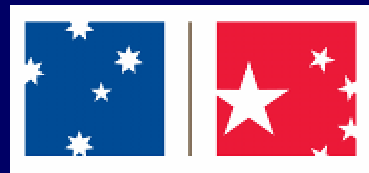


# *Sugar – Opportunities for China and Australia*

Warren Males  
General Manager – Trade and International Affairs

China-Australia FTA – Conference

Xi'an



*27 September 2006*



QUEENSLAND SUGAR

# *Australia – a reliable sugar producer*

- Sugarcane farming is a family business
  - 4500 family cane farms
- Sugarcane production
  - Australia – 37 to 39 million tonnes
  - China – 75 to 80 million tonnes
- Raw sugar milling
  - 12 companies
- Sugar production
  - Australia – 4.9 to 5.5 million tonnes
  - China – 9.0 to 11.5 million tonnes



# *Australia – fully exposed to market dynamics*

- One of the lowest cost sugarcane and raw sugar producers in the world
- The most exposed of all producers to the world raw sugar price
  - 99% of raw sugar priced on NY#11
- Australian domestic sugar market is open to imports
  - all at world market prices
  - no import restrictions (removed in 1988)
  - no tariff protection (eliminated in 1997)

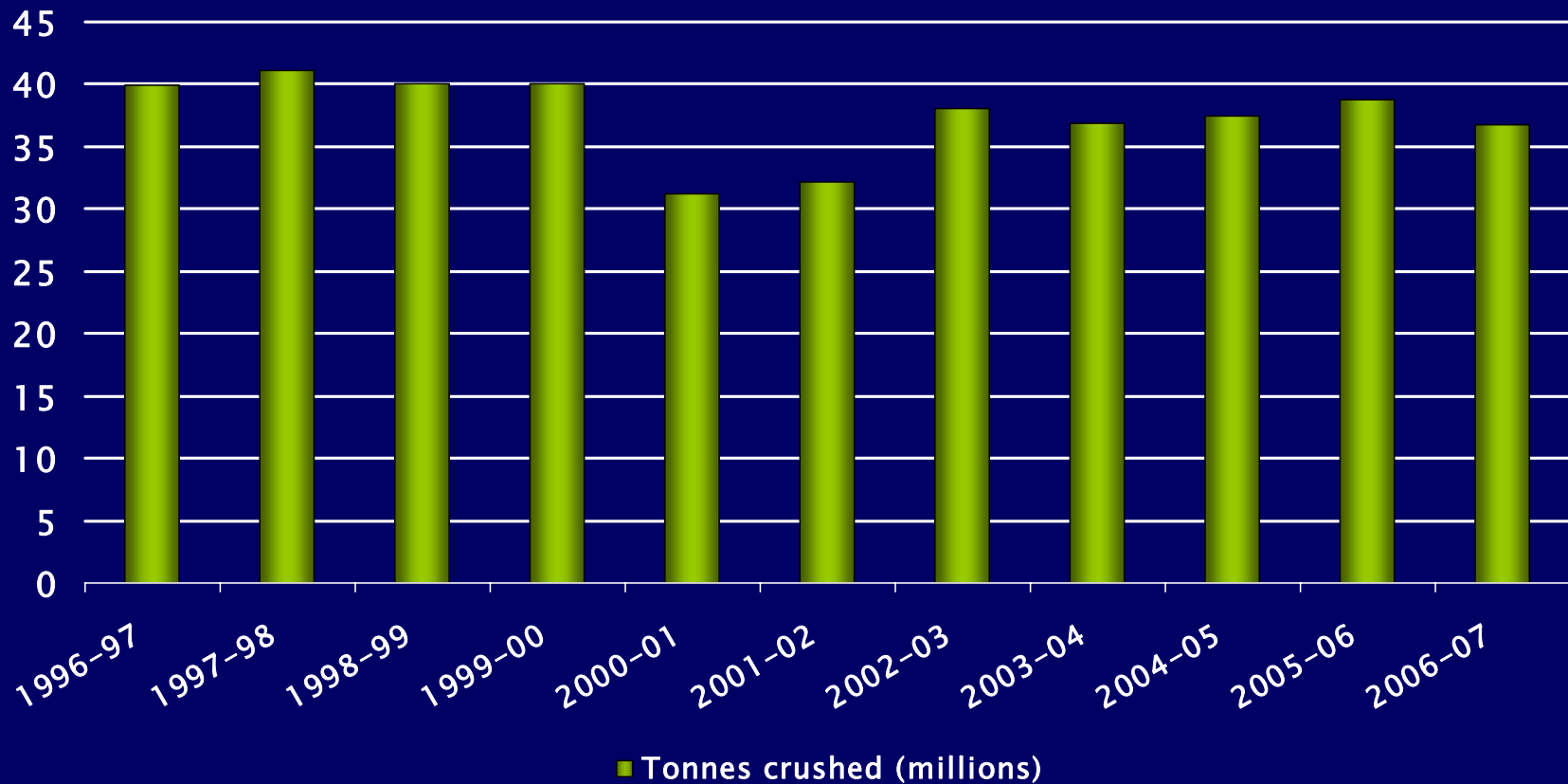


# Constraints on production

- Geography
  - mountains
  - rainforest
  - ocean – Great Barrier Reef
- Climate
  - coastal rainfall a key to cane production
- Irrigation
  - limited coastal water infrastructure
  - no water infrastructure to the west
- Maximum sugar production potential
  - 5.5 to 6.0 million tonnes



