

Sugar Poll 2012

The industry vote in August 2012 to form SUGAR RESEARCH AUSTRALIA, a modern not-for-profit research company to be owned by levypayers (all sugarcane growers and all millers).

Your vote is important. Vote in August

The information contained in this paper will help sugarcane growing businesses and milling companies to decide on voting for important new arrangements for the research and development that is a key to the future strength of the Australian Sugar Industry.

Near 4,600 sugarcane growing businesses in Queensland and northern New South Wales, and 8 milling companies, will soon receive papers from the Australian Electoral Commission asking for their vote on –

- **Forming Sugar Research Australia**, to be a single focussed, industry owned research and research management organisation to improve research performance and efficiency, and to bring costs to reasonable levels, and
- **Funding Sugar Research Australia by a single statutory levy** to be paid equally by all millers and all growers at 35 cents a tonne each, in place of the current fees for BSES and levy for SRDC. For growers this will replace the current charges of 37 c/t (30 c/t BSES service fee and 7 c/t levy for SRDC).

This Information Paper aims to summarise key features of the changes and the case for supporting this modernising of industry research, as well as reasons for and possible outcomes of a Yes or a No vote.

How Sugar Poll voting will be run and votes counted is also explained.

You can look up more detailed information on the Sugar Poll website including 75 Questions and Answers on www.sugarpoll.com.au



Fellow sugarcane growers and millers,

On 27 October 2011, the Australian Sugar Industry Alliance (ASA), with the full boards of the founding members CANEGROWERS and Australian Sugar Milling Council (ASMC), agreed to support a full Sugar RD&E Reform package based on detailed reviews, consultation and input from many stakeholders across the whole industry.

Your elected leaders have been long-concerned about research performance and rising costs of having three entities with different aims. We are also conscious of the need to work to enhance performance changes while the industry is improving, because effective research gives a strong basis for the future.

In many ways, your sugar industry is now at a turning point. Industry growers and millers, by working together and voting Yes in the Sugar Poll to form a new, industry owned company, Sugar Research Australia, will see in the next important stage of sugar industry modernisation needed to energise and focus research, to enhance outcomes and to encourage investment in the future.

We believe it is vital that sugarcane growers and milling companies together support these changes by voting Yes. In early August, you will receive your Sugar Poll voting papers, one paper for each sugarcane growing business (ABN) and one for each milling company. We are encouraging you:

- to actively Vote in this Sugar Poll by posting your completed voting papers back in August, and
- to Vote for formation of the new company Sugar Research Australia, and for Sugar Research Australia to be supported by the whole industry paying a compulsory (statutory) levy of 70 cents a tonne of cane each year, equally from the grower (35c/t) and the miller (35c/t).

Based on detailed reviews, CANEGROWERS and ASMC consider this is a responsible level for an equally paid levy. More money will be going into research overall. For growers, the 35c/t will replace 2012 charges of 37c/t (30 c/t BSES and 7 c/t for SRDC). At the same time, millers will lift their payment to an equal share of 35c/t.

With a successful Yes result in the Sugar Poll vote, the Australian Sugar Industry Alliance will make a full application to the Federal government to form Sugar Research Australia with a statutory levy, and we will continue working intensively to achieve a target start date of 1 July 2013. The Poll vote results will assist the Minister for Agriculture, Fisheries and Forestry, Senator Joe Ludwig, and the government in making a final decision on Sugar Research Australia and a statutory levy. If agreed, legislation will need to be passed by the Australian Parliament.

The Sugar Poll is not a vote on local advisory arrangements, and a No vote will not affect cost saving changes that have already been made within BSES. During 2011, a range of operational changes were taken at BSES, including some staff reductions, to address rising costs. BSES is functioning and has 145 continuing staff, but it is not financially stable without either further funding from fees or cost reductions. Bringing BSES, SRDC and SRL operations into a single research entity with secure funding is the way for the industry to ensure strong, ongoing RD&E.

A No vote is not a solution and does not mean staying the same or that any alternative would come about. Any change requires support of the major industry miller and grower groups. Existing instability and uncertainty would continue. The sugar industry would not achieve the higher research performance benefits it needs. Mills and any new processing plants would not be bound to pay an equal amount for industry research funding. Growers could need to pay much more, enforced through Plant Breeders Rights charges. BSES would operate but not without ongoing reduction of costs. ASA believes reviews of industry involvement with BSES and SRDC would also be needed.

