RSSA vs OSA: your questions about supply agreements answered

What is the RSSA?

The RSSA (Raw Sugar Supply Agreement) is the exclusive agreement between Mackay Sugar Limited and Queensland Sugar Limited (QSL), under which QSL manages and markets the raw sugar produced by Mackay Sugar for export.

Under the RSSA, *all* sugar (both grower and miller economic interest) produced by Mackay Sugar for export must be provided to QSL to market.

RSSAs are currently in place between QSL and each of Mackay Sugar, Bundaberg Sugar and Isis Central Milling Company. The terms of the three RSSAs are substantially similar.

What is an OSA?

Under grower choice legislation, an On Supply Agreement (OSA) is the agreement under which a milling company 'on supplies' grower economic interest (GEI) sugar to a grower's chosen marketing entity.

Under the legislation, a grower may now nominate an entity of his or her choice for the marketing of the grower's GEI sugar. This is the entity with which the milling company has the OSA.

Other milling companies in Queensland have OSAs with QSL.

What is the difference between an RSSA and an OSA?

Under the RSSA Mackay Sugar must provide 100% of the sugar produced for export to QSL for marketing.

Unlike the RSSA, an OSA does not commit 100% of the sugar produced for export to any one sugar marketing entity, including QSL. An OSA commits only the amount of GEI sugar nominated by a grower to a nominated marketer.

Moving from an RSSA to an OSA is consistent with what other milling groups in Queensland have done to facilitate grower choice. It allows growers the freedom of choice to select their marketer, QSL or otherwise.

How does the Alvean agreement work?

Through a negotiated agreement, Mackay Sugar receives a premium over QSL's marketing return for its MEI sugar from its agreement with Alvean. This premium is currently shared with the growers through our shared pool arrangements. This marketing option is not available to growers for GEI sugar. Under a non-exclusive OSA with QSL, it would be possible for growers to participate in this marketing arrangement, or any other arrangement of their choice so long as MSL can reach agreement on an OSA with the nominated marketer.

Can I still go through QSL?

All GEI sugar will be marketed through QSL until the end of the 2019 season, under the same terms of the existing RSSA. There will be no changes to the way GEI sugar is priced and marketed until the 2020 season unless there are changes agreed under the CSPA during this period.

Mackay Sugar has already commenced negotiations with the bargaining agents to facilitate grower choice through the cane supply agreement.

Mackay Sugar will work with QSL to put in place an OSA to ensure growers can nominate QSL as a GEI marketer from the 2020 season.

How long will it take to get an OSA with QSL or other marketers?

OSAs are commercial, confidential agreements between the parties involved (i.e. Mackay Sugar and QSL). The terms of each OSA are specific to the parties involved.

Mackay Sugar has developed draft guidelines for negotiating an OSA with all marketers (including QSL), based on commercial terms acceptable to Mackay Sugar. The speed of the process will depend on how quickly Mackay Sugar and the marketers can agree on the terms of an OSA.

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