# *Australia's sugarcane production*



# *Qld is preparing for the future and will meet all new challenges*

- Less government regulation
- Increasing economies of scale
  - family farms are increasing in size
  - 3 sugar mills closed in last 3 years
- New infrastructure improvements and rationalisations
  - rail tracks and sidings
  - harvesting operations
- Construction of facilities for diversification
  - ethanol, electricity co-generation
- Continuing focus on reducing industry costs to further improve efficiency



# *... innovation supported by research*

- World leading research capability in milling and agronomic research
- Focus on
  - variety improvement
  - better farming systems
  - environmental sustainability
  - diversification options
  - milling improvement



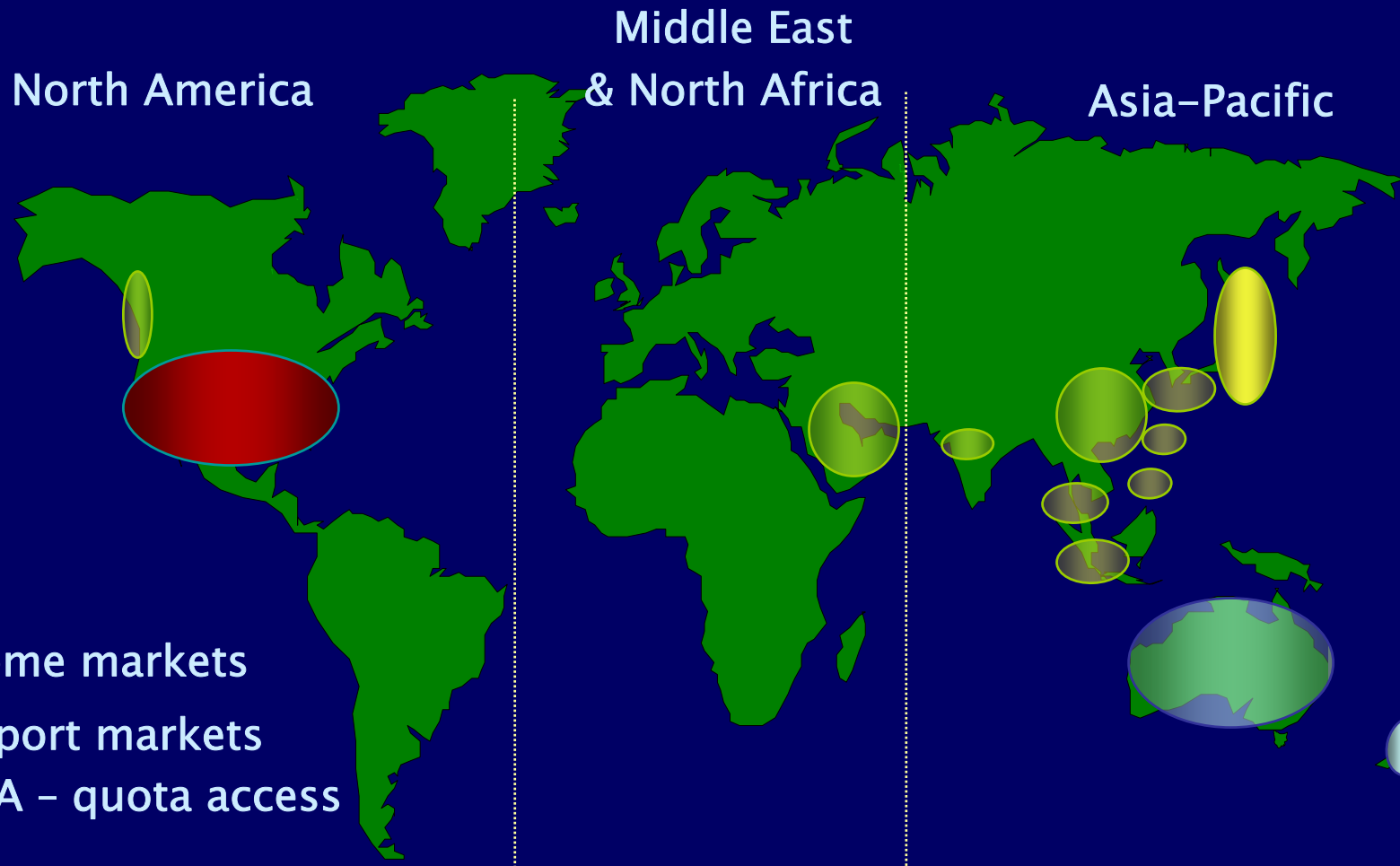
[www.crcsugar.com.au](http://www.crcsugar.com.au)