We encourage you to make your vote count. This Poll gives growers and millers across the industry the opportunity to support industry development. This is your industry, your investment and your future.



Alf Cristaudo, Chair ASA,
Chair CANEGROWERS



Quinton Hildebrand
Director ASA, Chair ASMC



Paul Schembri, Director ASA,
Director CANEGROWERS



Craig Doyle, Deputy Chair
ASA, Director ASMC

Conducting the Sugar Poll

Sugar Poll 2012 is being organised by the Australian Sugar Industry Alliance as the peak industry organisation with CANEGROWERS representing over 80% of growers and ASMC representing 98% of milling capacity. ASA has conducted wide consultation, and has advanced a substantial development proposal based on sophisticated analysis that addresses all criteria for formation of an Industry Owned Company with an associated statutory levy.

ASA has arranged this Sugar Poll in line with the Federal Government's Levy Principles and Guidelines to ask the whole industry to decide on formation of a new and modern industry owned company, Sugar Research Australia, with a statutory levy to fund research, development and professional extension of R&D results.

For Sugar Research Australia (SRA), levy payers would be all sugarcane growing businesses (near 4,600 identified as having an Australian Business Number) plus first stage processors or millers of sugarcane with one or more processing plants taking delivery of over 3,000 tonnes of cane a year (there are currently eight Mill Companies with processing plants of this size in 2011).

Australian Electoral Commission (AEC)

Each levy poll must be subject to independent scrutiny, and ASA has contracted the AEC to conduct the voting.

For the Sugar Poll 2012, the AEC will provide a Returning Officer for management during the poll period, maintain confidentiality of the voting roll provided, design a weighted voting methodology using industry developed criteria, print poll materials including a voting paper with the Sugar Poll Yes-No question, and receive poll voting papers back.

The AEC will count the votes, ensuring privacy, and will provide a signed Declaration of Results.

How will Sugar Poll votes be counted?

For this first industry levy poll, Sugar Poll 2012, and for any future Sugar Levy voting, a balanced voting system has been agreed by ASA, and by CANEGROWERS and ASMC, and explained in submissions.



The Sugar Poll voting system takes into account features of the Industry and aims to involve all potential levypayers.

For Grower levypayers, the votes cast will be counted on two bases:

- One vote per cane growing business (ie. one vote per Australian Business Number, ABN).
- Then for each ABN, one vote per tonne of cane delivered in the prior harvest year (eg. 2011).

For Miller levypayers, the votes cast will also be counted on two bases:

- One vote per Mill Company (an entity including any associates operating one or more processing plants taking delivery of over 3,000t of cane the prior harvest year).
- For each Mill Company, one vote per tonne of sugarcane delivered to that company.

The diagram here was used in industry meetings earlier in 2012 to illustrate possible voting based on delivery of 30 million tonnes of sugarcane to processing plants in a harvest year.

SRA levypayers, ballot voting – 4 separate counts

Two counts for each grower

Grower X has 2 cane farm businesses (ABNs), delivers 5,000 tonnes (2,000 + 3,000).

ABNs

Grower X may cast 2 votes of a possible 4,600.

Tonnes

Grower X may cast 5,000 votes of a possible 30,000,000 Grower votes.

Two counts for mills

Mill Company Y takes delivery of 4 million tonnes of cane a year from many growers.

Mill Companies

1 vote for Mill Company Y of 8 possible mill company votes.

Tonnes

Mill Company Y may cast 4,000,000 of a possible 30,000,000 Miller votes.

Your voting choice and outcomes



YES

Vote to form Sugar Research Australia backed by a statutory levy

A Yes vote would be a major stage in achieving benefits for the whole industry from forming Sugar Research Australia, including, in summary:

- **Modernising** of the Australian industry, with a single strong Sugar Research Australia (SRA) attracting researchers and staff and through research and adoption activity raising interest and investment in cane farming.
- **Stronger research** performance by bringing together activities of three current sugar industry organisations (the industry's BSES Limited, the government-industry entity SRDC, and aspects of the sugar milling research agency SRL) into Sugar Research Australia.
- **Secure funding** for research with 35 cents per tonne of cane paid by all millers and growers each year (total 70c/t on all cane delivered).
- **A reasonable levy.** Once Sugar Research Australia starts, cane growing businesses will pay the levy of 35 cents a tonne of cane supplied, instead of the current 37 cents a tonne (BSES service fee of 30 c/t plus SRDC levy of 7c/t). This is also less than emergency charges in 2011 (42c/t and 7c/t) and less than would be needed without the RD&E changes.
- **More money for research, varieties and biosecurity** because Sugar Research Australia should have less overhead costs than BSES and SRDC, and because through the Sugar Research Australia structure with industry payments as a statutory levy, R&D it funds will attract the full Australian Government matching funding for R&D every year of 0.5% of Gross Value of Production).
- **All sugar industry levypayers will be the owners** of Sugar Research Australia, a not-for-profit company focussed on R&D and producing results for the industry.

