

ANNUAL REPORT 2016/17



CANEGROWERS





Liza Guidice, CANEGROWERS Mossman board member



Anthony Skopp, Rocky Point



Mark Castelanelli, Burdekin

Our Vision

To ensure a secure and profitable future for cane growers.

Our Values

- Accountability to our members.
- A focus on issues relevant to our members.
- Credibility, integrity and professionalism.
- Open and effective communication between growers, organisation units and external publics.
- Community consciousness.

Our Mission

CANEGROWERS provides representation, leadership and services, and promotes unity in the interests of its members.

Our Goals

- Assist in maximising grower efficiency and profitability.
- Contribute to long-term industry efficiency.
- Enhance organisation effectiveness.
- Develop a positive external environment for cane growers.
- Recognise and manage diverse grower needs while maintaining organisation unity.
- Provide a foundation and structure for future industry development and planning.



Russell Maifredi, Tully

Bevan Manderson, Isis

CANEGROWERS ANNUAL REPORT 2016/17

CONTENTS

Chairman's Review	4	Year in Review	14
CEO's Report	6	CANEGROWERS District Reports	25
About the Industry	8	CANEGROWERS Board	32
About CANEGROWERS	12	CANEGROWERS Policy Council	33

This year has emphasised, more than ever, the importance of a strong, united and well-resourced voice for the sugarcane growers of Queensland. CANEGROWERS has a 90-year history of representing growers and is ready to take up the challenges of the future to ensure we are positioned to benefit from the opportunities that a renewed interest in our crop is presenting.

CANEGROWERS leadership and the dedication of members this year brought to a successful conclusion a long debate over the future of industry structures around sugar marketing services.

The signing of Cane Supply Agreements across the growing districts supplying Wilmar Sugar mills in June 2017 drew the line under a bid by the company to seize a monopoly in the provision of sugar marketing services in those regions.

From the announcement of the company's intentions in 2014, CANEGROWERS' hard work and unity did not waver until the significant success of securing grower choice was realised. This episode is a highlight in CANEGROWERS record of representing cane farmers.

The work of elected representatives and staff was bolstered by the efforts of members who stood firm in their resolve for choice. Members rallied and wrote letters, sent delegations to

Brisbane and Canberra and have ultimately seen this process through to a successful end.

Secured by amendments in 2015 to the *Queensland Sugar Industry Act*, and supported by a Federal Government-sponsored Sugar Industry Code of Conduct to mitigate millers' monopoly power in negotiations with growers, choice and competition in sugar marketing services will carry all sectors into a strong future.

Through all of this, CANEGROWERS members have remained committed to producing quality sugarcane, the basis of our \$2.5 billion export-focused industry.

In 2016, the industry proudly recorded its ninth consecutive year of increased production. 35 million tonnes of cane were harvested in a season punctuated by rain events which meant, for some regions, working well into the Christmas-New Year period.

The late finish and the onset of the wet season meant around 500,000 tonnes of cane was left unharvested, much of it in the Mackay district.

Sugar prices have ridden a roller-coaster on the world market over the year, reaching highs of around 24c US/lb before losing half of that value in less than six months.

Along the 2,000 km of coastline that is home to our Queensland sugarcane industry, the weather can be variable. Several districts remain in the grip of drought with reduced crop yields in 2016 and lower estimates again for 2017. The impact of Tropical Cyclone Debbie, which tracked a course through the Proserpine and Mackay regions in March 2017 will also impact the 2017 harvest. CANEGROWERS was instrumental in ensuring meaningful government disaster assistance was available to growers as soon as possible after the event.

CHAIRMAN'S REVIEW

CANEGROWERS Chairman, *Paul Schembri*



Adding to the pressure on growers has been the continual rises in the tariffs charged for electricity supplied to farms for irrigation. Prices have risen 130% over the nine years since the pricing system was changed. CANEGROWERS has pursued every opportunity to expose the flawed reasons for this increasing impost, the huge benefit that flows to the Queensland Government from it and to advocate for reform. That the issue is now on the national agenda is partly due to the unstinting work of CANEGROWERS and others in the agricultural sector. Our hope is that this work bears fruit in the coming year.

Membership of the World Association of Beet and Cane Growers and attendance at International Sugar Organisation events are an important part of the representative role that CANEGROWERS plays for Australian growers.

The meetings reinforce that some of the challenges facing the sugar industry here are being experienced globally. In Australia, CANEGROWERS is meeting them head on.

The demonisation of our product as the main cause of the modern health problem of widespread obesity is being felt in every producing nation. In Australia, CANEGROWERS has secured from both major political parties a commitment that there will be no tax on the sugar content of soft drinks.

With increasing pressure on agricultural systems for their impact on the wider environment becoming a factor in the marketplaces for produce, these international gatherings hold up the Australian industry as a world leader in sugar production innovation.

CANEGROWERS commitment to ensuring growers meet community expectations around environmental stewardship and satisfy the increasing market demand for a sustainable raw product were rewarded internationally. Smartcane BMP was recognised as being aligned to Bonsucro — the international standard for sustainable sugar — at a world sugar industry event in the UK.

Smartcane BMP has continued to grow through the year, proving the commitment of growers to a future which is profitable, productive and sustainable. More than 70% of the sugarcane growing area in Queensland had been benchmarked in the program as at June 2017. Statewide 15% of the cane area, owned by 212 cane farming businesses, has been accredited in the three core modules.

The climbing participation rate and the body of broad industry practice change data being collated through the program is our insurance policy for the future. They, along with the myriad of programs and projects that our members engage in, are our proof that our industry is responding to the challenges of improving water quality for the Great Barrier Reef and protecting our local environments.

As environmental concerns turn investment dollars towards renewable resources, the Australian sugar industry is in the spotlight.

From biofuels to electricity, pharmaceuticals and industrial chemicals, the emerging biofutures industry is turning to our ability and experience in growing a good quality feedstock.

We are a sunrise industry that is helping to put Queensland on this new industrial map. CANEGROWERS will energetically represent growers as billions of dollars in investment is realised and pilot projects become larger scale operations. Our crop is the catalyst and the rewards must also flow in the form of solid financial returns to farming businesses.

CANEGROWERS will continue, as it has for the past 90 years, to robustly represent the sugarcane growers of Queensland. We do so with optimism and knowing that our members are our strength and that together we face a bright future.

Agile, adaptable and accountable. These are the 3 As that are more and more becoming part of the DNA of any successful farming business in Australia. As the farmers voice for our industry, CANEGROWERS is matching this in delivering an environment that fosters success and eases the burdens.

Our vision is a profitable future for growers. We work to achieve this by harnessing the power of growers in representation, leadership, advice around membership services and our extensive efforts to promote unity and collaboration.

Collaboration and working together to a common goal is at the heart of our future success. After all, it has been at the centre of success in the past.

Our strong, diverse and vibrant districts provide the unique opportunity for growers to engage with CANEGROWERS directly and from the ground up. Without these districts providing members with the gateway to see their levy dollars at work at the local, regional, state, federal and international level, we would not be doing justice to the breadth and scope of the issues you all face.

From an organisation perspective, this year was a year of consolidation and alignment. Our incoming Policy Council has been given an opportunity to define its work through our three policy committees around Farm Input and Research, Environment and Sustainability and Economics and Trade. Each portfolio is neither less nor more important than the other. Each

portfolio has required resources, predominately from our experienced policy staff underpinned by financial backing and leadership from Policy Council representatives and Directors.

To a large extent the work of these committees dominates the contents of this annual report. None of the issues should seem new to you. The issues we work on, after all, are informed by our members.

The policy landscape can be a mixture of tedium and pandemonium. The strategies to engage positively in this advocacy environment must therefore be very agile and utilise all our collaborative skills. The negotiations around cane supply agreements have seen the CANEGROWERS structure really show its muscle. Our District negotiation teams have each had a hugely different challenge and each took to the task with focus on their specific challenges. Implementing the dividends from the long campaign to secure grower choice in marketing has not been smooth but the CANEGROWERS goal of security and sustainability of the model will be an objective we will continue to pursue.

While marketing has been a challenging issue, our professionalism on behalf of growers has been on display in working with our supply chain partners to secure market access and trade policy reform. It has been a year of ups and downs. Perhaps two steps forward and one back. But our reputation as a solid and reliable trade collaborator with our own Government as chief negotiator is undisputed.

On the practical front, the core issues of electricity, energy policy and transport policy reform have all seen progress. These issues are like many wicked problems, the more we uncover, the more complicated and elusive the solutions seem.

On electricity, CANEGROWERS has been the trailblazer as the enduring investment we have made to truly understand the issues has delivered us a concise set of actions that if delivered by policy makers, regulators and asset owners the price of electricity would immediately decrease.

CEO'S REPORT

CANEGROWERS CEO, *Dan Galligan*



During the 16/17 financial year we finally saw the rest of the nation work up to the issues CANEGROWERS has been raising for the best part of 10 years. The advocacy efforts on this issue can only re-double now.

Growers showing leadership on Smartcane BMP adoption has been a story of consolidation during the year.

Simply outstanding adoption rates have been achieved in some districts and it is this effort that puts us as an industry on the cusp of being able to get truly on the front foot in the story around environmental performance. We know that in many instances, the story of Smartcane BMP adoption has been about growers demonstrating what has changed not necessarily about what has to change.

It was during the course of this year that our innovative work on understanding the intrinsic challenges around change and building a social licence to operate were fully understood. It is through growers efforts on Smartcane BMP that we have the opportunity to build a solid platform from which we can defend and promote the significant and extensive outcomes farmers across the state are delivering for a healthy environment and community.

While the policy and advocacy work that is so much the focus of our organisation continues, the Board of Directors role has also evolved to focus on Corporate Governance and risk and the overall health of the organisation. A renewed focus on membership services in parallel with our role as the industry-wide service voice is supported by committed communications, insurance, accounts, finance, IT and legal advisors. Their focus is either on servicing the industry directly or ensuring the

organisation itself is resilient and that we have the capacity to be accountable to our members and our broader stakeholders through our communications, reporting and public profile.

During the year our Policy Council ratified that offering a competitive insurance product to growers was going to be a core part of our services to the industry. To that end work continues, ensuring that our CANEGROWERS authorised representative are equipped with a specialised and competitive offering for growers to consider.

The issue of insurance could not have been more profound for those growers, particularly in the Proserpine and Mackay districts which were savaged by Tropical Cyclone Debbie. The damage from both the cyclone and the associated flooding was extensive. Having connections with both insurance providers and government agencies has meant that cane growers have been able to access both public and private sector assistance measures via their local district office. The team in Brisbane was able to take the local impact data and ensure it was well understood and taken account of by decision makers showing the value we can deliver by working together with districts.

After a period of significant change for the staff of CANEGROWERS, the year has seen us stabilise and in some areas rebuild our capacity to deliver industry services. We continue to strive to hold a tight rein of the budget in order to make every membership dollar count. Our funds are almost entirely expended on service delivery and where they do not go directly to this endeavour, they are allocated to the long-term security of your industry body.

Our people are our greatest investment and our greatest asset. The team in Brisbane has remained stable and focused. Together across 18 staff we bring in excess of a 125 years of cumulative experience to the service of the industry. I am proud of the passion and dedication they show to supporting the CANEGROWERS ideals and the overall future for the industry. They reflect the very attitude and inspiration they see in our farmers and district staff.

This attitude from our staff is exemplified in our Board. To that end I extend warm thanks to our ever-supportive and constructive leaders. The passionate and always forward-thinking Paul Schembri and his fellow Directors, Joseph Marano, Mark Mammino, Michael Pisano, Rajinder Singh, Owen Menkins, Kevin Borg and Allan Dingle. The industry should be confident that the Board is skilled, representative and committed to the long-term future of CANEGROWERS. With the support of the Policy Council and in turn our District Boards, we can ensure CANEGROWERS continues to be the agile and innovative organisation it needs to be to be at the forefront of the future of our industry.

We can do this with your continued support as members of this great organisation, your voice, and together we will determine your future success.

We understand that every year our members make tough financial decisions and supporting this organisation must be weighed up against many others. Through the contents of this report and many others, we hope you find your organisation is open, accountable and willing to listen, learn and lead on your behalf for another year of opportunities and challenges in agriculture.

About THE INDUSTRY

Sugarcane is one of Australia's largest and most important rural export industries, worth up to \$2.5 billion each year from a production capacity of more than five million tonnes of sugar. Around 80% of Australia's raw sugar production is destined for the international market.

In 2015, Australia surpassed Thailand to become the world's second largest raw sugar exporter after Brazil. 96% of Australia's export sales are to Asian customers, the largest of which are Indonesia, South Korea, Malaysia and Japan. The remaining 20% of Australia's sugar production is sold on the domestic market.

Sugarcane grows in high rainfall and irrigated areas on coastal plains and river catchments along a 2,100 stretch of the Australian east coast. The industry underpins the prosperity and economic stability of communities from Mossman in far north Queensland to Grafton in northern New South Wales.

Cane farming businesses range in size from 40 to 250 hectares (ha) with the vast majority of them being family-owned. An average sized 110 ha property harvests approximately 94 ha of sugarcane each year.

2016 season

In 2016, the Australian sugarcane industry delivered a crop of 36,507,438 tonnes to the country's 24 sugar mills. This result was an increase on the 2015 result of 34,827,761 tonnes.

34,405,243 tonnes of cane was crushed at the 21 mills in Queensland for a commercial cane sugar reading of 13.14.

Wet weather in the usually dry winter months in the middle of 2016 meant the cane continued to grow, leading to record tonnages in a number of districts. However, drought conditions persisted in the Burdekin, Tableland, Bundaberg and Maryborough districts impacting on the crop size and profitability. The inclusion of the regions on Queensland's official drought declaration list allowed growers to access rebates to assist with irrigation.

Increases in electricity charges, above the level of the Consumer Price Index, made further inroads on grower profitability. Electricity tariffs for irrigation have increased 130% in the nine years since the pricing system changed while over the same period CPI has risen 21%.

The sugarcane harvest generally begins in May and ends to mid-December. The wet winter weather disrupted harvesting operations in 2016 forcing the crush to be extended through the Christmas-New Year period into early January 2017 in the Mackay, Proserpine, Plane Creek, Herbert River, Tully and Burdekin districts.

