



Australian Sugar Industry Meeting the challenges

Global Sugar Alliance
1 December 2011

Need to meet three key challenges

- **Weather**
 - Must manage the consequences
- **Global competition - Cost competitiveness**
 - AUD, input costs
- **Supply recovery**
 - Strong price signals are supporting investment and encouraging recovery
 - Options are available to encourage growers and millers to manage their own price risks



Australian Sugar Industry

- Investment in mills and farms
- Production recovery
- Strengthening Research and Development



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Industry Consolidation

Australian summary

30 – 32 million tonnes

Qld = 21 mills, NSW = 3 mills



Mossman Mill – 1.6%



Mulgrave, Tableland & South Johnstone Mills – 9.7% (...? Mitr Pohl)



Tully Mill – 6.3% (COFCO)



Victoria, Macknade, Invicta, Pioneer, Kalamia, Inkerman and Plane Creek Mills – 39.8%. (WILMAR)



Proserpine Cooperative Mill – 5.7% (...?)



Farleigh, Marian and Racecourse Mills – 18.5%



Millaquin and Bingera Mills – 5.1%



Isis Mill – 4.0%



Maryborough Mill – 2.3%



The Heck Group, Rocky Point Mill – <1%



NSW Sugar Milling Cooperative, Condong, Broadwater and Harwood Mills – 6.3%

Australian Sugar Industry

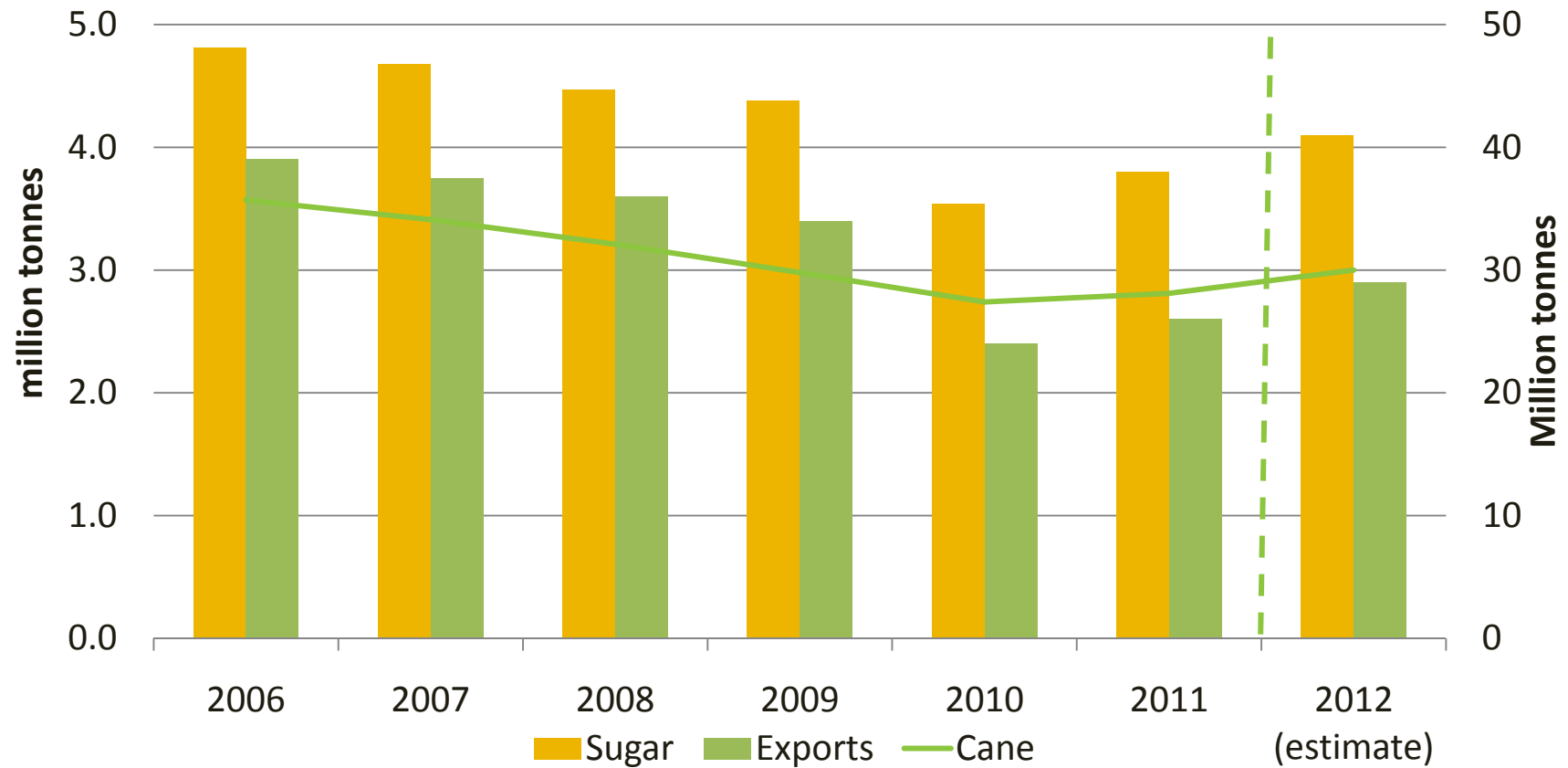
- Investment in mills and farms
 - 60 per cent of mill capacity has changed hands (Sucrogen, Tully Sugar, MSF Sugar ... Proserpine)
 - 3 major new entrants to the industry (Wilmar, COFCO, Mitr Phol)
 - Interest expressed from others with \$ (Bright Foods, Louis Dreyfus, Bunge....)
 - Consolidation and ownership changes have not finished!

