

# Australian Sugarcane Industry 2010



**Alf Cristaudo**  
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# Today

- **Australian response**
- **Industry developments**
- **Challenges**
- **The future**

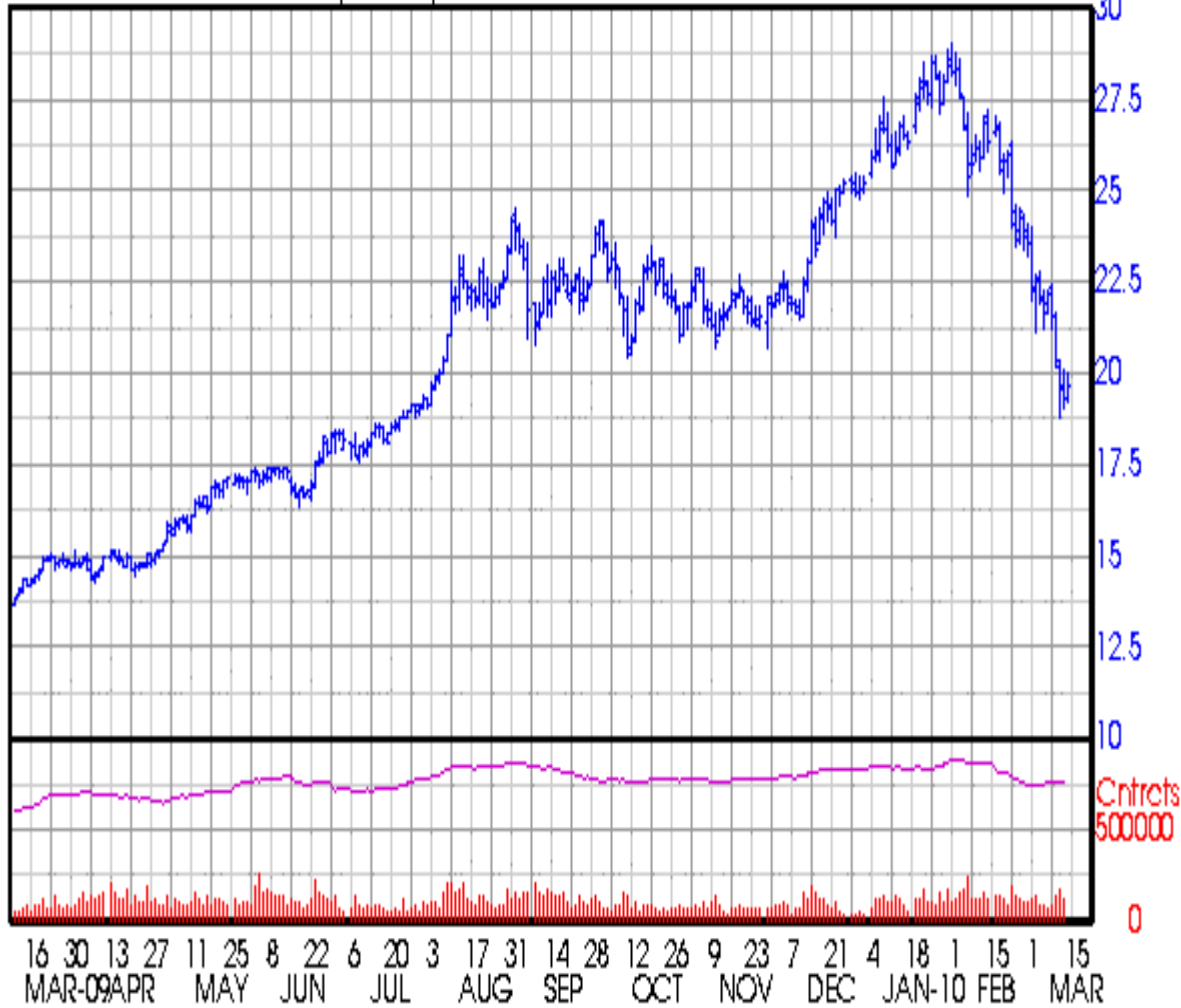


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# ICE #11 : May 2010

SUGAR #11 MAY 2010 .. daily OHLC plot



As of 03/12/10

@ Barchart.com



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- **ICE No.11 prompt prices reach US 30c/lb**
  - Range US 20-30c/lb since Aug 2009
  - Fall larger than warranted past month
- **Strong fundamentals push prices**
  - Poor tail to the Brazil crop/weaker than expected Indian production
- **2010 market responding to anticipated supply**
- **Potential EU exports lead to steep slide**