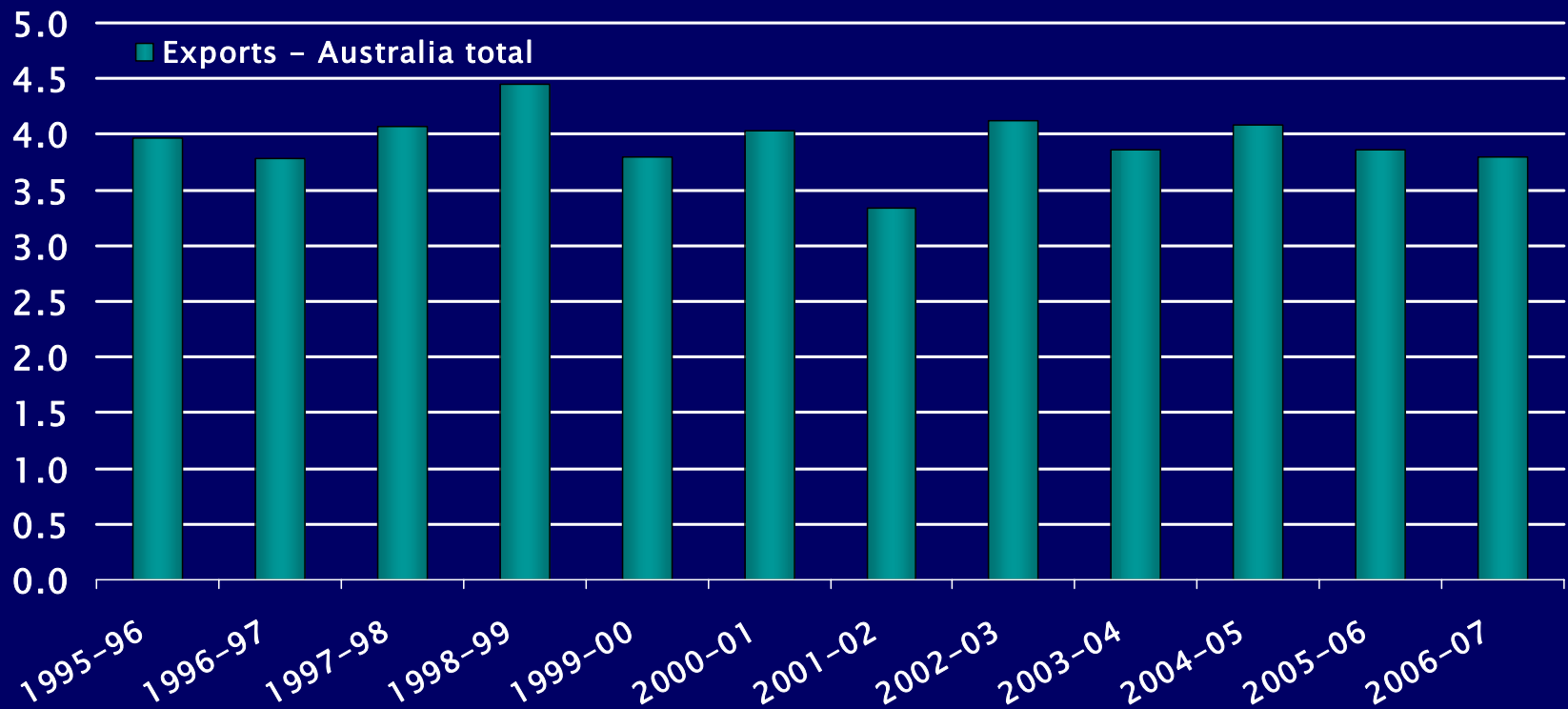
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# *Australia is a reliable world supplier*

