



Australian Sugar Industry Structuring for the Future

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Australian Sugar – An Overview

- ❖ A vibrant industry
- ❖ Export oriented
- ❖ Characterised by change
- ❖ Meeting the challenges
- ❖ Looking to the future with confidence



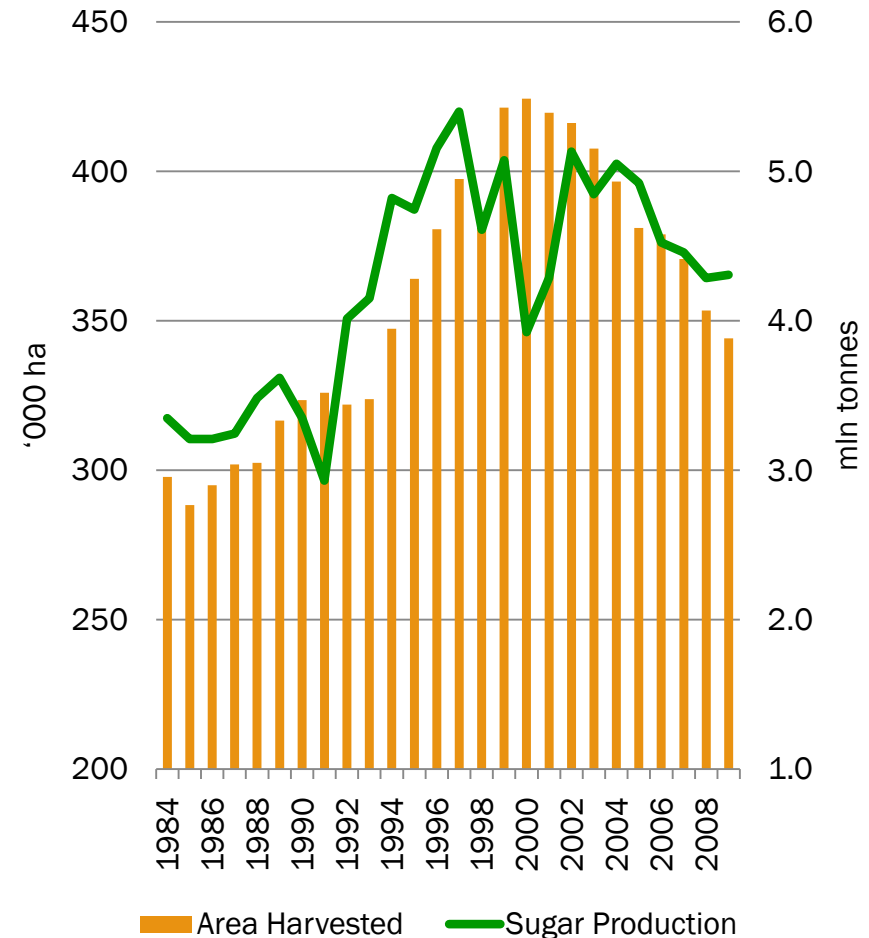
Key facts

- ❖ **North East Australia**
 - 3800 family cane farms
 - All cane mechanically harvested
 - 10 companies operating 23 mills
- ❖ **Geography**
 - 2000km of coastline
 - Environmentally sensitive
- ❖ **Climate**
 - Coastal rainfall a key to cane production
 - Wet season (Dec – Apr)
 - Dry season (May – Nov)
 - Most production above Tropic of Capricorn