# Markets > 80% raw sugar exported



4.5–5 mt raw sugar

INTERNATIONAL 3.5+ 

 DOMESTIC 1+



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# Exchange rate



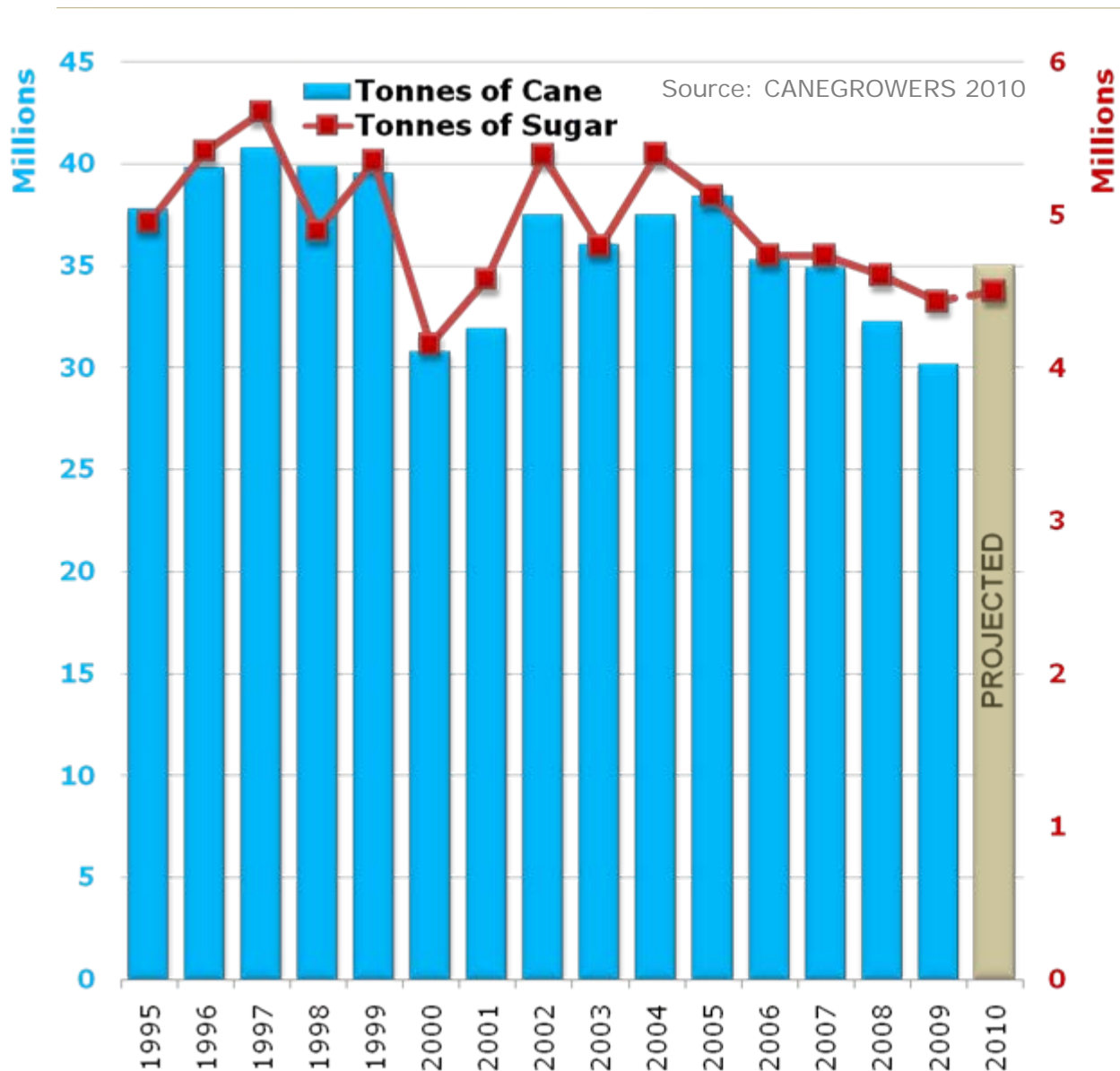
<http://www.xe.com>



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- Exchange rate volatility continues
- USD recovers some lost ground
- Concerns over economic weakness/ government debt levels in the EU, especially in PIIGS
- Commodity prices move lower as the USD strengthened
- AUD only above 90 USc for around 5% in 20 years – likely new base see AUD over 80 USc