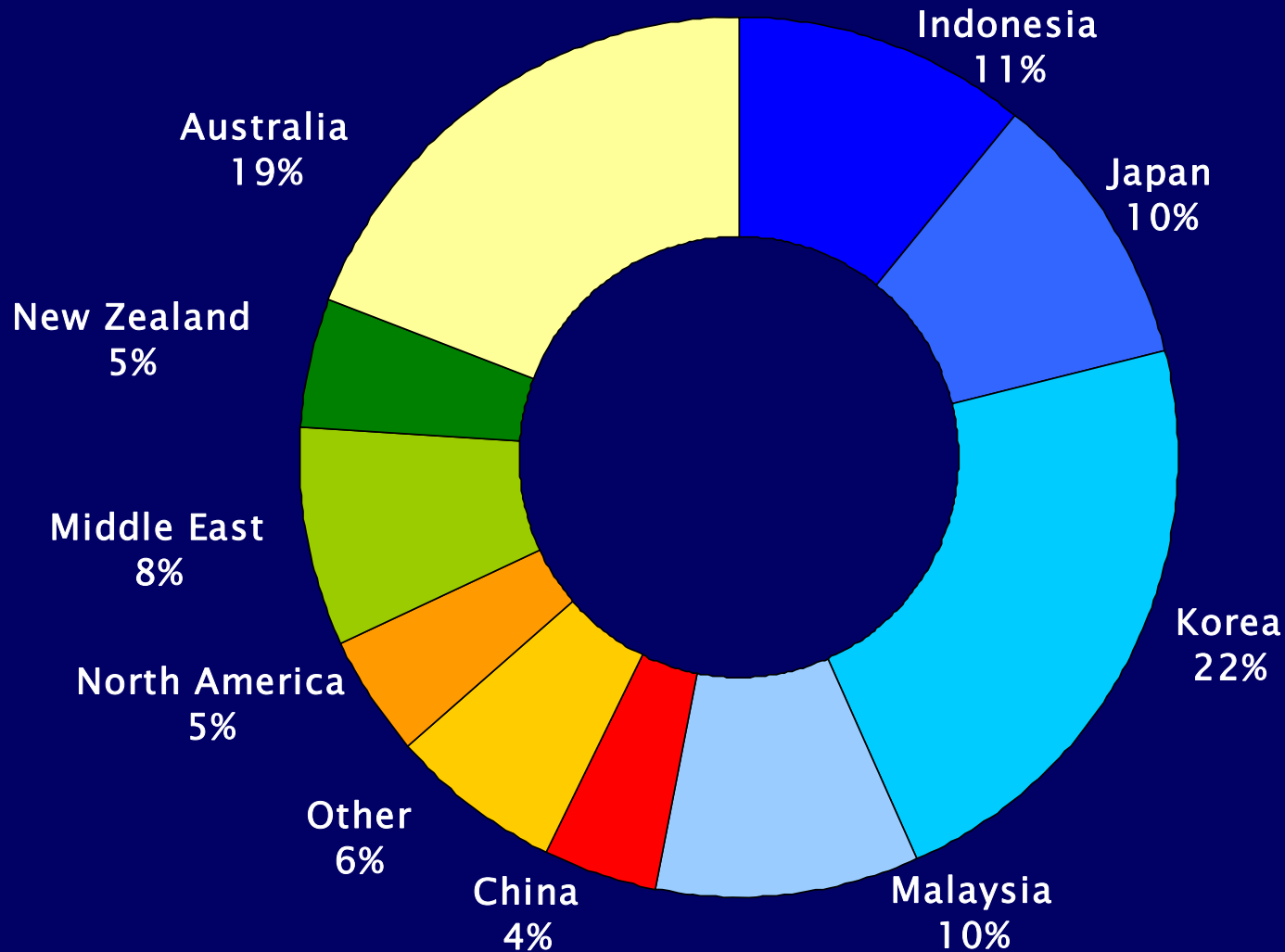
... of high quality raw sugar



# *Australia's export quantity is reliable*



# *A strong focus on supplying Asia*

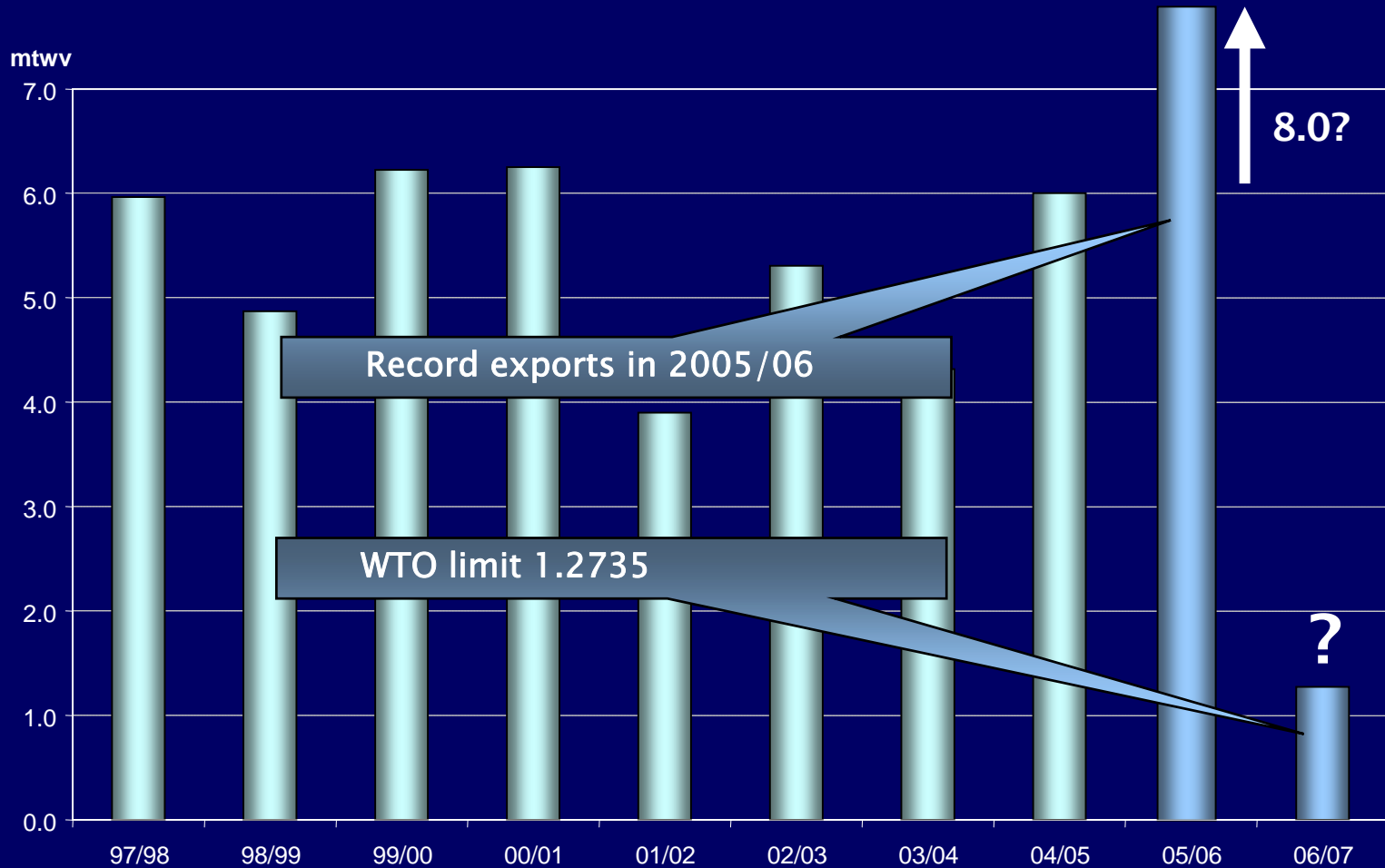


# *World sugar market – changing rapidly*

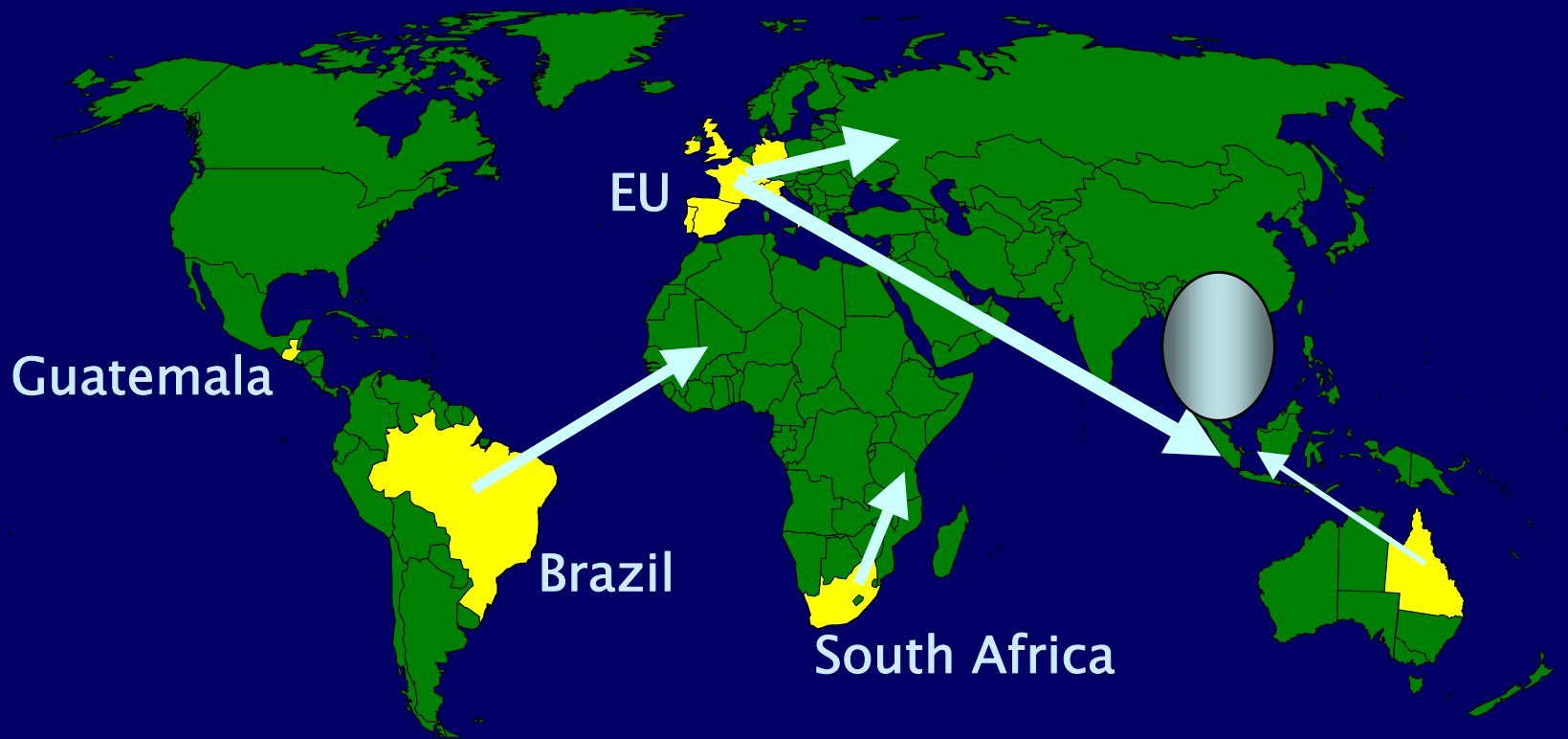
- EU exports are reducing
  - changed sugar flows & higher white sugar prices
  - almost all sugar trade from sugarcane
- Brazil is expanding quickly
  - its costs of production are rising
- Growth and development of the ethanol market
  - ethanol absorbing much of Brazil's cane expansion
- Asia is a sugar supply deficit region, despite weather induced production recovery
  - demand is growing strongly
  - opportunities for efficient Chinese refineries
- Cuban sugar production has declined
  - exports are low