Once harvested, cane is collected in haulouts and transferred either to trucks for road transport or bins for train transport to mills. To minimise sugarcane deterioration and juice evaporation, sugarcane must be transported to a sugar mill within 16 hours of harvest.

The sugarcane industry maintains a network of nearly 4,000 km of narrow-gauge rail lines to ensure that the harvested cane is transported as quickly and as cost effectively as possible.

TABLE 1

Australian production of cane and sugar in the 2015 and 2016 seasons

Mill area	Tonnes of cane crushed		Tonnes of sugar IPS		CCS		Hectares harvested	
	2015	2016	2015	2016	2015	2016	2015	2016
Mossman	1,211,787	1,312,460	151,277	158,300	12.56	11.56	13,685	12,939
Tableland	382,075	405,314	75,534	87,335	14.36	13.51	4,298	4,371
Mulgrave	1,443,444	1,521,612	140,396	184,937	12.77	11.23	12,206	12,173
Innisfail	1,700,956	1,721,179	249,808	192,164	11.84	11.12	22,517	22,309
Tully	2,897,999	2,935,956	373,454	356,016	12.83	12.03	28,980	29,168
Herbert River	4,459,594	4,812,090	572,510	566,896	13.38	12.26	56,591	56,167
North Qld	12,095,855	12,708,611	1,562,979	1,545,648	12.91	11.90	138,277	137,128
Burdekin	8,278,390	8,710,335	1,279,484	1,253,832	14.92	13.97	70,473	68,755
Proserpine	1,671,272	2,000,603	247,357	260,311	14.45	12.69	21,494	20,853
Mackay	5,056,345	5,559,794	726,054	705,140	14.46	12.71	69,120	63,083
Plane Creek	1,285,235	1,346,461	195,950	175,785	15.36	12.96	17,428	16,471
Central Qld	8,012,852	8,906,859	1,169,361	1,141,236	14.60	12.74	108,042	100,407
Bundaberg	1,740,957	1,825,357	258,689	251,049	14.71	14.09	19,931	19,535
Isis	1,284,982	1,352,415	192,808	200,177	14.31	14.09	14,686	14,180
Maryborough	861,144	791,435	118,316	112,306	13.58	14.01	11,313	10,981
Rocky Point	383,832	110,231	-	-	13.65	13.79	3,754	1,118
South Qld	4,270,915	4,079,438	569,813	563,532	14.27	14.07	49,684	45,814
Queensland	32,658,011	34,405,243	4,581,637	4,504,248	14.01	12.90	366,476	352,104
Condong	551,351	558,751	67,509	73,067	11.95	12.06	4,508	4,688
Broadwater	849,068	846,064	98,112	100,264	11.27	11.79	6,289	6,606
Harwood	882,773	696,006	89,256	87,991	11.43	12.16	5,136	4,759
New South Wales	2,283,192	2,100,821	254,877	261,322	11.50	11.98	15,933	16,053
Australia	34,941,203	36,506,064	4,836,514	4,765,570	13.85	12.85	382,409	368,157



Sugarcane is one of Australia's largest and most important rural industries generating between \$1.5 and \$2.5 billion in revenue annually.

The mills crush an average of 10,000 tonnes of sugarcane per day and employ approximately 150 people each during the season. Together, millers, growers and harvesters determine harvesting and transportation schedules that ensure that the cane is crushed as soon after harvesting as possible.

Despite the extended 2016 season, the onset of summer rain and mill breakdowns meant 500,000 tonnes of cane had to be stood over to the 2017 season, largely in the Mackay and Rocky Point districts.

The growth of the 2017 crop has been affected by the continuing drought in some regions and by the impact of Tropical Cyclone Debbie in March 2017. Some \$150 million of crop production was estimated to have been lost to wind and flooding damage. The impact was assessed to be 35% affected in the Proserpine growing region, 20% in Mackay and 20% at Plane Creek. Homes and farming infrastructure, including machinery and sheds, were also damaged however mills and the bulk sugar export terminals escaped major damage.

Contracts and markets

In 2006 statutory, 'single desk' marketing structures under which all sugar had been compulsorily acquired by Queensland Sugar Limited (QSL) were replaced with voluntary

arrangements. In 2013 Raw Sugar Supply Agreements between QSL and millers were amended to allow mills to export an amount equivalent to the raw sugar for which they bore a price exposure (this is called Mill Economic Interest sugar).

In mid-2014 three milling companies made a unilateral decision to end their agreements with QSL which facilitated the sale of the sugar for which growers have a price exposure (Grower Economic Interest). They sought to deny growers access to the industry-owned marketer and the outcomes and transparency it has afforded them.

Growers were alarmed by the move and successfully campaigned to have provisions included in Queensland sugar legislation in December 2015. This ensured their continued access to a choice of marketers in a competitive environment. This was affirmed in collective Cane Supply Agreements negotiated by CANEGROWERS for members for the 2017 season.

The protracted nature of the negotiations toward the CSAs with Wilmar Sugar and a recognition of the power disparity between the miller and grower position prompted the introduction in March 2016 of a Sugar Industry Code of Conduct by the Federal Government. The Code sets out a framework for a fair process when commercial contract negotiations fail to reach an agreed outcome.

In Australia, there are no subsidies and there is no domestic price support. Growers' income is determined by the terms of a cane supply agreement with a mill which reflects the tonnage supplied to the mill, the sugar content (CCS) of the cane and the net price of the raw sugar.

Australian sugarcane is milled into raw sugar that is sold directly to refineries rather than through trade houses. It is internationally recognised for its high quality and the industry is renowned for its supply reliability and superior service. Such success has been achieved through the use of best practice management in production, handling and marketing.

Australia's capacity to store more than two million tonnes of sugar at six bulk export terminals allows for year-long customer supply.

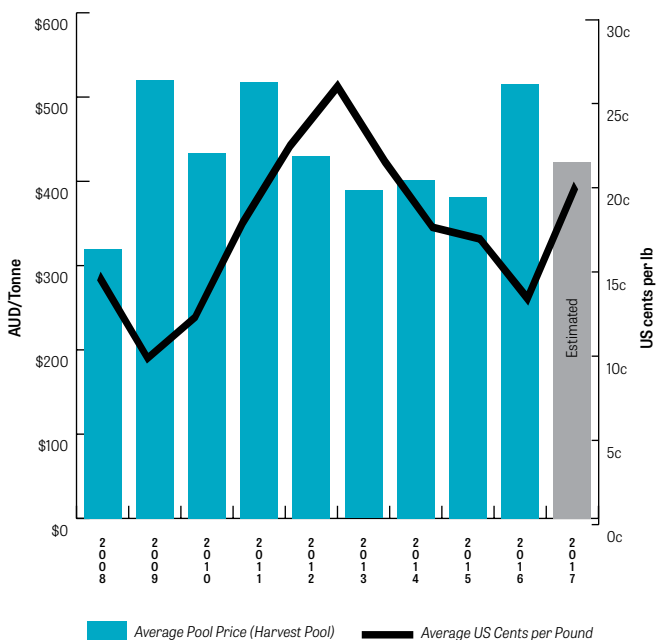
Demand continues to strengthen in Asia for Australian raw sugar due to increasing populations and rising per capita incomes. On a global level, there was a global recovery in production and world sugar prices declined. After peaking close to \$700/tonne, prices by June had fallen below \$400/tonne. The sustained price slide began in late February 2017, meaning grower suppliers to Wilmar mills who were waiting for CSAs to be finalised, were unable to realise the price opportunities at the peak of the market.



Loaded cane bins with Queensland's highest peaks Mt Bartle Frere and Mt Bellenden Ker in the background.

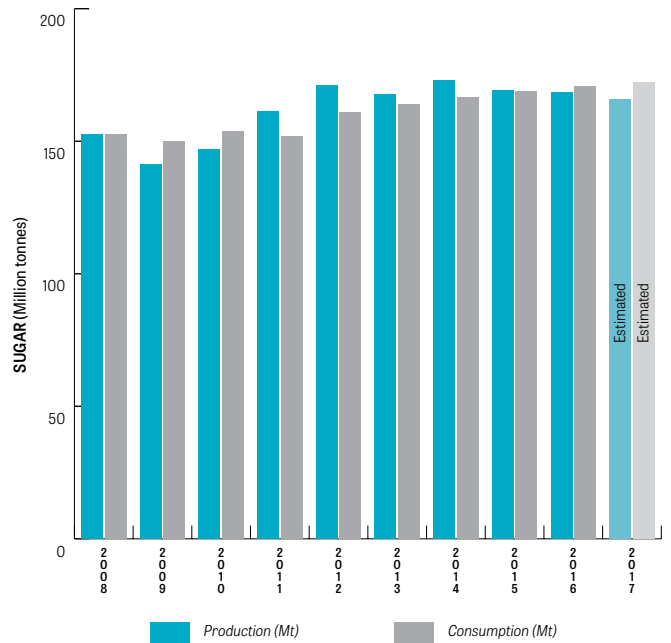
GRAPH 1

World sugar price



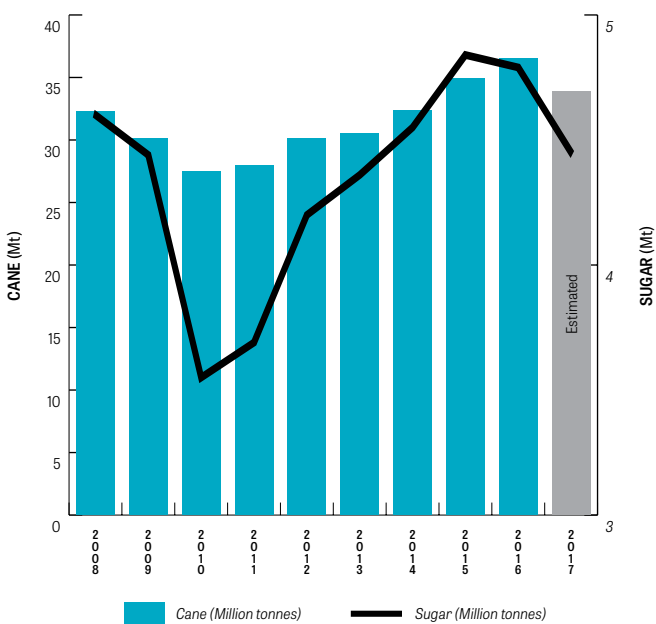
GRAPH 2

World sugar production and consumption



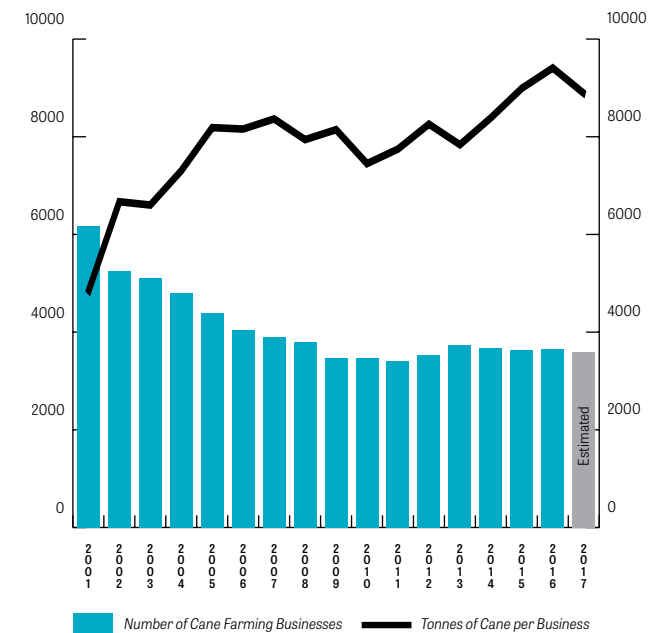
GRAPH 3

Australian sugar production



GRAPH 4

Industry trends



Statistics compiled sourcing data from the International Sugar Organisation, United States Department of Agriculture, CANEGROWERS Australia and the Australian Sugar Milling Council.

About CANEGROWERS

CANEGROWERS

CANEGROWERS Queensland comprises the state company (Queensland Cane Growers Organisation Ltd) and 13 regional companies.

CANEGROWERS members are represented by 87 elected directors and almost 100 professional and dedicated staff providing quality representation and services. The company is a not-for-profit public company with the sole purpose of advancing the sugarcane industry and providing representation, leadership and services to its cane grower members.

The organisation has a two-tiered structure incorporating a Policy Council and a Board.

Board: The company is led by the CANEGROWERS Board which consists of directors who are elected from the Policy Council with directors serving a three-year term. The board currently has eight directors and is based on one representation from each of the four regions and four from any region thus ensuring the directors bring industry-wide views and issues for its consideration. The Board performs the role of corporate governance, audit, compliance and financial management. It sets strategic direction and policy and delegates responsibility for management to the Chief Executive Officer.

The Board is required to meet at least quarterly or at such other times as required to fulfil its obligations to the company and its grower members.

The Board has adopted a Board Charter which focuses on the roles and duties of the Board

and of individual Directors in the conduct of their duties. CANEGROWERS continues to meet the highest standards of corporate governance and operational efficiency.

Policy Council: The CANEGROWERS Policy Council is made up of 21 representatives nominated by the 13 district companies. This statewide representation ensures the Council sets strategic direction and that policy deliberations reflect the views of all stakeholders. The Policy Council meets three times a year with frequent and ongoing communication on key issues throughout the year. CANEGROWERS district managers also meet with the Policy Council in these deliberations.

Membership

Membership has remained stable at around 73% of Queensland growers. The overall level of voluntary membership support is unprecedented in comparison with other primary industry representative groups in Australia.

The Board and Policy Council recognise that the organisation's continual development of its membership strategy is important to support CANEGROWERS voluntary membership foundations.

Membership policy has developed around a number of principles:

- Membership is voluntary.
- Membership is conditional on the applicant meeting eligibility criteria, including financial, as determined by the Board.
- Membership relates to financial contributions being made in each season on all cane supplied by the member's farm or farms irrespective of mill area.
- The membership fee is currently struck at a rate per tonne of cane supplied to the relevant mill and is for the aggregate of the state and local companies.