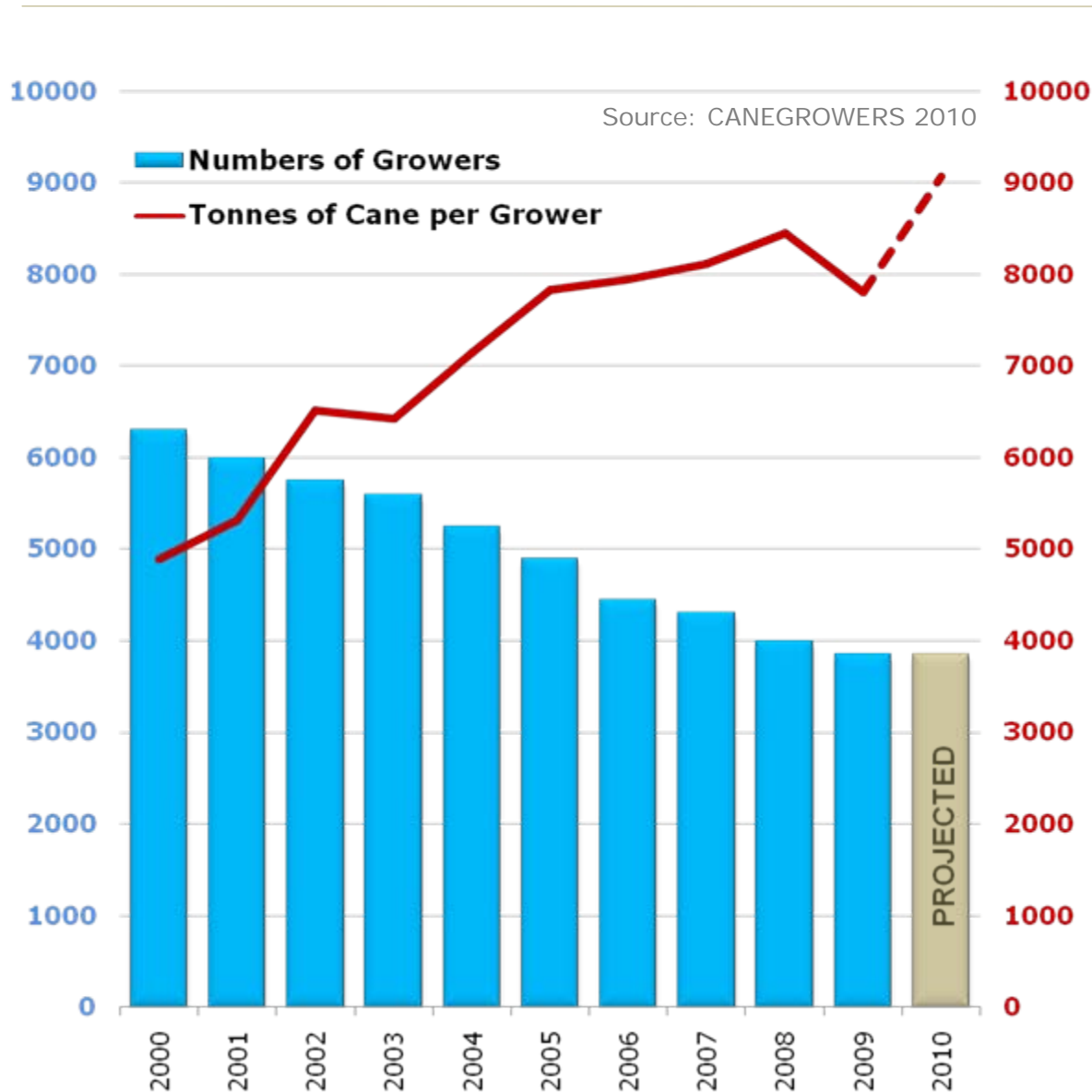
# Australian production stabilising



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- **2010 production response**
  - Forward pricing
  - Attractive prices
  - Good weather
  - Short, dry season 09
  - Additional area
- **2011/12 production response**
  - Price?
  - Confidence
  - Limited land will restrict