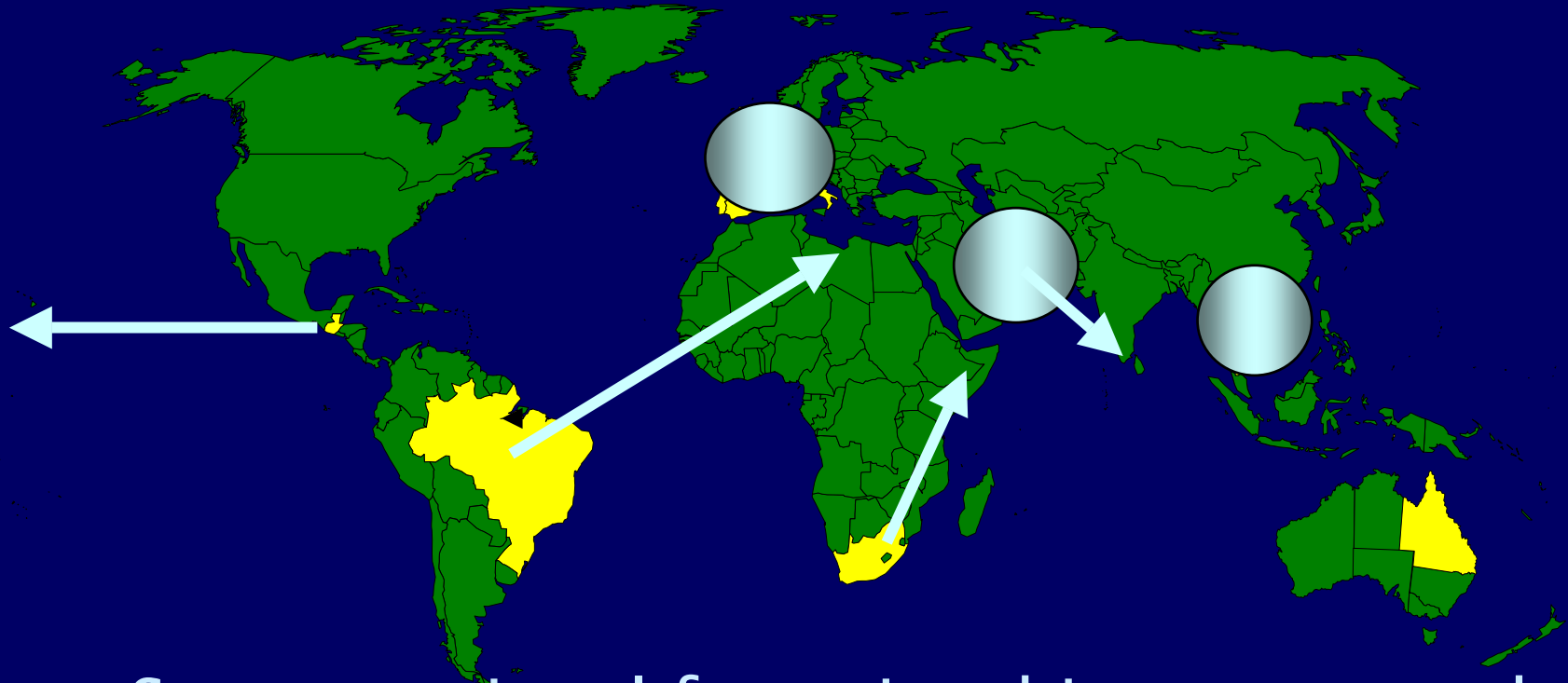
# EU export trends



# *Previous white sugar flows*



# *Likely new white sugar flows*



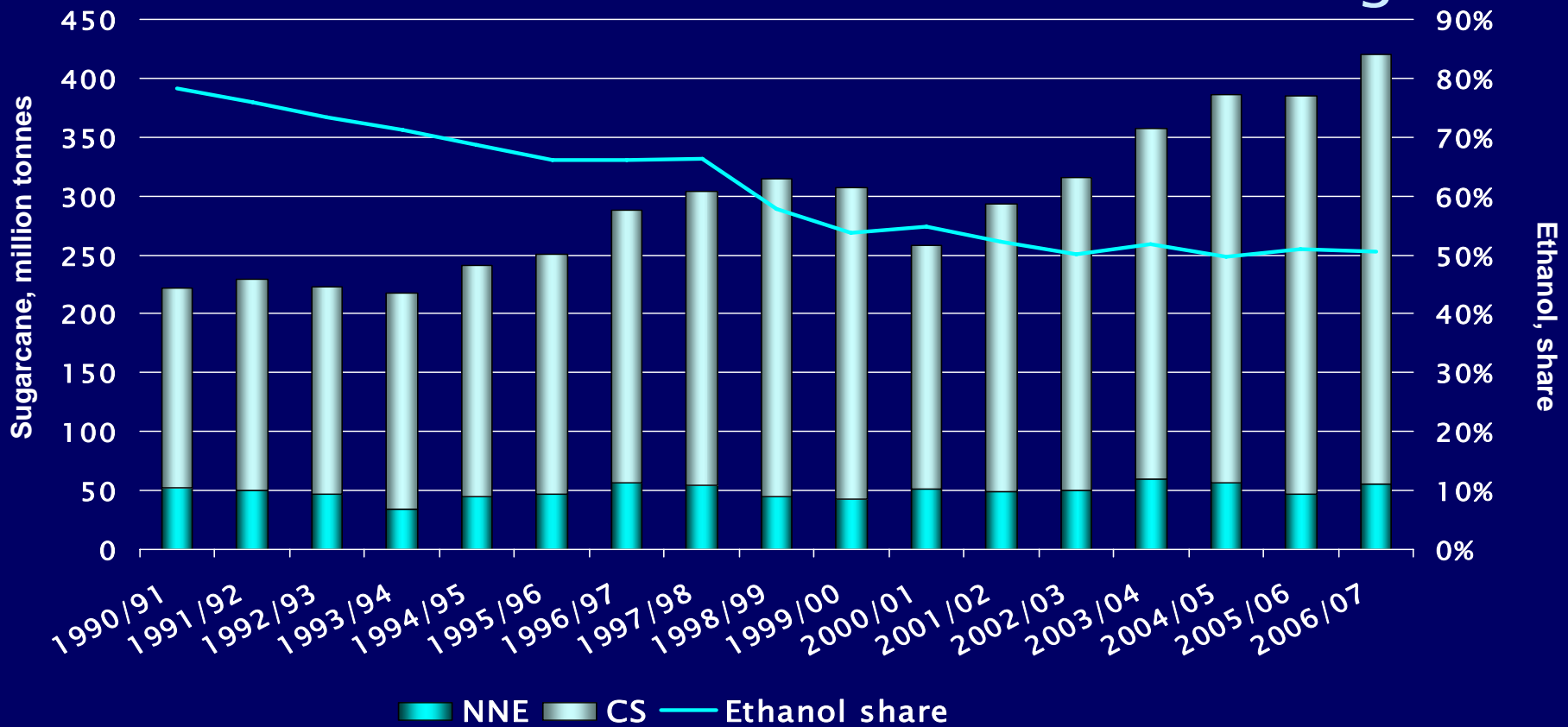
## Strong regional focus in white sugar market

- increased export opportunities for efficient refiners
- China is well placed to benefit