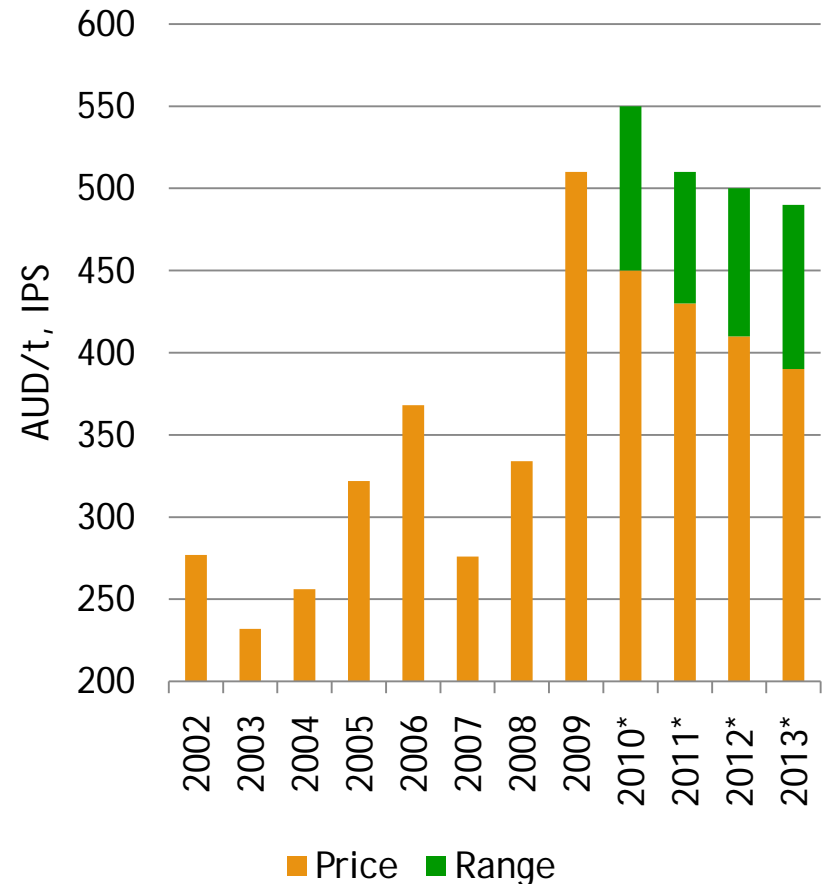
Australia's Sugar Production

- ❖ **1990s – a decade of expansion**
 - Maximum production in 1997
 - 40 mln tonnes of cane
 - 440,000 hectares
- ❖ **2000s – difficult times**
 - Mill closures
 - Farm consolidation
 - Regulatory change
- ❖ **2010 – confidence returns**