Members pay membership fees set on tonnes of cane, assessed on all cane production within a single ownership entity. The fees apply to a single CANEGROWERS organisational structure, comprising state and district company components, crop insurance premium and cane testing. The state component was struck at 17.91 cents per tonne of cane for the 2017 season. The company has introduced a cap on levy fee's at the state level, declaring the maximum number of tonnes to which the levy applies of 50,000 per membership. The membership fee schedule is published in the *Australian Cane grower* magazine each year in May.

Partnerships

Australian Cane Growers' Council (ACGC)

The Australian Cane Growers' Council (ACGC) is the forum for the nation's sugarcane producing states of Queensland and New South Wales. ACGC presents a common voice in national and international forums on behalf of cane grower members. Paul Schembri is Chairman and Directors are Allan Dingle, Kevin Borg and Ross Farlow.

Australian Sugar Industry Alliance (ASA)

CANEGROWERS continued to play a lead role in the Australian Sugar Industry Alliance (ASA) which brings together the entirety of the Australian industry to provide a united front on matters of common industry interest. These have been identified as trade and market access issues, the role of sugar in a balanced diet and issues affecting the industry's 'social licence' to operate including environmental concerns. Paul Schembri and Allan Dingle represent CANEGROWERS.

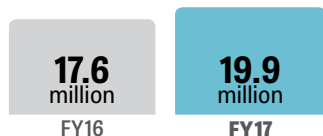
Sugar Research Australia (SRA)

SRA is the principal provider of research, development and extension to the Australian sugarcane industry. Cane grower Steve Guazzo is a Director of SRA.

Financial HIGHLIGHTS

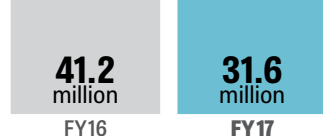
NET ASSET POSITION

\$19.9 million



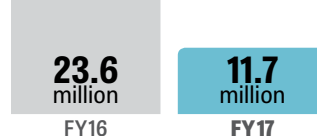
TOTAL ASSETS

\$31.6 million



TOTAL LIABILITIES

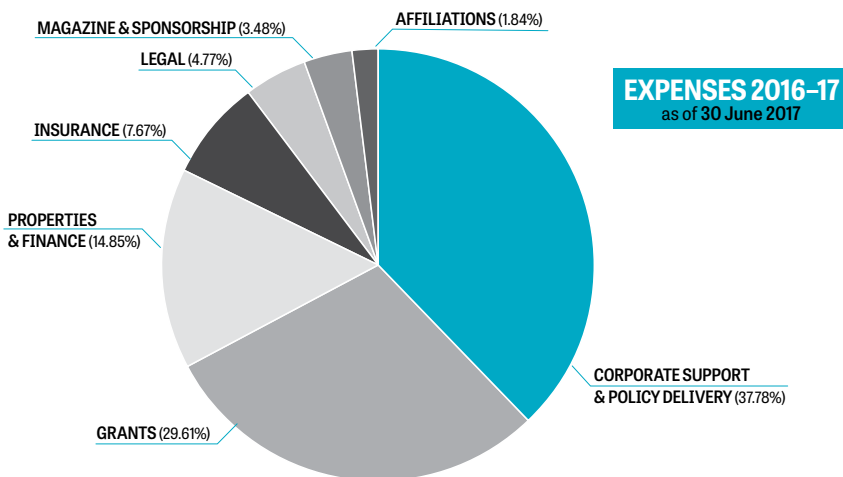
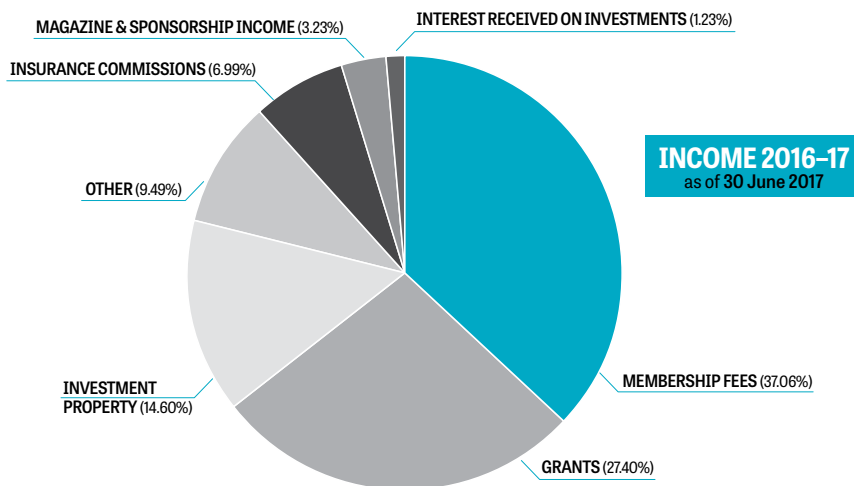
\$11.7 million



MEMBERSHIP

73%





NFF provides a vital forum for cane growers to influence national policy. Paul Schembri is a Members Council representative of the NFF.

World Association of Beet & Cane Growers (WABCG)

CANEGROWERS is an active member of the World Association of Beet and Cane Growers (WABCG), the international group representing 37 sugarcane and sugar beet organisations from 33 countries.

Australian sugarcane growers continue to be strongly represented by CANEGROWERS. CANEGROWERS Chairman Paul Schembri is a Vice-President of WABCG.

Services

Insurance

CANEGROWERS has provided quality insurance advice, products and service for members at competitive prices since November 2013.

The business is a broking service with representatives strategically located throughout the cane growing regions providing general insurance services to CANEGROWERS members and the local community.

The eight qualified insurance professionals work with growers on their insurance needs and ensure access to the best sugarcane-specific products on the market plus general insurance products that extend beyond the needs of the farm.

Members also have access to a long-standing crop insurance product made available as part of their membership fee.

Legal services

Legal services are provided to CANEGROWERS district offices and grower members through a retainer arrangement with Chris Cooper of CJ Cooper & Associates.

Chris Cooper is able to assist individual growers through a phone-in legal service that is provided free of charge to members. CANEGROWERS members can call the Legal Services hotline on 1800 177 159. Queries often relate to trespass, aerial spraying, tramline easements, machinery performance disputes and safety issues.

CJ Cooper & Associates provides advice and legal assistance to CANEGROWERS district companies with issues including the renewal of cane supply agreements. Mr Cooper also informs incoming and existing Board members

Queensland Sugar Limited (QSL)

With some 80% of Australia's sugar destined for the export market, CANEGROWERS has continued its focus on ensuring QSL remains a strong marketing company and an effective alternative to mill-owned marketing services. Under its constitution, QSL has two types of members – Mill Owner Members and Grower Representative Members. Paul Schembri was a QSL Grower Director until March 2017 when a Federal Court decision reverted QSL to an Independent Board format.

Sugar Terminals Limited (STL)

CANEGROWERS continues to monitor and have a direct voice into STL matters as a member through its ownership of 'G' Class shares. CANEGROWERS Policy Council member Drew Watson is a Director of STL.

Affiliations

CANEGROWERS maintains affiliations at state, national and international levels through shared common values. These affiliations include:

Queensland Farmers' Federation (QFF)

Queensland Farmers' Federation (QFF) is the peak state farm representative and lobby group that provides a united voice for 18,000 primary producers.

QFF assists CANEGROWERS and other member bodies in working to reduce the cost of irrigation water and electricity for food and fibre industries.

Other key issues pursued by QFF include: rural planning issues; farm finance and debt; local management arrangements for water resources under the Water Act; research viable options for agricultural insurance in Queensland and natural disaster preparation and resilience planning. Allan Dingle is CANEGROWERS' representative on QFF.

National Farmers' Federation (NFF)

The National Farmers' Federation (NFF) is the peak national representative and lobby group for 130,000 farmers through 30 member organisations including CANEGROWERS.

throughout the district companies about their legal duties and the expectations of their roles within the CANEGROWERS organisation.

Advice has been provided to district companies and growers in the following areas:

- Employment matters
- Corporate compliance issues
- Regulatory compliance
- Commercial contracts
- Building management issues (including leasing)
- Commercial partnerships and contractual matters
- Supply Contract Negotiations
- Disputes with mills and arbitration proceedings
- District court proceedings regarding building construction disputes

- Supreme court proceedings regarding validity of cane supply agreements
- Native Title matters.

Finance

Superannuation

Austsafe Super is an industry superannuation fund for rural and regional Australia. The fund offers low fees, a range of investment options with a history of strong performance and access to regional managers to assist its members. As a shareholder of Austsafe Pty Ltd, CANEGROWERS has appointed CEO Dan Galligan as an Employer Director.



Birds-eye view of harvesting in the Innisfail area.

the YEAR IN REVIEW

Marketing – Grower Choice

Queensland's sugarcane growers, represented by a united front of organisations led by CANEGROWERS, won a major victory for competition and fairness in 2015 when the state's parliament confirmed their legitimate right to continue to have a say in how their sugar is marketed – the Grower Choice campaign.

Grower involvement in the crucial sugar pricing component of their income had been put under threat by three milling companies which, without reference to their growers, gave notice in 2014 that they intended to each take over the marketing of all of the sugar produced at their facilities from the 2017 season.

At that point, mills could market their share of the sugar and grower's sugar was marketed through an industry-owned and not for profit entity, Queensland Sugar Limited (QSL).

In late 2015, amendments were secured by a majority in the Queensland Parliament to the Sugar Industry Act (1999) to:

- enable growers to choose who markets grower economic interest (GEI) sugar;
- link the cane price to the price of sugar;

- provide for a pre-contractual dispute resolution process, and
- ensure growers cannot be discriminated against based on their GEI sugar marketer.

Implementing Grower Choice

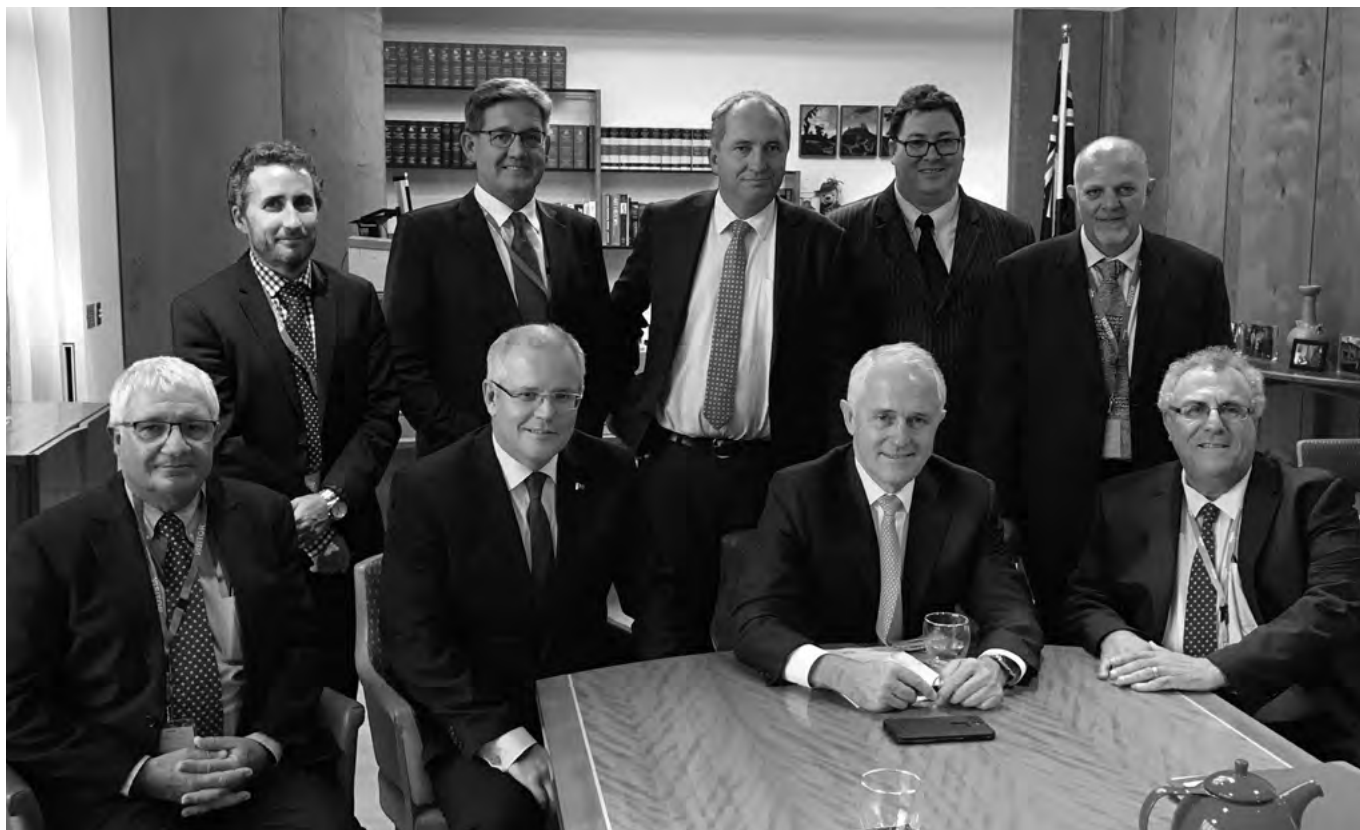
In 2016 and 2017 new Cane Supply Agreements were negotiated, where required, to implement the provisions of the amended legislation with CANEGROWERS working closely with bargaining collectives in relevant milling districts to provide advice, practical support and guidance. All CSAs were in place in time for the commencement of the 2017 season.

Finalisation of the CSAs with Wilmar Sugar, in particular, was frustrated by delays in the conclusion of an On-Supply Agreement between Wilmar and QSL to facilitate the transfer of sugar for which growers had selected QSL as their marketer. Disappointingly, the delay in these negotiations meant that Cane Supply Agreements could not be concluded until days before the commencement of the 2017 harvest and growers who supply Wilmar Sugar mills were denied an opportunity to take advantage of the strong sugar prices available in late 2016 and early 2017 with the marketer of their choice.

Code of Conduct

As the negotiation process was a long and protracted one in some districts, and in line with a 2015 recommendation of the Rural and Regional Affairs Committee, a Sugar Industry Code of Conduct was developed and implemented in April 2017 by the Federal Government. CANEGROWERS welcomed the Code as a much-needed mechanism to resolve deadlocks in both CSA and OSA negotiations.