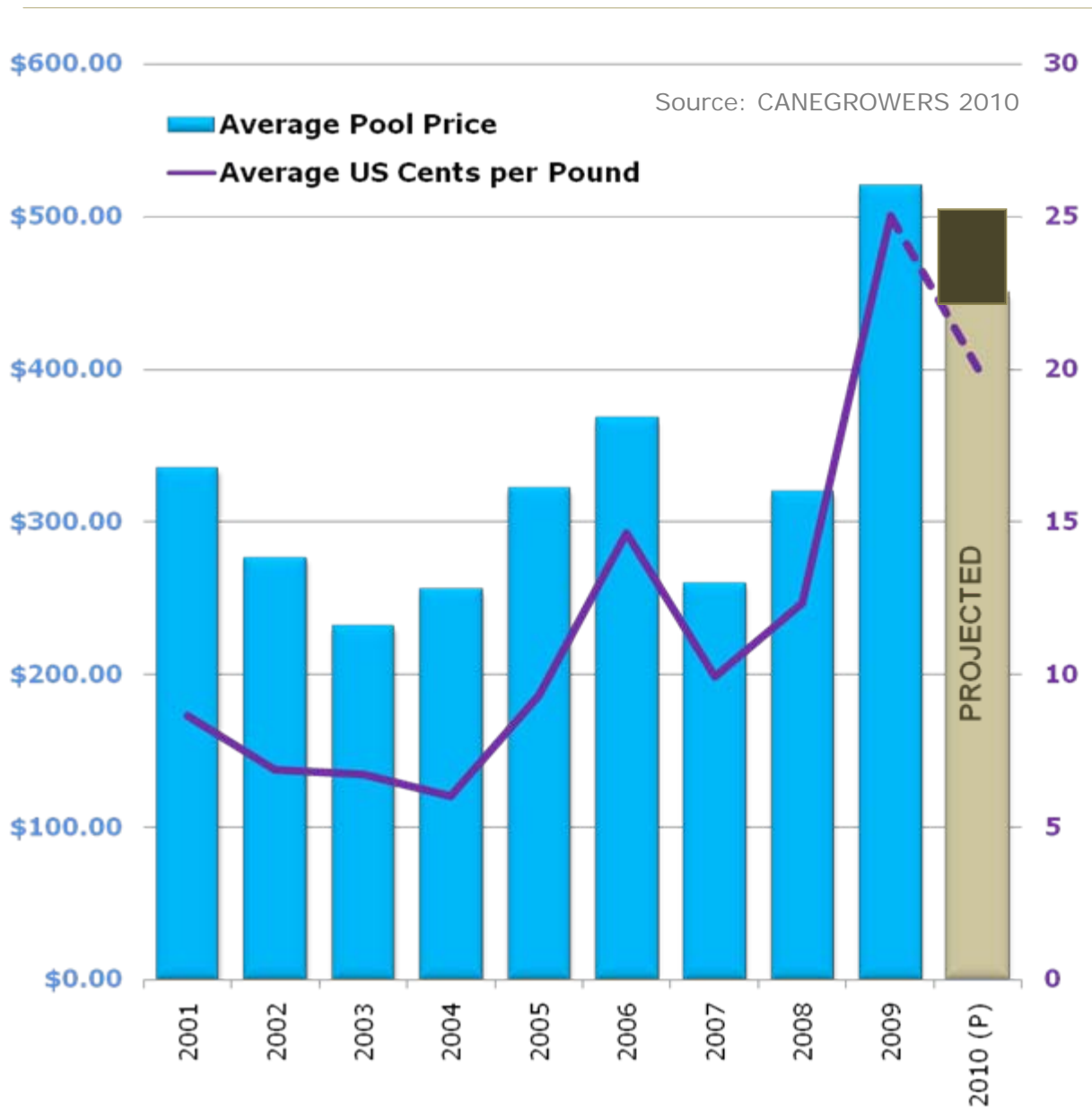
# A decade of farm restructure



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- **Growers -43%**
- **Area -20%**
- **Av production +40%**
- **Diversification +20%  
*of farm income***
- **Changes to agricultural profile**
  - Climate
  - Corporatisation
  - Diversification

# Revenues fluctuate over time



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- Better management of year on year variability
- Currency
- Supply concentration with Brazil



# Price Risk Management

- Capacity for mills and individual growers to manage price exposure 3+ years forward (**Bank OTC/ #11**)
- Cane supply contracts to cover pricing commitments (**3 – 5 years**)
- Management of currency and price exposure has delivered stability
- Individual mill/grower commitment limited to:
  - **70% production for following year**
  - **50% two years forward**
  - **30% three years forward**
- Strong market has encouraged participation



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# Sugar milling

- Rationalisation of mills within regions
- Structural/corporate re-organisation underway
  - Maryborough Sugar expansion  
Mulgrave – FNQ
  - Tully – Bundaberg North
  - Bundaberg Sugar contraction
  - Sucrogen demerger/acquisition
  - Mackay Sugar Co-op to Corporation
- Some limited investment in cogeneration
  - Renewable Energy Legislation



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# Marketing - QSL

- **Restructure**
  - **Independent , commercial Board**
  - **Expanding potential operations**
- **Responsible for over 90% export marketing, finance, storage, logistics, shipping and settlement**
- **Strong financial position (AA-)**
- **Deregulated domestic supply**
  - **2009 – importation of Brazilian raw sugar**



# Challenges

- **Weather/climate extremes**