There are already nine R&D research and development Industry Owned Companies in Australia working for their industries. It is a well-tested model. The BSES Board is also supporting the reforms for all these reasons.

NO

Vote to not form Sugar Research Australia backed by a statutory levy

The poll could fail because too few growers vote, or there is a No vote.

The Australian Sugar Industry Alliance, ASMC and CANEGROWERS leaders are supporting reform because there are no industry negatives in the majority of growers and millers working together to establish and fund Sugar Research Australia.

Some growers may see cost as a factor against change and a levy. However, with formation of Sugar Research Australia growers will be paying less as a levy than the 2012 SRDC levy and BSES fees (and much lower than fees that would have to be paid without reforms). Milling Companies in ASMC have already agreed to pay more once Sugar Research Australia starts operating.

A No vote would continue the instability and uncertainty for sugar industry RD&E that exists now and would keep the flaws in the BSES structure that contributed to current problems.

Outcomes of a failed poll include that:

- The sugar industry would not achieve the higher research performance it needs.
- Forward sugar industry research is at risk. BSES would operate but not without further tightening, cost reduction and uncertainty.
- Mills would not be required to pay an equal amount for funding industry research. Mill inputs to BSES would be voluntary and variable.
- If current BSES costs were funded to address losses, growers would need to pay more to BSES as service fees enforced through Plant Breeders Rights charges.
- ASA including CANEGROWERS and the Australian Sugar Milling Council, would need to re-assess the usefulness and value of all current entities to the industry.

Sugar Research Australia

Sugar Research Australia – a new, modern Industry Owned Company

Establishing Sugar Research Australia as an Industry Owned Company, backed by a compulsory statutory levy to be paid equally by growers and millers, needs to be carried out in partnership with the Australian Federal Government. In particular, with Senator Joe Ludwig, the Minister for Agriculture, Fisheries and Forestry, and his Department.

ASA provided a first comprehensive submission to the Minister in February 2012 covering many of the criteria to be met in forming an Industry Owned Company with a statutory levy. This submission explained how Sugar Research Australia needs to work as a research and research management organisation with a SRA Research Funding Panel to manage the \$18-\$19m annual SRA competitive research pool.

The Federal Minister will not make his decisions until after the Sugar Poll result and a full ASA submission in September 2012.

As outlined in the February paper to the Minister, Sugar RD&E reform is a major and planned exercise. ASA has progressed consultation with industry participants over 2010, 2011 and 2012.

A 2013 timing for formation of Sugar Research Australia is important for the industry and wider stakeholders. With a likely Federal election in August-September 2013 and with industry needs in mind, ASA is working intensively towards a target of 1 July 2013 for Sugar Research Australia be formed and commence operating.

The timeline reflects the substantial work ASA has already undertaken and is progressing on schedule. This work includes meetings with the Federal Department, a Due Diligence process to assist establishing Sugar Research Australia and principles for the SRA Research Funding Panel, plus a well-developed Constitution and a number of associated governance documents.

For details of how Sugar Research Australia is intended to work read the Q&As and download the key documents at www.sugarpoll.com.au.

Sugar Research Australia - a stable financial outlook from 2013-14

Table 1 Estimated income of \$35m with a 30mt crop

SRA income source 2013-14	\$m
Levy from sugarcane growers 35c/t x 30mt	10.5
Levy from millers and processors 35c/t x 30mt	10.5
Federal funds (approximately 20c/t x 30mt)	6
Queensland government funds to sugar R&D	4
Collaborative projects inputs from partners	2
Interest and other associated income	2
Total income	35m

Table 2 Estimated expenditure \$32m, \$3m to reserves

SRA expenditure areas 2013-14	\$m
Ongoing research-based variety development and biosecurity operations and field stations	7.4
Professional Extension and Communications	1.9
Corporate costs, personnel, finance, IT, Board	3.0
SRA Research Funding Panel and project unit	1.2
	13.5
SRA Competitive research funding pool	18.5
Total expenditure	32.0m
To reserves for balancing income, capital etc	+3.0m

Plant breeding, variety improvement and biosecurity would be the main Sugar Research Australia research and operating activities. This weighting reflects wide industry consultation that confirmed these as the top industry priorities.