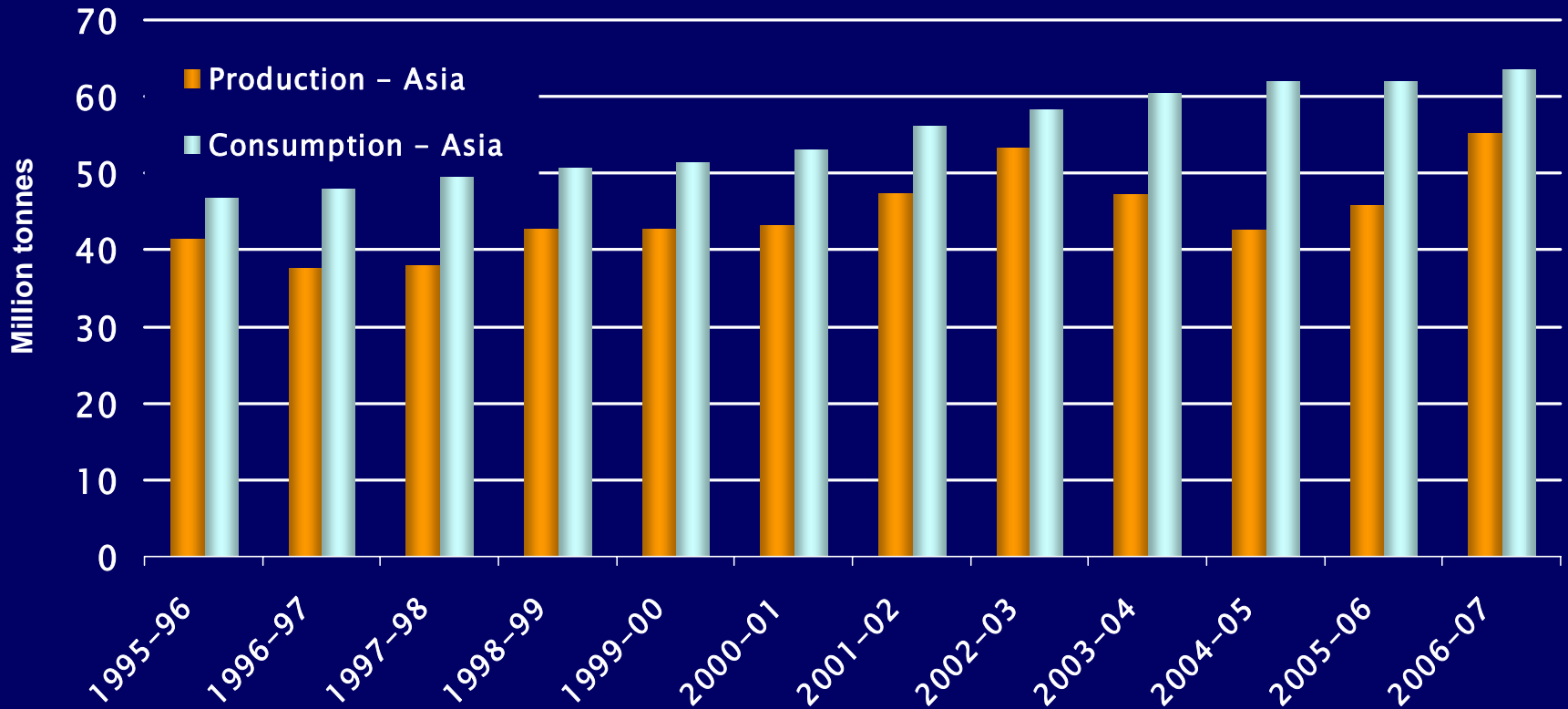
# *Brazil's growth - a dominant force*

sugarcane production rising  