As well as providing a dispute resolution process, the Code regulates the conduct of growers, mill owners and marketers of sugar in relation to contracts or agreements for the supply of cane or the on supply of sugar and obliges parties to contracts and agreements, or proposing to be parties to such agreements, to act in good faith. Explicitly the Code requires the parties to act reasonably, fairly, honestly and cooperatively, and not to mislead, harass, intimidate or oppress any other party or proposed party.



CANEGROWERS sent a delegation to Canberra in 2017 to discuss sugar marketing with the Australian Government. L-R seated are Michael Pisano (Herbert River), Treasurer Scott Morrison, Prime Minister Malcolm Turnbull and CANEGROWERS Chairman Paul Schembri. L-R standing are CANEGROWERS CEO Dan Galligan, Glenn Clarke (Proserpine), Deputy Prime Minister Barnaby Joyce, Federal Member for Dawson George Christensen, Phil Marano (Burdekin).

ACCC authorisation

Finding an imbalance in market power in the sugar industry, the Australian Competition and Consumer Commission approved a CANEGROWERS application for authorisation on behalf of local CANEGROWERS organisations to collectively bargain and make cane supply and related contracts between sugarcane growers, processors and sugar marketers. This approval effectively extends the collective bargaining authorisations contained in the Sugar Industry Act 1999.

Although not compelling the parties to participate in collective negotiations, the ACCC authorisation granted for 10 years allows CANEGROWERS current and future members:

- to collectively bargain, and make and give effect to provisions of cane supply and related contracts, with that mill owner and with sugar marketers in respect of the supply of cane by growers to the same mill and to any mill that has the same owner; and
- to share information, subject to any confidentiality agreement implemented by the relevant parties, across and within districts to facilitate the adoption of best practice terms and conditions where they choose to do so.

Electricity

Electricity costs for sugarcane farmers using irrigation have risen 130% in nine years becoming an unacceptable burden on a sector of the economy which has not expanded over that time and has in fact, become more efficient, through new technology, in its electricity use.

The policy settings governing Australia's electricity production, distribution and pricing systems are deeply flawed. Despite an abundance of energy, Australia pays amongst the highest prices for electricity in the OECD and electricity prices are threatening the international competitiveness of irrigated agriculture across Queensland.

CANEGROWERS works to ensure growers have access to lower and competitively priced electricity that promotes the growth and development of Queensland's irrigated sugarcane production. The economic viability of many sugarcane producing regions and the communities they support is at risk.

In meetings with Queensland's Minister for Energy and Water Supply, the Federal Minister for Environment and Energy and senior officials in their departments and in submissions to the Queensland

government, the Finkel review, the Australian Competition and Consumer Commission, the Australian Energy Regulator (AER), the Queensland Competition Authority (QCA), Commonwealth Treasury, Ergon Energy and presented evidence to the House of Representatives Standing Committee on the Environment and Energy: Inquiry into modernising Australia's electricity grid, CANEGROWERS has demonstrated that the prices irrigators are paying for electricity is higher than the cost of that electricity.

CANEGROWERS engaged Sapere Research Group to provide a detailed submission to the AER, drawing on Ergon Energy's own data to clearly demonstrate that peak electricity demand in Queensland is driven by the needs of urban and industrial users, not by agriculture. The work also points to other deep flaws in the QCA's application of the regulated pricing framework that has resulted in irrigators across Queensland paying too much for their electricity. Many of the costs in the Energex area do not apply in the Ergon area, the calculation of costs of renewable energy in regional Queensland assumes Ergon is not managing its purchases as an efficient, prudent retailer with a long-term view of the market and associated risks. Ergon has been allowed to recover

excessive retail costs, despite concerns raised by CANEGROWERS and many consumer groups.

The CANEGROWERS-Sapere Report was publicly released at a breakfast function in Brisbane in February which was well-attended by political and agricultural industry representatives. The key message on the day was that the failings identified in the report are systematic, set to affect all Queenslanders, and call into question the way the national electricity market is regulated and how network prices are determined.

CANEGROWERS five-point plan to reduce electricity prices by one-third from 2015-16 gazetted levels is realistic and achievable:

1. Optimise the regulated asset base, including a 50% write down, and require Energy Queensland to take responsibility for its management decisions.
2. Remove hidden taxes from Energy Queensland's cost structure.
3. Redesign the network tariff system to ensure irrigators are not paying for congestion costs of other consumers.
4. Reinstate local distribution grids.
5. Ergon re-submit a tariff structure proposal to the Australian Energy Regulator that contains fair pricing for Queenslanders.

Electricity trial

The Queensland Government's \$10 million Regional Business Support Package included funding for a series of farm electricity pricing trials which CANEGROWERS negotiated and developed with Ergon and the Government. These trials are designed to collect irrigation use data, control load and time-of-use tariffs will be trialled.



Electricity pricing is an ongoing issue for growers.

Environment & Sustainability

The Queensland sugarcane industry farms adjacent to the World Heritage-listed Great Barrier Reef (GBR) and water quality dominates the issues for environment. Due to the proximity to the GBR, the industry faces significant environmental and sustainability scrutiny and now operates within a challenging and complex policy and regulatory setting that involves both the Australian and Queensland Governments.

Along with farming practices which impact on water quality, a major focus has been on fertiliser and nitrogen use efficiency. Beyond GBR impacts, other areas of influence for CANEGROWERS have included biosecurity, vegetation management and market demands for sustainable sugar.

Biosecurity

Continued effort in biosecurity is important for the productivity and profitability of the Australian sugar industry as dealing with a pest incursion is costly and can have significant effects on the value-chain. Therefore, stopping the entry, establishment and spread of exotic diseases and pests is vital for our industry's future.

CANEGROWERS works closely with Sugar Research Australia (SRA) on operational and technical matters, the National Farmers Federation (NFF) through the Biosecurity Taskforce, the Queensland Farmers Federation (QFF) through the Biosecurity and Quarantine Committee and Plant Health Australia on biosecurity issues that affect cane.

CANEGROWERS is the industry member of Plant Health Australia (PHA) and the signatory to the Emergency Pest Plant Response Deed (EPPRD). SRA is an Associate Member and provides the technical knowledge on biosecurity for cane.

PHA is the national coordinator of the government-industry partnership for plant biosecurity in Australia. PHA works with Federal and state governments and industry representatives to promote strong biosecurity practices that minimise plant pest impacts on Australia, enhance market access and contribute to industry and community sustainability.

CANEGROWERS has attended all PHA meetings and teleconferences, and Matt Kealley is the current chair of the Plant Industry Forum and co-chair of the Joint Industry Forum between PHA and Animal Health Australia.

The Sugarcane Industry Biosecurity Committee

CANEGROWERS chairs this Committee which also includes the Australian Sugar Milling Council (ASMC), SRA, the Australian Cane Farmers Association (ACFA), Biosecurity Queensland, The Department of Agriculture and Fisheries, NSW Canegrowers and a representative of Cane Productivity Services (CPS) which was Mackay Area Productivity Services (MAPS).

The committee has dealt with: the request by SRA to move cane material across Biosecurity Zones for Pachymetra root rot testing as part of their plant breeding program, formalisation of biosecurity processes for the Regional Variety Committees, the PHA Grower Biosecurity Manual, Fiji Leaf Gaul in variety Q253 in Mackay, vehicle movement, the movement of dirty equipment between Biosecurity zones, and Biosecurity Queensland surveillance activities in northern Australia.

Red witchweed

The eradication of *Striga asiatica* at Habana, Mackay is ongoing. Red witchweed is a parasitic plant that grows attached to the roots of certain grasses and impacts on the cane, grains and grazing industries through trade, market access and risk of spread.

An Eradication Response Plan covers a period of 10 years from 2015/16 – 2024/25. The total estimated cost of the activities outlined in the Response Plan for the 10-year program is \$5,863,010 which includes owner reimbursement costs to the affected growers.

The Plan was not covered by existing national response arrangements, so it brought industry and government together to cost share the eradication effort on a 50:50 basis. Industry funding was segmented to cane (10%), grains (20%) and livestock (20%). To support the cane contribution, industry agreement on the establishment of a suitable mechanism is required and this is yet to be achieved.

Biosecurity levy

Long-term funding to support biosecurity needs of the Queensland and Australian sugar industry is required. However, the means to do this is not yet agreed to by industry. CANEGROWERS has attempted to bring this matter to a conclusion since February 2014 but there is no agreement or direction on how to manage biosecurity as an industry good issue.

Funding options and mechanisms have been considered, however an industry mechanism

to fund biosecurity more broadly is required. CANEGROWERS has met with Department of Agriculture and Water Resources and Plant Health Australia to discuss the use of levies and work through options to support biosecurity.

Updated Biosecurity Plans and Manuals

CANEGROWERS, SRA, the Sugarcane Industry Biosecurity Committee and PHA have finalised the review for the Biosecurity Plan for the Sugarcane Industry. The Biosecurity Plan provides a mechanism for industry, government and stakeholders to better prepare for and respond to incursions of pests that could have significant impacts on the sugarcane industry. The Plan formally identifies and prioritises both exotic plant pests (not currently present in Australia) and established plant pests, with a focus on managing future biosecurity challenges.

CANEGROWERS worked with SRA and PHA on the Sugarcane Biosecurity Manual for the Sugarcane Industry. This manual highlights the basic biosecurity activities that can minimise the risk of introducing and spreading weeds, pests and diseases. A copy was delivered to all growers through SRA and it is available on the SRA website.

Managing new biosecurity regulations

The Sugar Industry Biosecurity Committee determined a process to manage biosecurity risks for the release of cane varieties due to the new Queensland Biosecurity regulations. CANEGROWERS assisted Cane Productivity Services and District offices with processes for machinery inspections due to the new Queensland Biosecurity regulations.

Fire ants

CANEGROWERS supported CANEGROWERS Rocky Point on Fire Ants incursions to hasten the response by Biosecurity Queensland to treat nests found on grower's farms. Over 200 fire ant nests have been found on grower's properties since the ex-Tropical Cyclone Debbie weather system in April 2017.

Cross border issues

CANEGROWERS assisted CANEGROWERS Rocky Point with the logistics and biosecurity clearances required for the movement of plant material and machinery to the Condong mill in New South Wales due to a breakdown and fire at the Rocky Point mill during the 2016 harvest season.

Pests and chemicals

Soldier Fly

CANEGROWERS has been working with SRA to look at options for application of pesticides to manage adult Soldier Fly and have been liaising with the APVMA on permits and risk assessments.

Rats

CANEGROWERS were made aware of significant rat damage in the Herbert River and Mackay district, however advice from CPS boards considered the normal baiting methods would not effectively manage the problem. Applying Rattoff® (a rat registered rat bait) by air was thought to be effective, however was not supported on the label and required a permit to change this method of application.

CANEGROWERS worked with Rattoff® manufacturer Animal Control Technologies, a chemical registrant company DeGroot Technical Services and the Herbert River Productivity Services to secure a minor use permit to apply via aerial application for 10,000 hectares in Mackay and Ingham. Early results seem to be effective and this may provide data to lead to a possible label change.



Paul Gregory and John Porta are neighbouring Smartcane BMP accredited growers in the Cairns Region.

Pigs

CANEGROWERS has been investigating opportunities for long-term funding strategies and management of pigs in the region.

2,4-D and National Working Party for Pesticide Application

CANEGROWERS continued to be part of the Executive Committee of the National Working Party for Pesticide Application (NWPPA). The NWPPA has been dealing with issues around spray drift, particularly 2,4-D and proposed label changes.

The NWPPA Executive Committee comprised of technical representatives from spray manufacturers, grower groups, spray applicators and research and development corporations across viticulture, horticulture and broadacre agriculture.

Shirtan

In October 2013, the Australian Government signed the Minamata Convention on mercury. The treaty's objective is to protect human health and the environment from emissions and releases of mercury and mercury compounds. The treaty listed a range of mercury-added products which included mercury-added pesticides. Shirtan®, used in the sugarcane industry control of pineapple sett

rot, is one of them. Under the ratification of the treaty, these products are due to be phased-out by 2020, a position supported by CANEGROWERS.

Water quality monitoring issues

Imidacloprid (Confidor®) and diuron continued to feature in water quality exceedance notices in Barratta Creek in the Burdekin region and Sandy Creek in the Mackay region. The industry has one grub control product, so the potential loss of this product is a big risk to the industry and production.

CANEGROWERS participated in the Pesticide Working Group Annual Workshop in Townsville in March 2017. The workshop provided the opportunity for policy, science/research and extension to discuss the latest research, management and on-ground activities on pesticides.

CANEGROWERS continues to advocate for record keeping, the Smartcane BMP program and awareness of the issues and has met with several chemical manufacturing companies and CropLife Australia on this matter.

CANEGROWERS is supportive of SRA research on imidacloprid and is part of the committee for the SRA research project that has been funded to work on runoff from imidacloprid,

controlled released herbicides and herbicides sprayed with soil binding adjuvants.

Vegetation Management

CANEGROWERS joined other agricultural industries in opposing State Government amendments to vegetation laws. The *Vegetation Management (Reinstatement) and Other Legislation Amendment Bill 2016* failed to pass parliament in August 2016. The Bill had proposed significant changes to land clearing laws which, if passed, would affect growers.

CANEGROWERS monitors the self-assessable clearing codes for minor clearing which were updated by the Department of Natural Resources and Mines during the year. CANEGROWERS was of the view that vegetation management will be a contentious issue in the next State Election campaign given the Government's parliamentary defeat and the linking of the issue to water quality and the Great Barrier Reef.



Variable rate overhead irrigator, Tableland district

The Great Barrier Reef

A number of plans, programs and policies continue to influence the Queensland cane industry, its growers and the work of CANEGROWERS. Below is an outline of the main programs and the actions and activities CANEGROWERS has undertaken over the past 12 months.

The Reef 2050 Long-Term Sustainability Plan

This is the overarching framework for the management of the Great Barrier Reef from 2015 to 2050. It was developed in partnership with the Queensland Government and Great Barrier Reef Marine Park Authority and was a key component of the Australian Government's response to UNESCO concerns about the Reef.