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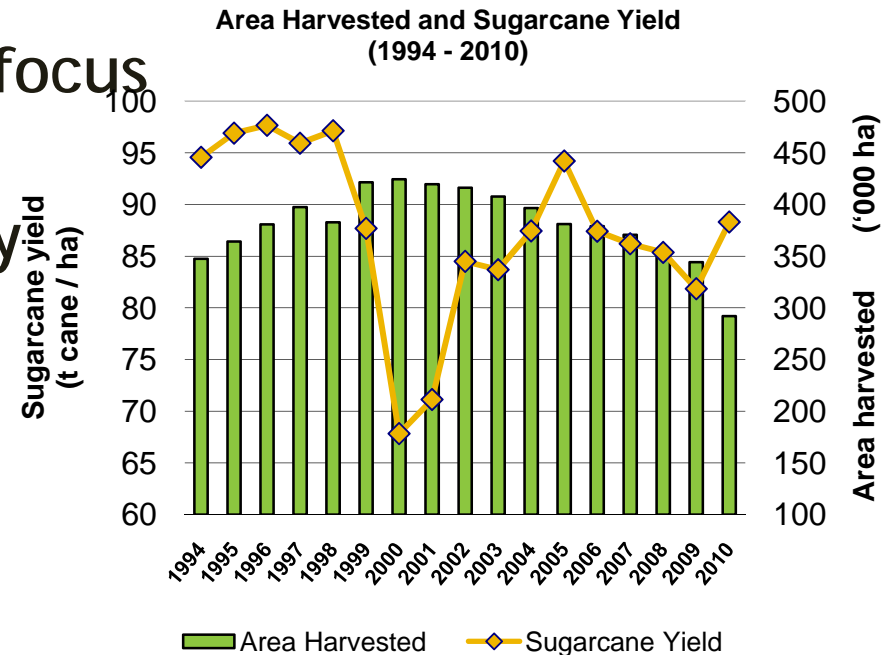