The Industry Priorities for Research statement and the Australian Government's research priorities will be used by SRA and the SRA Research Funding Panel to guide investment of Sugar Industry levy payments and Federal matching funds. In the Priorities Statement, as a guide, 45% of the research pool would be directed to plant breeding and variety research. To this is added a large part of the funded \$7.4m of SRA operational development expenditure.

With a larger competitive research funding pool, the SRA Research Funding Panel will be able to consider more projects of merit of all types.

Sugar Poll voting arrangements

The Sugar Industry has arrangements for mills to record tonnes of cane delivered for processing by a grower business (ABN). These lists are most accurate for the latest full harvest year (2011), and include all growing businesses that delivered cane to a mill in 2011.

Knowing the accuracy of this information, and to be practical in organising voting by 4,600 growing businesses and counting votes on the two grower bases, the Sugar Poll 2012 voting arrangements are as follows:

- Sugarcane grower lists held by the mill companies for the 2011 harvest will be the basis of the Sugar Poll 2012 grower voting roll. These list all grower businesses that delivered cane during the 2011 harvest. Accordingly, 31 December 2011 is the practical voting roll cut-off date for ABNs and tonnages and this will include almost all current growing businesses.
- Mill lists, sorted by growing business (ABN) and the tonnes for that ABN in 2011, plus mailing addresses, have been collected for the Australian Electoral Commission. The AEC will code each Sugar Poll voting paper from this data. Growers will not be asked to provide ABNs or tonnes of cane.
- **Growing businesses will receive one voting paper for each ABN.** There will be a special, unique code on each paper that links to the AEC lists of ABNs and tonnes delivered to a mill under that ABN.

Actual data will not be shown on the paper to keep confidentiality in handling and counting.

- The 'voter' will be the growing business as identified by an ABN. Each growing business with an ABN that delivered cane in 2011 will have one vote.
- Once a grower business (a person connected with that business) has voted Yes or No, then the tonnes linked with that ABN will be voted Yes or No to match the ABN vote.

- Some growers may be connected with more than one growing business (ABN) and so may receive more than one set of voting papers and will be able to vote more than once.
- **To make all ABN votes count, it is important that each voting paper you receive is returned to the AEC** in its voting envelope and then in the reply-paid envelope provided with that set of voting papers.
- For mills, the Milling Company will be the voting unit (an entity including any associates operating one or more processing plants that took delivery of over 3,000 tonnes of sugarcane in 2011).
- The Milling Company has one vote, and all the tonnes associated with that Milling Company will be voted the same way as the Milling Company votes.

» Contacts

Contacts regarding the voting process:

For information in regard to the voting process (such as lost papers) please contact:

Mark Townsend

Returning Officer

Australian Electoral Commission

Email: Mark.Townsend@aec.gov.au

Telephone 07 3834 3412 or 0401 14 672

The AEC is independent of Sugar RD&E changes and will only answer questions in relation to the mechanics of the ballot. Any questions regarding the compilation of the roll of voters or the intent of the ballot needs to be directed to the Australian Sugar Industry Alliance.

For more detailed information:

For Sugar Poll questions, the ASA Inquiry hotline for questions is 1800 177 159.

For particular questions in regard to Sugar Research Australia, a statutory levy, or voting:

Steve Greenwood or Dominic Nolan, Joint Secretaries

Australian Sugar Industry Alliance Limited ACN 126 688 962

Level 3, 348 Edward Street, Brisbane

Telephone 1800 177 159 or 07 3231 5000



A note from BSES Chair, Paul Wright

In October 2011, the BSES Board considered and agreed to support the principles of Sugar RD&E Reform package endorsed by the Australian Sugar Industry Alliance, including formation of a new Industry Owned Company bringing together activities and assets of BSES, SRDC and aspects of the milling research activity SRL.

All BSES Directors support these important changes and want to see the Sugar Poll vote succeed. The Industry is working together to establish Sugar Research Australia, backed by a stable statutory levy at reasonable levels for growers, millers and to sustain research.

This is the best direction for the industry, and for transition of BSES the company, its research activities and 145 staff and associated casual workforce.

Some people may think this is Industry forced change and a No vote will keep BSES as it was years ago. This is not so, and is not what we want or need. BSES has been in a difficult and uncertain situation for over 5 years. Even with streamlining cost reductions of the last six months, this instability continues for BSES in 2012-13.