An implementation strategy has been developed by the Australian and Queensland governments identifying lead agencies, timeframes, reporting and governance arrangements for the Reef 2050 Plan. The Plan responds to the challenges facing the Reef and presents actions to protect its values, health and resilience while allowing ecologically sustainable development and use.

Developing ecosystem resilience in the face of a variable and changing climate is a key principle of the Plan. By improving water quality, maintaining biodiversity, and ensuring port development and shipping has minimal impact on the Reef, the Plan is building the Reef's resilience and targeting activities over which governments and other stakeholders have control.

The plan has identified actions, targets, objectives and outcomes across seven themes. The most significant target to the sugarcane industry is: Improving water quality by reducing dissolved inorganic nitrogen loads in priority areas by at least 50% by 2018, on the way to achieving an 80% reduction in nitrogen by 2025.

Reef Trust

This has continued as one of the main mechanisms to deliver the Reef 2050 Long-Term Sustainability Plan and focuses on improving water quality and coastal habitat along the Great Barrier Reef. Reef Trust has a total contribution to \$140 million to address key threats to the reef and a significant proportion of the funding is aimed at nitrogen use efficiency on farms.

Projects are prioritised and the Australian Government has sought CANEGROWERS advice during this process. CANEGROWERS has encouraged the Australian Government to link its programs to modules in the Smartcane BMP.



Rehabilitated wetland on a Burdekin cane farm.

Reef Trust Phase I

The Reef Trust Tender – Wet Tropics provided financial incentives to 14 cane farmers in the region to improve their nitrogen use efficiency and farm sustainability. 22 farms covering 1618 ha were contracted by Terrain NRM to implement enhanced efficiency fertiliser management practices. So far, this program has resulted in around 86 tonnes less of nitrogen fertiliser being applied to these farms.

Reef Trust Phase II

Tenders for Reef Trust Tender – Burdekin have been assessed and funding of \$2.84 million has been provided through NQ Dry Tropics NRM to contracted sugarcane farmers to improve on-farm nitrogen and irrigation management practices. The project aimed to significantly reduce nitrogen fertiliser application and will help contribute to ambitious targets for reducing nitrogen runoff into the Reef.

Reef Trust Phase III

The Reef Alliance Project supports cane farmers to move beyond industry best practice, reduce erosion loss from grazing lands and maintain water quality improvement momentum in grains, dairy and horticulture. CANEGROWERS has worked with QFF through the Reef Alliance (a consortium of farm industry organisations and NRM organisations) to prepare a successful joint bid for \$45,666,993 of funding. The cane component is \$15,575,000 to deliver improved management practices across the Wet Tropics, Burdekin and Southern regions.

The Reef Alliance: Growing a Great Barrier Reef Project will support 1,196 farmers and graziers improve their practices over 1,841,480ha across 33 Great Barrier Reef catchments by 30 June 2019. The program targets five agriculture commodities including sugarcane, grazing, horticulture, broadacre cropping and dairy.

The Project is currently being implemented in cane regions and has developed an integrated database, an innovation component to test new ideas as well as delivering extension services, training and Reef Water Quality Grants.

Reef Trust Phase IV

This was announced by the Federal Government with a \$40 million funding allocation directed at nitrogen and sediment management. \$15 million was allocated to reducing nitrogen use on cane farms using a reverse tender mechanism targeting nitrogen use efficiency and water use efficiency in the Burdekin and Wet Tropics.

Funding was also allocated to an Enhanced Efficiency Fertiliser project supported by the Queensland Government and the Australian Fertiliser Industry. CANEGROWERS with SRA tendered and was awarded the project called EEF 60.

This is a \$7.1 million project over four years and will provide 60 trials on grower's farms comparing Enhanced Efficiency Fertilisers and urea at different rates under a range of conditions. The purpose is to determine the best use of EEF's for improved nitrogen use efficiency without an economic penalty. SRA will conduct the research and local extension will be contracted across the industry.

Reef Trust Phase V

Project Uplift is funded through this phase and is led by MSF Sugar to assist 36 farming groups in its mill districts to transition to more efficient farming systems, including controlled traffic, minimum tillage, trash blanketing and legume rotation crops. Project Uplift will also work to accredit these growers above industry standard in Smartcane BMP.

Australian Government Reef Programme

The Partnerships components of the Australian Government Reef Programme continues until the middle of 2018. CANEGROWERS has a funded project, Communication and coordination of activities in sugarcane across GBR catchments. This provides coordination of extension, training, innovation and R&D in the sugarcane industry to improve nutrient, chemical and sediment management and will coordinate with the Reef Trust Reef Alliance project.

National Environmental Science Programme

The National Environmental Science Programme (NESP) is being delivered through six hubs over a six-year period. The Tropical Water Quality Hub researches coastal water quality and coastal management with focus on the Great Barrier Reef and other tropical waters. The total funding for this hub is \$31.98 million. CANEGROWERS is represented on the steering committee.

A number of NESP projects are providing preliminary reports including Project 25 (an on-ground water monitoring project in the Cairns region), Project 2.1.5 (tracing the origin and fate of environmentally detrimental sediment) and a project on options for low lying cane land.

Great Barrier Reef Water Science Taskforce

The Queensland Government established a Great Barrier Reef Water Science Taskforce as a mechanism to develop policy for the Reef. The Taskforce's Final Report made 10 recommendations, many of which impact on the sugarcane industry, including a review of Reef Water Quality targets, the Cane Changer project, an extension and education strategy and amendments to the reef regulations.

Reef Regulations

Regulations to protect the Great Barrier Reef from chemicals and fertilisers sit under the Environmental Protection Act 1994 and the Chemical Usage (Agricultural and Veterinary) Control Act 1988.

These have required all cane growers in the Wet Tropics, Burdekin and Mackay-Whitsundays to undertake activities such as keep records of their use of fertilisers and agricultural chemicals (including specific controls for some herbicides), use soil tests and a regulated method to calculate and apply no more than the optimum amount of fertiliser and follow label instructions or products.

As part of the Queensland Government's response to the GBR Water Science Taskforce's

recommendations, the Office of the Great Barrier Reef is developing proposed minimum standards targeting nutrient and sediment pollution for all key industries in all Reef catchments – agriculture (cane, grazing, bananas, horticulture and grains), urban development and industrial activities.

A process involving a high-level discussion paper proposing to broaden and enhance the existing reef protection regulations followed by a consultation paper: 'Regulatory proposals for enhancing Great Barrier Reef protection measures across agricultural activities' has been followed in 2017.

CANEGROWERS has provided submissions stating that the extension of the regulations to the southern region (Bundaberg, Isis and Maryborough) is not justified. CANEGROWERS maintains that industry's own Smartcane BMP is a better approach than expanded regulation for growers who are focused on productivity and profitability as well as sustainability. CANEGROWERS fully supports the idea that accredited Smartcane BMP growers will be acknowledged as satisfying reef regulations.

CANEGROWERS will continue to engage with the Queensland Government through the consultation process for reef regulations which is expected to occur between June and August 2017.

The reintroduction of targeted on-ground compliance under the reef protection regulations by the Department of Environment and Heritage Protection (DEHP) commenced in April 2016 and continued through 2017 in all districts except for Bundaberg, Isis and Maryborough.

CANEGROWERS successfully negotiated with DEHP to ensure:

- Growers who are accredited in Smartcane BMP will not be the focus of the compliance program.
- Growers who are actively working towards accreditation will not be visited by a compliance officer for up to 12 months, thereby giving them time to achieve accreditation.
- Growers who are not engaged in Smartcane BMP will need to demonstrate to the compliance officers how they meet the regulations.

Nitrogen roadmap

Nitrogen, Nitrogen Use Efficiency (NUE) and specifically Dissolved Inorganic Nitrogen (DIN) continues to be a challenging issue for growers and the industry. Continuous improvement around better nitrogen use efficiency is an important area of research for both productivity and the environment.

CANEGROWERS has developed a framework for achieving more constructive and focused discussion of the research data being generated to drive synergy and convergence on this issue. A working group was established which used the framework to review and distil the latest R&D with input, as appropriate, from all the key researchers and advisors from SRA, productivity services and other providers.

The outputs of his project will be the development of nutrient management guidelines for improved N management consistent with achieving both improved profitability and reduced impact on water quality. Importantly, the outputs will include an assessment of the reliability of the guidelines, any caveats in their use by growers, plus recommendations for their ongoing improvement.

An agreed condition of the Smartcane BMP project agreement between CANEGROWERS and DEHP is that the Smartcane BMP program will help drive a review and distillation of the latest R&D on nutrient / N management, with the results of this will be reflected, as appropriate, in the wording of the Smartcane BMP standards by the end of 2017. The process for achieving this is the 'roadmap' for N management.

Project Cane Changer - Behaviour change through valuing farmers

Project Cane Changer is funded by the Queensland Government and driven by CANEGROWERS, in partnership with human behaviour experts, Behaviour Innovation. The program is evidence-based and built on scientific principles of human behaviour and population-level behaviour change.

The project aims to build recognition for Queensland's sugarcane farmers for their positive farming practices and their contribution to protecting the Great Barrier Reef, capture and communicate grower stories, enhance the way ideas are shared for improving the industry and involve all the people in the industry to help build a better future for all.

The first phase of the project was completed in and resulted in the identification of a number of targets and barriers to behavioural change. These targets and barriers represent the foundation on which Cane Changer was designed.

The second phase of the project is geared towards the design and delivery of five behaviour change strategies with a number of tools to support each strategy. The project is currently testing ideas for the first strategy, leadership and

ownership. Three districts are actively working with the BI team, Innisfail, Tully and Cairns.

A Cane Changer Commitment, a non-binding document that outlines a set of aspirations to encourage change, is an important initial step in the program. More than 100 Commitments have been signed in Innisfail and Tully.

Smartcane BMP

Smartcane BMP is the Queensland sugarcane industry's holistic on-farm program for assessing, validating and improving farming practices. Its focus is on farm practices that reduce risks to the quality of water entering the Great Barrier Reef lagoon while maintaining or improving crop productivity and farm profitability.

Smartcane BMP's ability to be a framework for maintaining access to the full range of sugar markets has seen additional effort be put into ensuring industry gets maximum value from the program.

The program is hosted by the CANEGROWERS for delivery to all Queensland growers. It consists of seven modules covering all aspects of farm management. Three core modules cover the agronomic practices that determine both crop productivity and risk to

reef water quality. The core modules are the focus of delivery effort, while emphasis on the other modules will increase over time.

A new module, Module 8 – Managing People and Environment, gives growers accredited in the core modules a pathway to achieving coverage of Bonsucro standards (another pathway is completing Modules 4-7).

The modules in Smartcane BMP are:

- Soil Health and Nutrient Management (Core)
- Irrigation and Drainage Management (Core)
- Pest, Disease and Weed Management (Core)
- Crop Production and Harvest Management
- Farm Business Management
- Workplace Health and Safety Management
- Natural Systems Management
- Managing People and Environment (Aligned to Bonsucro)

Participation in the program involves benchmarking the farm business against the core modules as being below, at or above industry standard. An action plan is developed, as required, for modifying practices and/or improving record-keeping. Smartcane BMP is underpinned by an independent on-farm audit which is supported

by an ISO 19011 audit system. This ensures the program is robust and can stand up to scrutiny.

Smartcane BMP has achieved a very high level of engagement with 1,580 farming business completing benchmarking to the end of the 2016-17 financial year, representing 68% of Queensland's cane production area. There were 212 accredited businesses, representing 14% of the cane production area.

The production area accredited is anticipated to reach 20-25% by the end of calendar 2017. More than 27% of the cane production area in the Wet Tropics (the highest priority region for reef water quality) is now managed by accredited growers. In the highest priority catchments within the Wet Tropics, such as the Johnstone, up to 40% of cane land is now managed by accredited growers.

An independent evaluation of the Smartcane BMP program in 2016 showed that more than half of all program participants reported a change in practice relating to nutrient, chemical and/or irrigation management and linked this to improved efficiency, and reduced losses, of nutrients and chemicals. This shows that, while the program acknowledges existing good practice, it also provides a pathway to practice improvement, providing evidence of the value of Smartcane BMP to investors and stakeholders, and how engagement in the program by growers had improved over the past two years.

The evaluation also showed that awareness of the program is very high but that challenges remain with one-third of growers not yet engaged and 45% of growers not believing they are well-informed about the program.

Growers who are accredited, or are working actively towards accreditation, however see the program as critical for industry stewardship and as valuable for improving efficiency on the farm. All accredited growers and stakeholders report that the program is a robust means of demonstrating stewardship.

The Smartcane BMP program has supported training workshops on key aspects of best management practice, such as soil health, drainage, weeds, canegrubs, and irrigation throughout the year. 808 growers have attended these workshops with participants rating these workshops very highly and most intending to change practice as a result.



CANEGROWERS Chairman Paul Schembri and his brother Joe receive their Smartcane BMP accreditation from facilitator John Turner.

Other highlights from the Smartcane BMP program include:

- Incentives for Smartcane BMP accreditation included in some district cane supply agreements.
- Smartcane BMP accreditation is the recognised sustainability/water quality requirement for biofuel produced from sugarcane feedstock as part of the Queensland Government's biofuels mandate.
- Smartcane BMP participation and accreditation is a requirement for growers involved in both Phase 3 (Improving practice innovation and adoption) and Phase 4 (Nitrogen Tenders/Auctions) of the Australian Government's Reef Trust program.
- Smartcane BMP accreditation is a requirement of participation in MSF Sugar's 'Project Uplift' Farming Systems Initiative which will assist 36 farming groups in the transition to new, more efficient farming systems that lead to accreditation at 'above industry standard' for key practices that improve soil health including controlled traffic, fallow management, and minimum tillage.
- Full alignment of benchmarking data with the cane practice adoption component of the Paddock to Reef Monitoring, Modelling and Reporting program (P2R program). This program is responsible for reporting to Governments and community on changes in farming practices and associated trends in water quality. Work is being commissioned to better define and communicate the value proposition of key agronomic practices within the BMP standards.

Third-party endorsement

Bonsucro, an international standard for the trading of sustainably sourced sugar, formally recognised Smartcane BMP in December 2016 as having full coverage of the Bonsucro indicators, and noted the additional value from Smartcane BMP's focus on:

- Technically and locally appropriate management techniques for farm management, specifically on farm design and crop agronomy
- Technically and locally appropriate management techniques for environmental management, specifically on soil and water management and conservation.