Australian Production and Exports



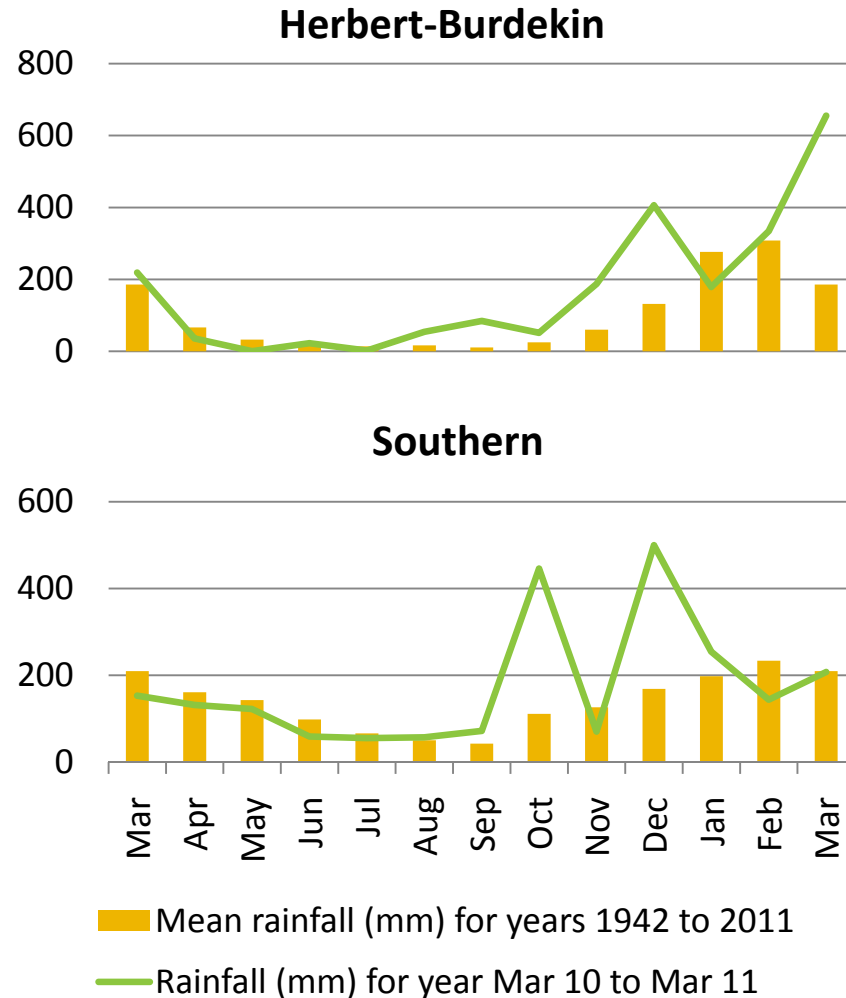
Opportunity for recovery

- Continue to grow land area planted (2010 first growth year in a decade)
 - Redresses area lost over the previous decade due to low prices
- Cane yield per ha ongoing focus
 - Aust 2010 - 88.3 t/Ha
- Cane yield per ha driven by
 - Weather
 - Varietal R&D
 - Farming practices



Source: Australian Sugar Milling Council

The weather challenge of 2010 lingers



- After a dry start, wet weather plagued the 2010 harvest
 - 6 mln t cane was left in the field, a significant loss
 - QSL's pricing losses alone counted \$105 million
- Recovery is underway, but the 2011 crop is poor – a reflection of last year's season

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Reorganising R&D

- R&D funding is being strengthened including increased levels and certainty
- A new R&D priority setting process is being introduced to better meet agreed long term industry needs
- The highly regarded Australian sugarcane plant breeding and variety development program is being maintained across three facilities.
- Three R&D organisations are being merged
 - (combining BSES Ltd, Sugar Research Limited and SRDC)
 - Sugar Research Australia will have a single vision and focus

Conclusion

- Australian sugar is in strong demand
- The outlook is optimistic
 - Strong investment in milling and growing
 - The price environment is encouraging increased production
- Challenges and opportunities
 - Some steady growth in the industry
 - Weather the ever-present unknown
 - Competition and availability of resources (capital, labour, water, land)
- R&D efforts are being reorganised and redesigned to meet long term industry needs