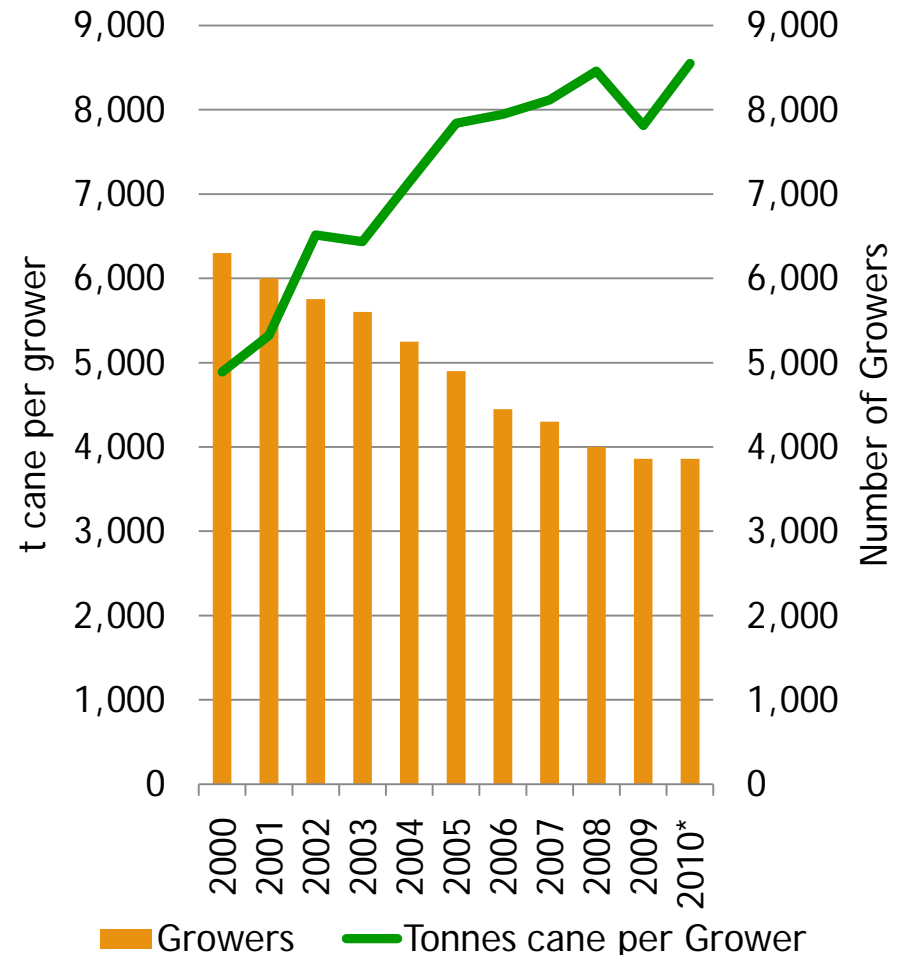
New Structures – New Confidence

- ❖ Growers and Mills manage both price and production risk
- ❖ Structures to access pricing, up to three years ahead
- ❖ Improved price outlook has encouraged strong participation
- ❖ New confidence in revenue streams
 - Encourages new investment
 - Land is returning to cane production



Changing Structures on the Farm

- ❖ Continuing efforts to reduce costs and improve efficiency
- ❖ Increasing economies of scale
- ❖ Infrastructure improvements
- ❖ New farm systems
 - Minimum till
 - Legume breaks
 - Precision agriculture
 - Controlled traffic
- ❖ Diversification



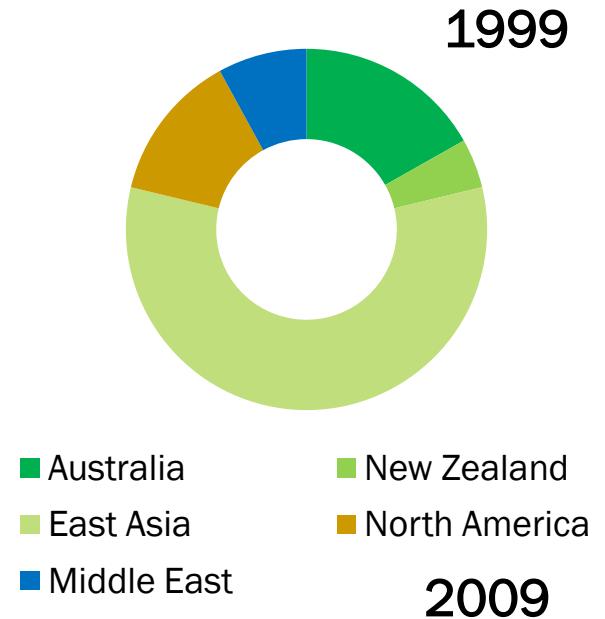
... and in Factories

- ❖ Rationalisation of mills within regions
- ❖ Structural/corporate re-organisation in progress
 - Maryborough-Mulgrave merger
 - Maryborough-B'berg North JV
 - CSR demerger, birth and sale of Sucrogen to Wilmar
 - Bright Foods investigates in NSW
 - Corporatisation of Mackay Sugar Co-op
- ❖ Interest in diversification
 - co-generation and other