The milling and sugar marketing sectors see the implementation of Smartcane BMP as an opportunity for the cane growing sector to be 'certification ready' for sustainable sugar needs. This is evident in the Cane Supply Agreements

in some of the Wilmar areas supporting a payment to growers for Bonsucro certification.

CANEGROWERS attended the Bonsucro conference in London in December 2016 to present on Smartcane BMP, network with Bonsucro staff and conference attendees and meet Bonsucro members such as Coca-Cola, who require sustainable sugar.

CANEGROWERS has been working with The Coca-Cola Company, Coca Cola Amatil (CCA) and Coca Cola South Pacific to provide a pathway for their sustainable sugar needs through Smartcane BMP. The company has recognised Smartcane BMP sugar as meeting the on-farm component of its sustainable sugar needs through until the end of 2017, when this will be reviewed in light of further progress with Bonsucro alignment and equivalency.



Grower Greg Plath explains sugarcane harvesting to the Consul-General of Japan, Hidehiro Hosaka (centre), watched by the Vice-Consul Katsuhiko Akaizawa, CANEGROWERS Head-Economics Warren Males and grower Tony Ross.

Future funding

The Smartcane BMP steering committee requested that a business case for the Smartcane BMP program be developed and endorsed by key industry organisations before the end of 2017. The business case will underpin efforts to secure ongoing support and resources for the program when the current project-based funding ceases.

The CANEGROWERS Board and Policy Council endorsed the business case for the Smartcane BMP program which proposes a further four years of funding from Queensland Government with cash and in-kind contributions from industry

and delivery partners to support the current delivery model of district-based facilitators.

Trade Policy & Market Access

As an active advocate for improved market access CANEGROWERS, working closely with QSL and the Australian Sugar Milling Council through the Australian Sugar Industry Alliance (ASA), manages the industry's vital trade policy and market access function.

CANEGROWERS met regularly with the Australia's Minister for Trade and senior government officials in the Department of Foreign Affairs and Trade (DFAT) and Department of Agriculture and Water Resources (DAWR) to ensure trade issues affecting sugar are fully understood and to support Australian government efforts to secure a more favourable and profitable export market environment for Australian sugar. 80% Australia's raw sugar production is exported.

Indonesia

CANEGROWERS has actively worked with the industry and Australian Government to restore Australia's competitiveness in the Indonesian market, addressing trade negotiators at a stakeholder forum in Jakarta, meeting the head of Indonesia's Trade Ministry and briefing Australia's Trade Minister Hon. Steven Ciobo MP on the adverse impact in both countries of the high tariff imposed on sugar imports from Australia.

These meetings have resulted in the issue being elevated to Presidential level in Indonesia and to Indonesian President Widodo agreeing with Prime Minister Turnbull to remove the sugar tariff differential that favours Thailand over Australia. This agreement will support Australia's ongoing sugar trade with Indonesia. Securing its implementation is a high priority for the industry.

China sugar safeguards

In September 2016, the Chinese Ministry of Commerce (MOFCOM) initiated an investigation into whether to apply 'safeguard' measures to protect the Chinese sugar industry from a surge in imported sugar (raw and refined) from countries including Australia, Brazil, Cuba, Thailand, Korea and Guatemala over the period 1 January 2011 to 31 March 2016.

CANEGROWERS, QSL and all Australian sugar mills were named in the investigation. Despite strong evidence that the significant structural difficulties faced by the Chinese industry are not caused by a surge in imports,

China introduced a safeguard measure. CANEGROWERS is working closely with the Australian government to secure as much access as is possible, minimise the adverse impact of the proposed measure and have the Chinese decision overturned.

Japan

While Australia's raw sugar export to Japan have increased following implementation of the Japan-Australia FTA, technical implementation issues remain. CANEGROWERS is working closely with the ASA Trade Committee and the Australian government in continuing to explore all avenues to resolve the technical issues and increase the value of Australian exports to Japan. As part of this effort, CANEGROWERS hosted Japan's Consul-General and Deputy Consul in Mackay to inspect the industry's export facilities.

Trans-Pacific Partnership (TPP)

With worthwhile gains for sugar were in prospect, the US decision to withdraw from the TPP was disappointing. CANEGROWERS working closely with ASA and DFAT is pursuing all avenues, including through negotiations with the smaller TPP-eleven group of countries to realise the potential gains.

EU-FTA & Brexit

CANEGROWERS is seeking improved access for Australian sugar to both the European Union and United Kingdom. To this end, CANEGROWERS is working with Tate & Lyle Sugars to develop a framework for the inclusion of sugar in the forthcoming separate bilateral FTAs Australia will be negotiating with the two economies. We presented the case to senior trade officials in Brussels and the UK.

ASA Trade Review

An independent review of CANEGROWERS management of the trade function found that the industry is punching above its weight in comparison with Australia's other agricultural industries and is well-regarded by government and other agricultural industries for the effectiveness of its trade policy and market access function both in absolute and relative terms.

Nonetheless, implementation of choice in marketing structures at the conclusion of the 2016 season and QSL's changed role mean a new approach to funding this important industry good activity is needed. CANEGROWERS is working closely with all other industry organisations and marketers to develop a new model that will ensure the ongoing operation of this function.

Global Sugar Alliance

The Global Sugar Alliance held its annual members meeting in London. The WTO decision to remove all export subsidies was welcomed. For EU sugar, this comes into effect for the marketing year commencing 1 October 2017. As well as trade matters, Global Sugar Alliance members are devoting significant resources to bring balance to the sugar health and nutrition debate with messages based on sound science.

Transport

CANEGROWERS successfully worked with Queensland Department of Transport and Main Roads, Queensland Police Service and the National Heavy Vehicle Regulator (NHVR) to conclude two Gazetted notices. The Coastal Notice provides access for agricultural vehicles between 3.5m and 4.0m width to all roads and the Northern Notice allows access up to 5.0m for major and minor roads north of Rockhampton (excluding the Bruce Highway). These notices have conditions which must be met but it does mean that growers do not require permits if the vehicle fits into the notice dimensions.

The Operating Guideline for the Movement of over width Agricultural Vehicles and Combinations in the Queensland Sugarcane Industry 2016 was developed to assist growers to comply with the notices. Gazetted notices for the use of high floatation tyres which are specific to the sugarcane industry have been renewed for five years.

The harmonisation of class 1 agricultural vehicles and combinations is in progress and CANEGROWERS through the NHVR Agricultural Industry Operation Group. This is expected to be a significant issue in the next year. The permitting system for agricultural vehicles is still unsatisfactory and it is expected that this will devolve back to NHVR in the next year.

CANEGROWERS was represented on the Queensland Ministerial Freight Council and the Operations Industry Sub-committee which allows input into the Queensland Freight Strategy and an opportunity to raise agricultural transport issues.

CANEGROWERS continued as a member of the Fuel Tax Credit Coalition which includes mining, tourism, fisheries, forestry and agriculture. The objective is to ensure the fuel tax credit is maintained. All Federal Members of Parliament have been sent a publication from the coalition on the need to retain the fuel tax credit. Currently there is bi-partisan support.

Research, Development and Extension (RD&E)

CANEGROWERS continues to be part of determining the strategic direction for RD&E on behalf of members. CANEGROWERS was part of the working group which developed the National Sugarcane Industry RD&E Strategy in January 2017. The importance of this strategy is to provide direction for RD&E providers particularly those outside SRA.

The SRA Strategic Plan 2017/18–2021/22 was developed after significant consultation and was endorsed by CANEGROWERS. This plan provided a change toward research programs such as the Yellow Canopy Syndrome, harvesting and soil health programs. These incorporate a number of different but coordinated projects and may include specific commissioned research.

During the year CANEGROWERS had input into an SRA commissioned Independent Performance Review. This reflected that "SRA is a very well-run company" and "has the foundations in place to be a high-performing RDC". The report also went on to point out that the professional extension and communication unit as originally planned for SRA was not working. This was one of the points raised by CANEGROWERS. SRA commissioned an investigation and the final results of this are yet to be made public.

CANEGROWERS agreed that the Production Research and Advisory Committee (PRAC) functions be transferred to the SRA Grower Delegates. This was not a reflection on the PRAC performance but there was a crossover of membership and this made administrative sense.



Machinery washing is an important biosecurity practice when moving between properties.

Through the National Farmers' Federation Innovation Committee, the issue of how the Gene Technology Regulations include newer technologies like gene editing was discussed with the Office of the Gene Technology Regulator for consideration in any review. There is sensitivity around the definition of the different technologies and the possible effect on trade. This does not have an immediate effect on the sugar industry GM program but is an important issue for possible future developments. SRA GM cane development is still on track and commercialisation decisions need to be considered.

Workplace Health and Safety

CANEGROWERS is a member of the Workplace Health and Safety Queensland Rural Industry Sector Standing Committee. The current focus in agriculture has been on horticulture and beef with the priority groups of poor performing employers, vulnerable workers, and small business with priority hazards of plant (quad bikes and tractors), electrical infrastructure, remote work and chemical use. There is an expectation that the number of rural inspections will increase over the next few years.

Cane Analysis

CANEGROWERS held a cane auditors workshop which was attended by 12 auditors, CANEGROWERS district managers and growers. This provides an opportunity to share information and discuss any issues of common interest. There was discussion on the progress made with NIR technology, pattern approval and adoption across the industry.

CANEGROWERS is invited to the ASMC technical committee meeting where the main issue was the progress towards obtaining pattern approval for NIR from the National Measurement Institute (NMI).

Enhanced Multi-Peril Insurance Systems

A project entitled Producing Enhanced Multi-Peril Insurance Systems funded by the Queensland Government through the Drought and Climate Adaptation Program is focusing on sugarcane and cotton. CANEGROWERS has engaged growers to assess and prioritise the issues of concern and provided production data for analysis. The University of Southern Queensland, Queensland Farmers Federation and Willis Towers Watson (brokers) are involved in the project and an index

based insurance product is expected. This will be tested on growers to develop a commercial product which will assist growers to offset risks like cyclones. The initial one-year project to collect data is expected to be renewed for a further four years.

Rural Jobs and Skills Alliance (RJSA)

CANEGROWERS has signed a memorandum of understanding as a member of the Rural Jobs and Skills Alliance which is managed by QFF. The intent of RJSA is to influence public and private sector interest and support for members (CANEGROWERS, AgForce, Growcom, QFF, Cotton Australia, Queensland Chicken Growers Association) needs to attract, develop and retain workers and the funding to do this. The initial stages are focused on collecting evidence to support the needs. The Alliance oversees projects such as Queensland Agricultural Workforce Network (QAWN), School to Industry Partnership Program (SIPP) and Gateway Schools to Agribusiness. One of the issues which is in the process of being developed is extension officer training and mentoring.



An aerial view of the Herbert River cane growing district.

DISTRICT REPORTS

Mossman

In the 2016 crushing season, Mackay Sugar's Mossman Mill had over 1.3 million tonnes of contracted cane. The toll-crushing agreement negotiated with the MSF Sugar continued with 413,814 tonnes of cane being processed through the Tableland Mill. This reduced pressure on availability at Mossman Mill which processed just over 898,600 tonnes of cane for a final mill average of 11.56 CCS.

Mossman coastal, Julatten and Atherton growers sent in 710,009 tonnes of cane for an average of 11.04 CCS and the Mareeba growers sent in 602,450 tonnes of cane for an average of 13.42 CCS.

Mossman Mill started the 2016 season on 6 June and completed crushing on 18 November — a 24-week period. The growing conditions for the 2016 crop were ideal for producing record tonnages but on the coast especially, conditions were not ideal for setting sugar content with record lows being recorded in most districts. However, the November finish date will allow for a better crop overall to develop for the 2017 season.

The final average sugar price for 2016 season, was \$515.00 per tonne IPS. With the final mill average 11.56 CCS, this equated to a final average of \$35.62 per tonne of cane. The coastal, Julatten and Atherton growers final

mill average of 11.04 CCS was equivalent to a final cane price of \$33.19 per tonne of cane.

Mossman produced 158,300 tonnes IPS sugar in 2016 and lost 1,260 hours to cane supply (95), weather (439) and mechanical (726) issues. This is still high but a slight improvement on 2015.

CANEGROWERS Mossman provided local growers and members with assistance to prepare harvesting contracts, monitored various activities under the Cane Supply and Processing Agreement, and undertook various Bargaining Agent meetings. We also represented our members at many local and industry-wide meetings and activities and on various committees.

In the 2016 season, CANEGROWERS Mossman continued its involvement with the Douglas Marine Advisory Committee, the Wet Tropics Sugarcane Industry Partnership and the Wet Tropics Healthy Waterways Partnership. We also continued promoting the CANEGROWERS NAS Insurance business and the industry Smartcane BMP program.

Tableland

The Tableland Mill finished crushing the 2016 crop on 22 November. Total crush through Tableland Mill was 814,285 tonnes in just over 26 weeks which included 413,800 tonnes of Mackay Sugar toll crush cane.

The 2016 season concluded at the Mossman Mill on 18 November. A total of 898,650 tonnes was crushed through Mossman Mill in a 24-week

season. Total Mackay Sugar crush between Mossman and Tableland Mills was 1,312,500 tonnes.

Tableland growers felt the pressure of having a reduced Announced Water Allocation, starting the water year on 1 July 2016 at 70%. The dry weather pushed water prices up with temporary transfer water rising from an average of \$60/ML to \$150/ML. While the Announced Allocation was lifted to 100% on 1 February 2017, the lack of rain for two consecutive wet seasons has led growers to make management decisions which have included ploughing out cane and reducing the area of plantings.

CANEGROWERS Tableland successfully applied to have the shires within the Mareeba-Dimbulah Irrigation Area drought declared which has provided some relief to growers around electricity pricing.

In March 2017, Mackay Sugar announced its intentions to sell the Mossman Mill as part of a broader debt reduction strategy. The Boards of CANEGROWERS Tableland, CANEGROWERS Mossman and the Australian Cane Farmers Association have joined together to conduct due diligence into a potential grower purchase of Mossman Mill.

