

**Resistance is futile****By Suzi Moore**

You will be assimilated. When it comes to the desperate struggle against the change ripping through Australia's sugar sector, resistance is, and always has been, futile. As Trekkies filed in to get a look at the latest Star Trek offering on the big screen this month, another on again/off again saga has made a return to the silver screens (stock exchange).

Some have relegated to the realm of science fiction the announcement that (yet) another contract has been signed for the sale of Brisbane Terminal. The A\$36 million contract is subject to a number of conditions which are unlikely to be satisfied before the end of June and settlement is not due until 25 July 2009. Though why the seemingly inevitable sale of the arguably under-utilised terminal causes so much interest internationally, is a mystery. The fact that it has not yet been developed into high-end apartments is more a sign of the strong Aussie sugar industry's desperate—but until now—successful struggle against the flow.

Assimilation is not a new concept in Australian, or for that matter worldwide, agriculture. The big are getting bigger, and the small seem to be slowly dropping from the cane radar. But that said, what has happened here has been by no means a corporate takeover - Australia is still very much a nation of family farms – those farms are just on average 30% bigger since the turn of the decade. In that same time, the number of cane growers has dropped by 40% but Australian production has only dropped by 20%. Smells like economics have been strongly at play.

When the world was holding its breath, concerned that Y2K would herald mass computer outages, Australia had around 6,500 growers. The good news is that economies of scale appear to have done its thing in helping strengthen those left. For those 4,000 Australian growers growing sugarcane in 2009, average production and farm size has increased, yielding improved efficiency of production across all districts.

Change is painful – and the bigger you are – the more agonizing it appears to be. Since 2000, local communities have mourned the closure of five mills. Don't get me wrong – the existing mills are able to handle the increased throughput in a more cost effective manner – it is the loss of local jobs which really effects the small local communities who feel the pinch of the 'take no prisoners' march of global change.

Sugar milling operations have also been subject of ownership change, with large milling entity Maryborough Sugar Factory acquiring the grower cooperative in Gordonvale, and Mackay Sugar moving from cooperative to public company status while committing to the closure of one sugar mill. Acquisition and merger discussions continue across the industry. The cooperatively-owned mill structure appears very much under threat as corporate players look to strengthen their base in their race to become increasingly competitive.

The reverse seems true in the world of inputs – at least for fertiliser – where growers have rallied, dug deep, and last week have celebrated the announcement by a new fertiliser supplier that it would supply fertiliser to the eastern seaboard in 2009.

It has not been easy, but Australian cane growers have shown they have had enough of the apparent disparity between world prices and those passed on by the all-powerful corporate suppliers currently dominating the fertiliser market. Limited competition and absence of price transparency has made Aussie growers pawns in a fertiliser market that returned record profits last year at a time when growers were at their lowest ebb. Australia's fertiliser market has been at the mercy of large corporate players for some time. This has been markedly so on the eastern seaboard – where sugarcane in Australia is grown.

To attract New Zealand fertiliser giant, farmer-owned co-operative Ravensdown to Australia's eastern seaboard, cash-starved cane growers were asked to dig deep. Sugarcane group

Canegrowers led the charge to meet a 50,000 tonne target, which would make entry commercially feasible option for the co-operative.

The raw passion of growers for bringing competition into the market is underscored by the fact they paid upfront for the limited range of products being offered in the introductory phase. This support is particularly impressive in the face of the low cash flow being experienced across the industry. Cane growers are still reeling from last year's prices and lack of cash flow – ironically due largely to the extremely high fertiliser prices last year.

By supporting the Ravensdown venture with pre-paid orders, farmers across Queensland and Northern New South Wales have vowed not to continue to be at the bottom of the food chain when it comes to fertiliser prices.

Coming a full circle, we return to the topic of assimilation. One of the reasons Canegrowers was attracted to the Ravensdown option went well beyond its farmer-owned model. It was also its robust business structure – too large to go the way of previous competitors who had largely been 'assimilated' by the existing corporate suppliers. Bringing competition in and keeping it there is definitely important to the future of sugar in Australia – after all it accounts for around a quarter of the cost of growing cane.

The key will be building on the initial support garnered in the first year, in years to come - to grow this competitor into a serious force in the fertiliser market. As the speed at which Ravensdown grows its business in the sugarcane industry will be directly linked to how quickly it is able to roll out its full service model, it will be interesting to see how this plays out.

Assimilation is hard. Fighting assimilation can seem near impossible. The trick for the Australian sugarcane industry is knowing when to spend energy fighting against the system, and when it would be more beneficial to move into a phase of change to bring about commercially sensible economies of scale.