I have been involved in the extensive ASA consultation and communication over a number of years associated with the Sugar RD&E Reform objectives and I know the efforts to meet and listen to all groups along the way.

BSES directors believe a Yes vote in the Sugar Poll and bringing all sugar industry research and research management activities into one new industry organisation, Sugar Research Australia, is the way to assure research futures.

BSES has a history of evolving and is now working to be 'SRA ready' for a start in mid 2013.

Sincerely,
Paul Wright

BSES Directors are Paul Wright, Joe Russo, John Pollock, Paul Sgarbossa, Ian Davies, Ian Sharpe, and Ian McBean.

The Sugar RD&E reform process – based on consultation and analysis

The Australian Sugar Industry Alliance has been working since 2008 to progress reform of sugar RD&E arrangements. In October 2011, ASA agreed a full package of changes to lift research performance and at a reasonable cost level that grower and millers could both positively support through equal research payments.

The model agreed after wide consultation and careful analysis involves forming a new Industry Owned Company, Sugar Research Australia, with a compulsory levy paid equally. Other possible approaches were also considered including:

- Merging SRDC into BSES with a mix of voluntary or required industry payments as now. ASA decided this would not work effectively and a BSES entity would not secure Federal matching funds or achieve research funding stability aims.
- Amalgamation of SRDC with another rural industry-government R&D Corporation to try to reduce administration. There would be few savings and issues with R&D performance under multiple entities would not be addressed.
- Continuing SRDC as a government agency, with a much higher compulsory levy to operate SRDC and SRDC funding research providers including BSES. Although there would be access to additional matching funds, this approach would not address performance or cost or efficiency issues. The sugar industry must now work to obtain the higher potential performance and savings of a strong, focussed, industry owned company, Sugar Research Australia, that can program R&D to address major challenges to assist this industry to compete into the future.
- One sugar research organisation as a Federal Government body. This would not be supported by ASA. In addition to concerns about priorities and accountabilities, the industry assets need to continue in industry ownership.

Further information, more detail

The Sugar Poll 2012 website provides more information for growers, millers and all sugar industry stakeholders including staff of R&D organisations to assist in understanding and voting for formation of Sugar Research Australia.

It is important all Sugar Poll voters are able to access information they may need to make an informed decision in voting for formation of Sugar Research Australia and a statutory levy of 70 cents a tonne each year (35 c/t of cane paid by the grower, 35 c/t paid by the miller).

Many questions have been collected during the consultation and communications meetings and interactions. There are over 75 Questions and Answers on the website, including on:

Sugar Industry RD&E reform

What is the Australian Sugar Industry Alliance?
Why change sugar RD&E (research, development and extension)?
What is in the RD&E reform package?
What are the reform benefits and savings?
Have growers and millers been consulted and given their views?
Is there industry support for these reforms?
Has the Australia Government been consulted?
And other stakeholders?
Where can I download Reform reports?
Are there risks or other approaches?
Negatives? Are there reasons to vote against?
How is the RD&E reform being funded?

Need for a whole industry vote

Who is being asked to vote and why?
Why is my voting important?
What information will we receive?
Are we voting on SRA as a new company with a new levy?
Will this change what is being paid now?
How will Sugar Poll votes be counted?

How many Yes votes are needed?
Possible outcomes of the Sugar Poll vote?
After voting, could SRA start in 2013?

Sugar Poll 2012 arrangements

Who is organising the Sugar Poll?
Requirements to run an industry levy poll?
How is the AEC managing the voting?
How many votes do I have?
When does voting close, 31 August?
Who to contact for lost voting papers?

Sugar Research Australia details

Why an Industry Owned Company?
How will Sugar Research Australia work with industry and government?
Can SRA be an industry political entity?
Will SRA consult with the industry?
Who will run SRA and how?
What is a skills based board?
How do growers and millers get a say?
Is there a SRA Constitution to read?
Will SRA bring together BSES, SRDC, SRL into one organisation?
What about assets like buildings?
And intellectual property (IP)?

Plus questions and answers on:

*An ongoing statutory levy
SRA and the larger research program
BSES changes and moving to SRA
SRDC and SRL changes
New era extension*



» Your vote is important

All SUGAR POLL votes should be posted back to the Australian Electoral Commission during August 2012 (votes must be received by the AEC before 12 noon 6 September 2012 to be counted)