- **Revenue stability**
  - Forward risk management
  - Currency movements
- **Input costs**
  - Water / Labour
  - Fertiliser - RAVENSDOWN
  - Government Regulation/intervention
- **R and D**
  - Early adoption
  - Research
    - Funding and optimisation
    - GM



# Challenges

- **Environmental**
  - **Accountability**
  - **Reef**
    - *Federal reef Rescue Program*
      - **Voluntary uptake BMP**
      - **\$80m government – \$160m industry**
    - *State Regulation*
      - **Fertiliser**
      - **Herbicide**
      - **Jan 2010 – October 2010**
- **Grower influence and self determination**
- **Fairer and more responsive international trading environment**





# The future

- **Continuing consolidation of both milling and growing sectors**
  - **Fewer/larger**
- **Continued focus on bulk raw sugar exports**
  - **Raw sugar exports stabilise at 3.3 – 3.5MT**
- **Continued focus on East Asian markets and relationship marketing**



# The future

- **Increased capital replenishment**
- **Improved technology delivery**
- **Improved income stability**
  - **Management of price/currency risk**
  - **Crop /product diversification**
  - **Continued price volatility**
- **Environmental accountability**
- **Improved information flow/  
information overload**



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**From this  
to...**







# Field preparation





# Precision farming & GPS





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# Planting







**Innovation**



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# Irrigation







# Harvesting





# Infield Cane Transportation





# Transport





# Raw Sugar Milling





# Storage





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**Terminals**



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