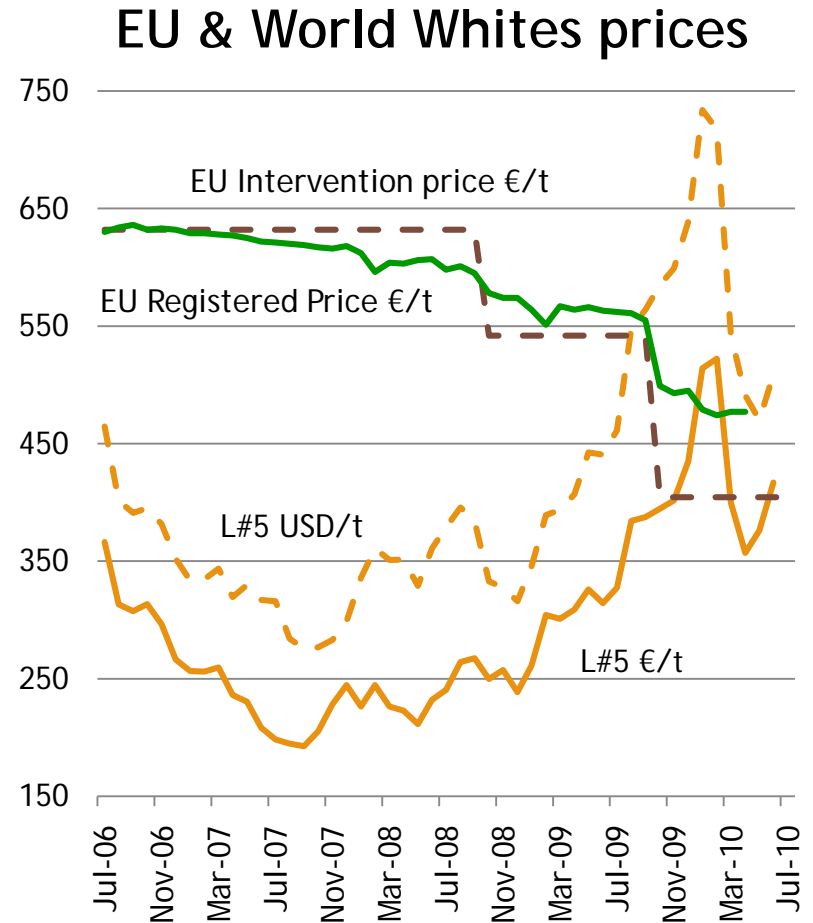
Australia – a Dynamic Exporter

- ❖ A low cost sugarcane and raw sugar producer and exporter
- ❖ Changing sales mix
 - Strong customer focus, but changes to meet evolving needs
 - East Asia is a natural market fit
- ❖ There are no tariffs, quotas or other mechanisms restricting access to the Australian market
- ❖ ICE#11 underpins both domestic and export prices



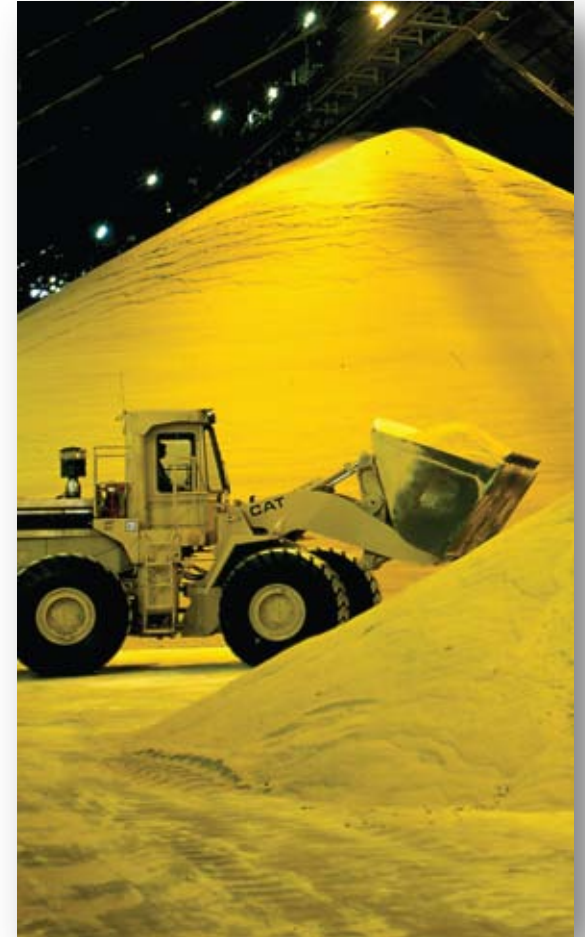
Improving Trade is a Priority

- ❖ Reducing the impact of EU export subsidies has helped transform the market
 - Brazil, Thailand and Australia with the support of India and other Global Sugar Alliance members
- ❖ New sugar market dynamics
 - Cane sugar dominates world sugar trade
 - Prices reflect cane sugar supply
 - New opportunities for cane sugar suppliers around the world
- ❖ EU sugar policy has changed
 - Continued implementation of WTO obligations – a must
 - EU imports are increasing
 - Further review in 2013