During the past 12 months, CANEGROWERS Tableland members were represented on various committees and working groups including the Mareeba-Dimbulah Irrigation Area Council, Mareeba-Dimbulah Local Management Arrangements, Reef Rescue Cane Industry Working Group, Queensland CANEGROWERS Electricity Committee, Natural Sciences Award Selection Panel, Mount Emerald Wind Farm Consultative Committee, Local Disaster Management Group, Smartcane Best Management Practice program and Mareeba Rodeo Sugarcane Competition.

Cairns Region

CANEGROWERS Cairns Region continues to have strong membership and provide representation across the area. During the past year these services were pivotal in aiding members with the completion of the newly negotiated Collective Cane Supply Agreements for both Mulgrave and South Johnstone mill, and the associated Grower Pricing Agreements. To growers relief, the transition to the new pricing arrangements was a fairly amicable process with the milling company, MSF Sugar being front and centre in providing grower choice.



CANEGROWERS Cairns Region purchased a three-row variable rate applicator which is available to members who wish to achieve sustainable practice change around mud, ash and/or compost application.

grower services and support in terms of environmental compliance and, more importantly, the promotion and facilitation of Smartcane BMP across the region has continued with steady progress being made. CANEGROWERS Cairns Region continues to place a focus on environmental projects and is a partner in the Wet Tropics Sugar Industry Partnership (WTSIP).

With assistance from Reef Rescue, the company purchased a three row variable rate applicator. This unit is available across the area for those growers who wish to achieve a practice change around mud, ash and/or compost application. Project 25, a regional water monitoring system with a focus on building a trust framework within the grower network continues to expand within the Mulgrave and Russell catchments.

The 2016 crushing season was one of the longest ever experienced for some suppliers. The impacts of the increased season length and the effects of wet weather will be felt for some time. CCS for the Mulgrave supply area was again disappointing and continues to reflect the general downturn seen over the last decade. To this, CANEGROWERS Cairns Region, with other industry stakeholders, has initiated a project with SRA (pending funding) to investigate the Mulgrave declining CCS. For the Babinda area, the season was deferred due to wet weather and this unstable weather was a trend that dominated the crushing until the end of September resulting in increased tonnes and a disappointing final CCS. Mill transfer cane, season length concerns and the impacts of the migrating harvesters around bin fluctuations remained topical and very concerning issues.

CANEGROWERS Cairns Region remains active in Reef water quality programs and continues to promote sustainable agriculture in the Wet Tropics through profitability, productivity and environmental stewardship.

Innisfail

The 2016 Season began on 22 June at South Johnstone Mill after a wet weather delay. It finished on 20 December. The total tonnage crushed was a record 1,720,711.15 tonnes, with a further 262,193.77 tonnes of South Johnstone Mill-assigned cane crushed at Mulgrave Mill, making the total 1,982,904.92 tonnes.

The district yield was an average 88.88 tonnes/ha. The seasonal CCS was a very disappointing 11.1213. A total of 654.21 hours of lost crushing time was attributed to wet weather.

A new Cane Supply Contract for the three years from 2017 was completed ahead of the start of the season. Paramount in the negotiations was the need to have grower choice of sugar marketer included in the provisions, in compliance with Queensland legislation.

Membership of CANEGROWERS Innisfail grew during the year. Of the 320 grower-owned farms supplying cane to South Johnstone Mill in the Innisfail Supply Area, 85.94% were members in 2016, compared with 75.26% in 2015. Two factors influenced this, a number of farms previously owned by non-members going out of cane production and others becoming members of the organisation.

Funding under the Federal Government Reef Programme provided for a contract, through Terrain NRM, to allow Deb Telford to continue her engagement as Grants Officer up until July. Her role then focused on being the local Smartcane BMP facilitator under a contract through CANEGROWERS which also included work with a statewide benefit.

Bob Stewart continued to be engaged under a contract to deliver specific training under the Wet Tropics Sugar Industry Partnership (WTSIP) through Terrain NRM funding. This contract expired on 31 December and Bob has been re-engaged under a new contract with Terrain NRM.

CANEGROWERS Innisfail organised and ran the Innisfail Agricultural Field Day which attracted huge numbers of sponsors, exhibitors and attendees.

Leading up to Anzac Day 2016, CANEGROWERS Innisfail obtained a grant to stage a re-enactment of The Cane Beetle March, a military recruitment drive that took place in 1916 from Mooliba to Cairns. The re-enactment traced the steps of the original march, and organisers of the Cairns Anzac Parade recognised its significance by putting the group at the head of the city's procession.

CANEGROWERS was successful in obtaining funding for a project recommended by the Water Quality Taskforce around behavioural change amongst growers, the community and politicians. John Pickering of Behaviour Innovation was selected to deliver the Cane Changer project and strategies have been implemented in the Innisfail region ahead of it being rolled out across the Wet Tropics.



Innisfail region growers attend a shed meeting for the Cane Changer program.

Tully

A Collective Cane Supply Agreement for the 2017 to 2019 seasons was signed by Tully Sugar Limited and CANEGROWERS Tully in time for members to exercise their choice of marketer for the 2017 and subsequent seasons. The agreement was in place for grower members to take advantage of the historically high sugar prices that were available at the time.

The agreement is successfully operating with two sugar marketers and while there have been teething problems with some operational aspects of the agreement, the 2017 season is proceeding as planned.

The 2016 season fell just short of 3,000,000 tonnes and was completed on 31 December. Again, there was a large crop despite the late finish the previous year, and crushing was completed before a traditional Tully drenching on 7 January 2017. The CCS was not so good and at 12.3, was well below the average of 12.7.

There have been further increases in the area under cane, although the 2017 to 2019 Cane Supply Agreement has imposed a cap on cane production area, subject to miller agreement that they have the crushing capacity.

Smartcane BMP gained traction during the year with growers completing their accreditation and others starting the journey with benchmarking and collecting the records which are required. CANEGROWERS Tully Board members have made a commitment to the Cane Changer Project, which has strong linkages to Smartcane BMP.

Growing sugarcane in close proximity to the Great Barrier Reef has seen more focus and scrutiny on cane farming and nutrient and pesticide usage. The Tully district along with districts from Herbert to Mossman have partnered in the Wet Tropics Sugar Industry Partnership (WTSIP), to share resources and work towards sustainable solutions to water quality issues. WTSIP is heavily involved in the delivery of the Federal Government's Reef Trust programs and is managing the relationship with Natural Resource Management group Terrain and also industry partners.

CANEGROWERS Tully has also been involved in the development of a Major Integrated Project (MIP) for the Tully and Johnston Catchments. The MIP will work closely with landholders in priority sub-catchments to achieve practice change that has a positive impact of reducing off-farm impacts of nutrients and pesticides while maintaining

profitability. Queensland Environment Minister Steven Miles has announcement the successful projects and the hard work will now begin.

Herbert River

Securing grower choice in marketing services was the main issue for growers and CANEGROWERS Herbert River through the year.

Michael Pisano, who succeeded Stephen Guazzo as Chairman on 1 May 2016, had a busy introduction to his new role with numerous shed and other grower meetings dealing with the protracted negotiations with Wilmar Sugar over a new Collective Cane Supply Agreement. Wilmar had cancelled the previous three-year rolling Collective CSA that concluded with the 2016 season.

Wilmar's stalling tactics through a period of attractive world sugar prices only served to reinforce the determination of growers to stay united and fight for their rights. In the end the bitter struggle, which saw Wilmar attempt to bypass the growers' appointed bargaining agent, was eventually resolved on 9 June 2017 when a Collective CSA that delivered all of what the previous Collective

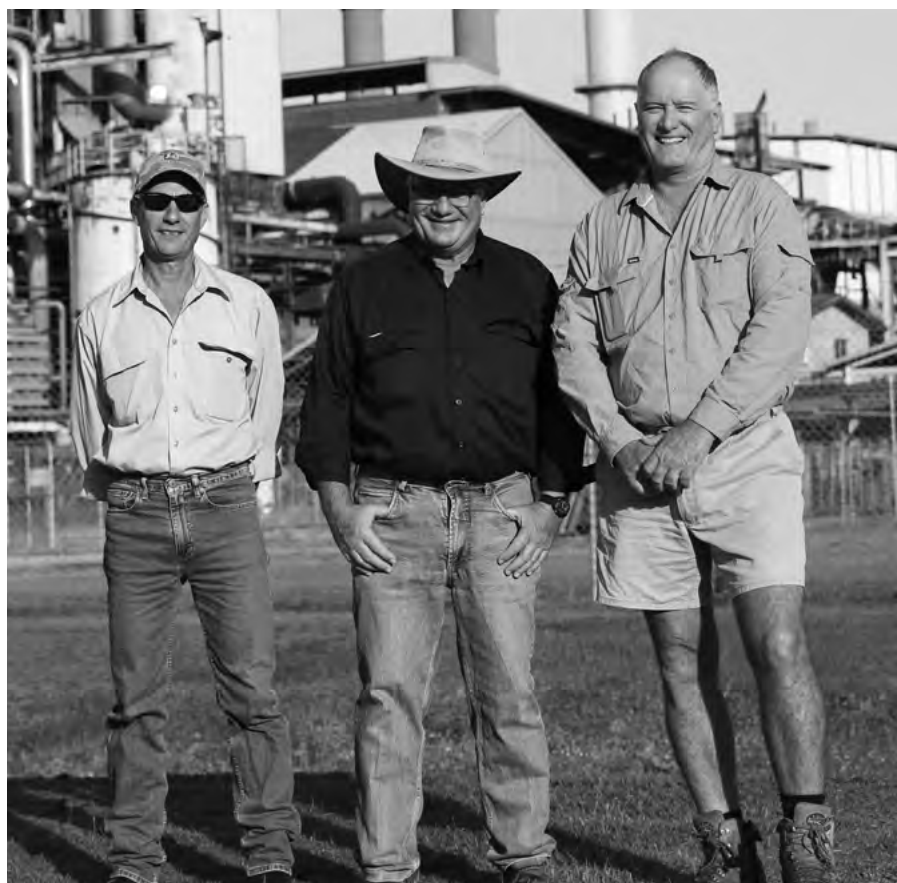
CSA contained was recommended to a report back meeting of members.

The whole saga has taken a heavy toll on grower-miller relations as the growers were denied an opportunity to price with a marketer of their choice and under a CANEGROWERS-negotiated CSA until after the world market price drifted down on the back of reports that the consumption-supply deficit would be coming to an end.

Rain in May, June and July 2016 after a failed wet season the previous summer saw the crop take off in winter and the wet weather meant all operations came to a standstill for a full two weeks. This all contributed to a low CCS for the year. The season ended on 28 December 2016 with some 40,000 tonnes remaining unharvested.

After a pre-season estimate of 4,450,000 tonnes, the final harvest was 4,812,000 tonnes. Milling performance was again found wanting which resulted in the Performance Target Allowance being triggered and around \$1.5 million was paid to CANEGROWERS Herbert River members.

CANEGROWERS Herbert River is actively involved in supporting the delivery of three programs with



CANEGROWERS Herbert River directors Paul Marbelli, Michael Pisano and Chris Bosworth.

a beneficial effect on the environmental footprint of cane growing and end of catchment outcomes:

- Reef Rescue and Reef Trust 3 and 4 were delivered via the Wet Tropics Sugar Industry Partnership, an industry owned partnership with Terrain NRM delivering Commonwealth-funded extension to growers on nutrient and herbicide management and incentive grants.
- Smartcane BMP had around 53,560 hectares or 80% of the cane production area of the Herbert River region benchmarked at industry best practice and 11,948 hectares or 18% was fully accredited in the three core modules.
- The Wet Tropics Healthy Waterways Partnership, which prepares an annual report card on the status of freshwater catchment basins, estuarine areas and nearby coastal zones for the major catchments in the Wet Tropics Region.

Along with supporting these programs and advocating on behalf of growers, staff of the small but busy office at CANEGROWERS Herbert River delivers a valuable payroll service for a client base of growers and associated businesses with an annual turnover in excess of \$15 million.

Burdekin

The 2016 crop was an increase of 431,000 tonnes on the previous year for the region at 8,710,335 tonnes. Cane yield increased to 126.7 tonnes per hectare and CCS averaged 13.97.

The Burdekin mills did not perform as well as the previous year with an average reliability of below 90% and an hourly crush rate of 2,471 tonnes. Lost time to rain stops amounted to 838 hours.

The 2016 crush was completed in 30 weeks, ending on 3 January 2017. The lower performance breached benchmark mill performance guarantees which in turn invoked compensation payments to growers.

Due to another failed wet season, the drought declaration from November 2015 has remained in place for the region during 2016 and into 2017.

The above CPI increases in the cost of electricity continue to impact growers and the cost of irrigating crops. CANEGROWERS Burdekin and CANEGROWERS Bundaberg continue to support the community lobby group ARC-UP, that they initiated last year, and its goal of reducing all regulated tariffs by 33%.

2016-17 was again another year that growers and management of representative bodies energy and resources were engaged in ensuring that growers rights in choice of marketing was captured through the negotiation of new Cane Supply Agreements to operate from the 2017 season onwards.

General Manager Debra Burden's tenure of five years came to an end when she resigned in February 2017 to take up a Townsville-based management position in a mental health community organisation. Her drive, initiative and strategic experience will be missed.

The decision in our grower's litigation case against Wilmar, relating to the 2010 weather-induced crop shortfall, was handed down in the Supreme Court in May. The Judge dismissed the grower's claims, a disappointing decision for growers.

The official estimate for the 2017 crop was originally set at 8.4 million tonnes but was revised downwards to 8.3 million. Although our optimism for the future may be challenged at times, we at CANEGROWERS Burdekin will still strive to be a truly effective, enduring and unifying force in maximising the profitability, productivity and sustainability of cane growers in the Burdekin region.

Proserpine

2016-17 was a year of contrast for CANEGROWERS Proserpine and its members. Despite the inclement weather, the 2016 crushing season was a pronounced success with the crop exceeding two million tonnes for the first time since 2005.

Unfortunately, wet weather impacted on CCS with the lowest recorded average in 16 years. The larger crop and difficult harvesting conditions resulted in a late December finish but it was otherwise an exceptional effort by all involved – growers, harvesting contractors and the mill.

