and environmental sustainability certification. Asian consumer awareness for differentiated product may be the salvation for Queensland cane growers in the longer term.