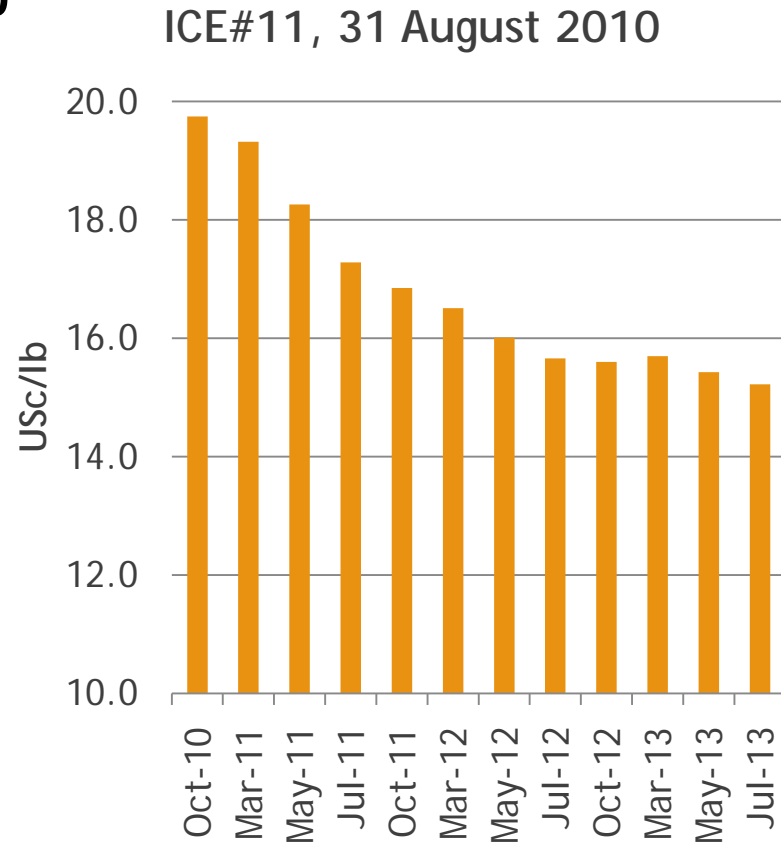
World Markets are Changing

- ❖ Across Asia – incomes are rising and diets changing
- ❖ NAFTA is changing the USA-Mexico supply dynamic
- ❖ Farmers respond to price and other signals they receive
 - Policies designed to support, often slow change and lock in old systems
 - Sometimes the wrong crops are produced
- ❖ In Australia removing regulatory constraints has encouraged innovation and reorganisation
 - The dynamism brings new participants, new energy and new approaches



World prices are constructive

- ❖ World sugar consumption is rising
- ❖ Refinery capacity is increasing
 - More destination and less origin refining
 - More raw cane sugar trade
- ❖ New structures are evolving
 - EU – significant changes to sugar policy with global consequences
 - Ethanol – is an important fuel
- ❖ Unexpected supply shocks appear more frequent
- ❖ Of India – many are asking
 - How much sugar will be exported?
 - Will exports, if any, be subsidised?
 - What does “de-control” mean?
 - When will it happen?



WTO Doha Could Help

- ❖ **Export subsidies**
 - elimination is on the table
- ❖ **Domestic support**
 - change is achievable, few countries rich or poor have an ability to pay
- ❖ **Market access – the most twisted of pillars**
 - Quota increases – Developed v Developing Country approaches
 - Sensitive and Special Products
 - Preference Erosion v Tropical Products
 - SSM and SSG
- ❖ **Rules designed to provide flexibility are making negotiations difficult**
- ❖ **The stakes are high for both sugar and ethanol**



Global Alliance *for*
Sugar Trade Reform
and Liberalisation

WORLD TRADE
ORGANIZATION



AUSTRALIAN
Sugar  Milling
COUNCIL

Australian Industry Challenges

- ❖ **Standing still is not an option**
- ❖ **Price risk management**
 - Sugar Price
 - Currency
- ❖ **Production risk management**
 - Environmental accountability
 - *Water management*
 - *Pesticide use*
 - *Herbicide use*
 - Weather/climate variability
 - Government regulation/intervention
- ❖ **Input costs**
 - Water / Labour / Fuel / Fertilizer
- ❖ **Research & Development**
 - Optimising structures
 - Delivering results



The Future Looks Positive

- ❖ **New investment across the industry**
 - Improved technologies
 - New crop varieties, including GM
- ❖ **More sophisticated price and currency risk management**
- ❖ **Continuing consolidation of both milling and growing sectors**
 - Fewer and larger
- ❖ **Continued focus on bulk raw sugar exports to East Asian markets**
 - Raw sugar exports 3.3 to 3.5 mln tonnes
- ❖ **New participants – New approaches**
- ❖ **An exciting industry!**





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