Despite the late finish, there was a reasonable expectation of an above average crop for 2017. Unfortunately, Severe Tropical Cyclone Debbie struck the district on 28 March cutting a swathe of damage through most of the sugarcane growing zones. Crop losses of more than 40% have been estimated in the worst affected areas. Many members are still counting the cost of damage to homes, sheds and farm equipment.

An Industry Recovery Officer was appointed to assist growers in the aftermath of the Category 4 cyclone. This position was jointly funded by CANEGROWERS and CANEGROWERS Proserpine and has been a huge success, enabling growers to access much-needed recovery programs while continuing to concentrate on planting activities and preparations for the 2017 crush.

The protracted negotiation of an On-Supply Agreement between Wilmar Sugar and QSL frustrated the organisation's attempts to finalise a new Cane Supply Agreement for the 2017-2019 seasons. Eventually, a new Collective CSA was completed just prior to the commencement of the 2017 crush and provides members with their choice of marketer as intended by legislation.

The Smartcane BMP program continues to gain momentum with a number of growers either achieving accreditation or awaiting final audit. While the program has been successfully integrated within the local productivity company, CANEGROWERS Proserpine maintains an active role in overseeing and promoting it for the local industry.

Our insurance business operates in an extremely competitive environment, yet still generates valuable commissions which ultimately benefit all members. CANEGROWERS Proserpine gratefully acknowledges the support provided by the CANEGROWERS Insurance network



Many cane farms suffered damage from Tropical Cyclone Debbie in the Proserpine and Mackay districts.

Bill Blair, Peter Quod, Mike Porter, John Casey, Lindsay Altmann, Tony Large and Glenn Clarke of CANEGROWERS Proserpine visiting the Mackay bulk sugar terminal.



during the extended absence of our Authorised Representative due to illness. We are indeed fortunate to have such experienced and dedicated professionals who have provided assistance to our members in our time of need.

CANEGROWERS Proserpine continued to provide administrative and financial management support to Sugar Services Proserpine, Kelsey Creek Water Cooperative and Six Mile Creek Irrigators Cooperative. CANEGROWERS Proserpine also maintained an active role in industry affairs representing growers on a range of industry, regional and community related boards and committees.

CANEGROWERS Proserpine continues to enjoy strong support with a 94% membership rate.

Mackay

CANEGROWERS Mackay (Mackay Canegrowers Limited) has faced numerous, unprecedented challenges over the past year. One of the most significant was the long and hard-fought battle to win marketing choice for growers culminating in Cane Supply Agreements backed by Queensland legislation and a Federal Code of Conduct.

The strength of our representative role proved to be valuable in the aftermath of Tropical Cyclone

Debbie, which left a trail of destruction when it crossed the Queensland coast in late March 2017.

CANEGROWERS Mackay played an integral role in the successful application for Exceptional Circumstances (Category C) assistance under the National Disaster Relief and Recovery Arrangements and assisted members to claim funding and access all of the services and entitlements available to reinstate their businesses to a pre-cyclone condition. CANEGROWERS Mackay has been proactive in lobbying for Category D funding, which includes enhanced concessional loans and other one-off programs for repair and rehabilitation.

Staff and growers have worked closely with Wilmar Sugar and Mackay Sugar on many matters including poor mill performances, sugar marketing arrangements, changes to Cane Supply Agreements and financial sustainability.

Following protracted negotiations, the Cane Supply Agreement for Plane Creek growers was finalised just in time for the 2017 crush, leading to limited time to brief growers and for them to sign documents in time to start the harvest.

Milling performances and weather contributed to an unprecedented late finish to the 2016 harvest requiring tough negotiations with

relevant government agencies to have the Christmas heavy vehicle road curfew lifted to allow the harvest to continue.

Due to the financial condition of Mackay Sugar, a \$2 per tonne contribution by growers referred to as a 'deferred cane payment' was introduced for the 2017 season. This incredibly difficult decision was taken with the view to improve milling performance and reduce the season length. If performance has not improved, CANEGROWERS Mackay will have the power to terminate the contribution after two years.

CANEGROWERS Mackay has proudly and actively supported and participated in the CANEGROWERS campaign to reduce unsustainable electricity pricing in agriculture.

Assistance was provided to growers with matters including but not limited to cane supply and cane pays, electricity, transport, road and Regional Council matters, points of delivery, neighbourhood issues and leasing. Administrative support was provided to Mackay Area Committee, Plane Creek Area Committee, Plane Creek Productivity Services Ltd and Cane Audit Committee.

The insurance team was busy with claims resulting from Tropical Cyclone Debbie and reports a busy and successful year despite restrictions with the number of insurers that

will deal in north Queensland. IAL, formerly Berkshire Hathaway Insurance Australia (BHIA) has entered the domestic market.

Training staff initiated and participated in projects including securing funding through the State Government's Skilling Queenslanders for Work Initiative to offer a subsidised Sugarcane Haulout Course for 16 participants with the majority securing seasonal employment. Among the other pursuits were the Pilot/Escort Level I & II Vehicle Driver Course and complete Chemical Accreditation courses ensuring compliance with state reef regulations. Training was involved in the Farmers Teaching Farmers (FTF) project funding through CANEGROWERS' Reef Programme funding linked to Reef Trust. FTF formed part of the Mackay Area Productivity Services (MAPS) Field Day focusing on water quality and grub control. Online Harvest Safety Inductions have been well-utilised proving the website to be an easy and cost-effective way for members to meet their Workplace Health and Safety obligations.

Other activities included providing assistance to growers recruiting workers and facilitating first aid and computer training to sugar industry clients and the public. Growers seeking workers, and workers seeking employment continue to use the online register. Training was involved in providing relevant information and promotion during Safe Work Week.

Within the CANEGROWERS Mackay region, 522 growers have registered and been self-assessed for Smartcane BMP at workshops and on-farm. 25 growers have achieved accreditation in the three core modules with a further three growers going further and completing the module which achieves compliance with Bonsucro.

CANEGROWERS Mackay is proud to be a part of a statewide team advancing and securing a more sustainable and profitable industry for our members.

Bundaberg

The 2016-17 financial year kept Bundaberg CANEGROWERS elected members and staff fully occupied.

Forward pricing, lobbying for electricity price reductions, water constraints, fertiliser and chemical supply and price, environmental groups, industrial action, training and many other issues were handled on a daily basis.

These issues have enormous potential consequences on our members' profitability and productivity. We see our role on these issues as an agent of discovery to ensure that nothing comes as a surprise to the industry from the multitude of organisations and bureaucracy that can cause considerable workload with no net gain for anyone.

We will always represent our members' interests on these issues collectively and, where required, individually. We are unashamedly member focused and farmer biased.

The season crop estimate at the start of the crushing in 2016 was 1,650,000 tonnes with the final tonnage being 1,825,356.94 tonnes. There were significant wet weather delays throughout the season at both mills with Bingera losing two full weeks of crushing in Weeks 2 and 6. Millaquin was delayed two weeks at the start of the season due to a fire in the bagasse system.

Millaquin Mill crushed a total of 1,007,115.57 for an average CCS of 14.12. Payment CCS was 14.17 units. Bingera Mill put 818,241.37 tonnes of cane through its rollers for an average CCS of 14.06 and a payment CCS of 14.08. Growers received their final payment for the 2016 season on 28 July 2017.

The seasonal pool price was based on a final pool price of \$514.89 plus \$11.36 US quota premium and \$3.27 shared pool premiums, to give \$529.52 per tonne of IPS.

Isis

The Isis Central Sugar Mill was hampered early in the 2016 season by wet weather but growers ended up having a good harvest sending 1,350,000 tonnes of sugarcane to the mill. The cane supply recorded four weeks with Queensland's highest average CCS and finished overall in the top two districts for sugar content.

The season finished well before Christmas with the last bin passing the rollers at 12.47am on 27 November. The 2016 season had the third highest seasonal throughput and recorded the highest ever weekly throughput in the 120 years of the mill's operation.

Very little rain was received leading up to Christmas and the January-February period was one of the hottest and driest ever recorded. It wasn't until the middle of March before much welcome rain was received. The Bundaberg region was drought declared from 1 March after a large number of growers received individual drought declarations in February. Even though there was some localised damage sustained



Debris indicates the flood level from Tropical Cyclone Debbie's torrential rain in March 2017. CANEGROWERS Mackay CEO Kerry Latter and Chairman Kevin Borg toured the region to inspect damage to farms.



A successful harvester haulout training course conducted by CANEGROWERS Mackay in the Plane Creek region resulted in most of the attendees gaining employment on farms or with contractors in the region.

from the remnants of Tropical Cyclone Debbie, the resulting rain was extremely beneficial.

While there are electricity tariff reliefs that come with a drought declaration, the need for irrigation to produce and sustain a viable cane crop has brought to prominence the ever-increasing input costs to farmers. The new financial year brought the burden of increased electricity and water charges all of which threaten the financial viability and profitability of cane farming enterprises.

The year also featured a continuation of the investigation of the viability of transitioning the irrigation water distribution network to a local management authority with CANEGROWERS members of both Isis and Bundaberg districts involved.

Within the Southern Region, CANEGROWERS Isis has continued to work with Sugar Research Australia in developing new high-yielding varieties with milling trials of SRA1 and SRA4 being undertaken with the expectation that further milling trials will take place in the 2017 season. As a result of a number of variables, the outlook for both varieties is proving challenging.

CANEGROWERS Isis also joined with Sugar Research Australia to support the Clean Cane Harvesting Trials which are continuing throughout the 2017 season. The uptake of Smartcane BMP in the District has been significant through the ongoing work of the productivity officers. 68% of the Isis cane production area is benchmarked against the three core modules which is 84 growers and 11,538ha. Eight growers, owning 2,722ha or 16% of the area, have been accredited. CANEGROWERS Isis is committed to the ongoing productivity and profitability of our farmers while protecting the Great Barrier Reef.

Maryborough

During the 2016 season, the Maryborough Sugar Mill crushed a crop of 791,438 tonnes which was slightly less than the 2015 season. CCS was 14.01 and sugar produced was 118,316 tonnes IPS.

The mill commenced crushing on 23 June and finished on 23 November. 91% of the cane was cut green. Yellow Canopy Syndrome was found in the district in small quantities during the year however to date it has not had a major impact on cane yields.

Approximately 52,000 tonnes of cane were delivered from the Nambour district during the season. This, together with a trickle of



Talking drought assistance in the Maryborough region are MSF Sugar Chief Executive Officer Mike Barry, Federal Member for Wide Bay Llew O'Brien, Deputy Prime Minister Barnaby Joyce and CANEGROWERS Maryborough Chairman Jeff Atkinson.

new growers entering the industry and more efficient irrigation practices, has seen production maintain levels close to the previous year.

The 2017 season is approx. 20% completed as this report is being compiled. An estimated 600,000 tonnes of cane will be harvested which is down on expectations due to a prolonged dry period since last year's crush.

After 22 years of loyal service, District Manager Trevor Turner took retirement in December 2016. New manager, Cameron Waterson, commenced in November. The CANEGROWERS Maryborough Board continues to focus on strengthening water supply for the area with drought conditions prevailing for more than 12 months.

Rocky Point

The badly disrupted Rocky Point 2016 harvest commenced on 18 July 2016 with 300 tonnes of cane per day being sent to the district's closest milling neighbour, Condong Mill, in New South Wales.

This effort continued until 29 October when the Rocky Point Mill was finally able to crush.

The late start was due to cogeneration plant repairs taking much longer than anticipated. However, after less than five weeks, an electrical fire at the mill ended any hope of more cane being crushed at Rocky Point during 2016.

CANEGROWERS Rocky Point then negotiated again with Condong Mill to have up to 40,000 tonnes of cane crushed there after their own harvest was concluded.

For all the efforts, a measly 140,271 tonnes of cane were processed in total. This represented 44% of the estimate and left approximately 180,000 tonnes of cane to stand over.

Crop prospects for 2017 are exceptional, with 479,000 tonnes available, of which 300,000 tonnes are standover. The crush commenced on 26 June 2017.

The future of the Rocky Point area is on a knife edge. While the mill is capable of operating, the cogeneration plant is in severe danger of collapsing financially. Unless \$6 million dollars is spent, it will never recover from its problems and the owners do not seem to be willing to fund the urgent repairs. Growers have lent the plant \$1.2 million previously and are not willing to provide any further financial assistance.

The farming sector has lost between \$5 and \$10 million dollars in the past two years. Growers have missed pricing opportunities due to the continuing uncertainty around the ability of our processor to produce sugar to fill contracts.

the
BOARD



CANEGROWERS Chairman Paul Schembri with CEO Dan Galligan and CANEGROWERS Mackay CEO Kerry Latter and Smartcane BMP facilitator Steve Garrad inspect damage from Cyclone Debbie on Jeff Grech's farm.



Chairman, Paul Schembri

Senior Vice Chairman, Allan Dingle

Michael Pisano

Vice Chairman, Kevin Borg



Rajinder Singh

Joe Marano

Owen Menkens

Mark Mammino

the POLICY COUNCIL



Queensland Environment Minister Steven Miles signed a Cane Changer commitment in front of grower representatives, CANEGROWERS staff and Dr John Pickering of Behaviour Innovation at the July 2017 meeting of the CANEGROWERS Policy Council. He also committed to continue to support Smartcane BMP.



Drew Watson
Mossman



Rajinder Singh
Tableland



John Ferrando
Cairns Region



Joe Marano
Innisfail



Tom Harney
Tully



Michael Pisano
Herbert River



Jeff Cantamessa
Herbert River



Phil Marano
Burdekin



Roger Piva
Burdekin



Owen Menkens
Burdekin



Steven Pilla
Burdekin



Glenn Clarke
Proserpine



Tony Ross
Mackay



Kevin Borg
Mackay



Greg Plath
Mackay



Paul Schembri
Mackay



Mark Pressler
Bundaberg



Allan Dingle
Bundaberg



Mark Mammino
Isis



Jeff Atkinson
Maryborough



Michelle Fischer
Rocky Point



Ray Zamora, Tully



Fred Ciranni, Tableland, with his dog, Turbo

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Clint Reynolds with Deklan and Kaydee, Mossman



Gary Spotswood, Burdekin

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