ethanol share stabilising



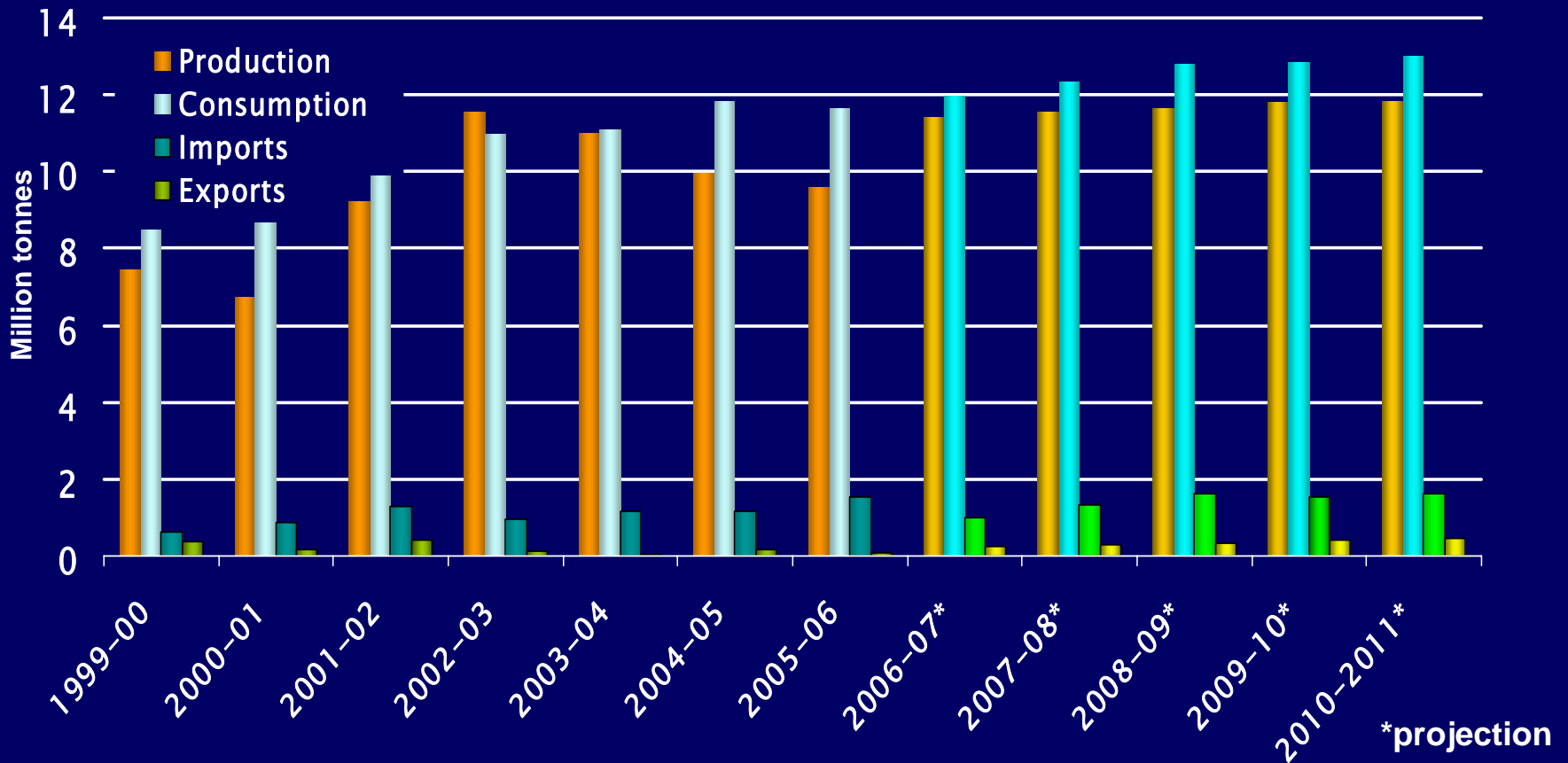
# *Asian production deficit*

... a market feature



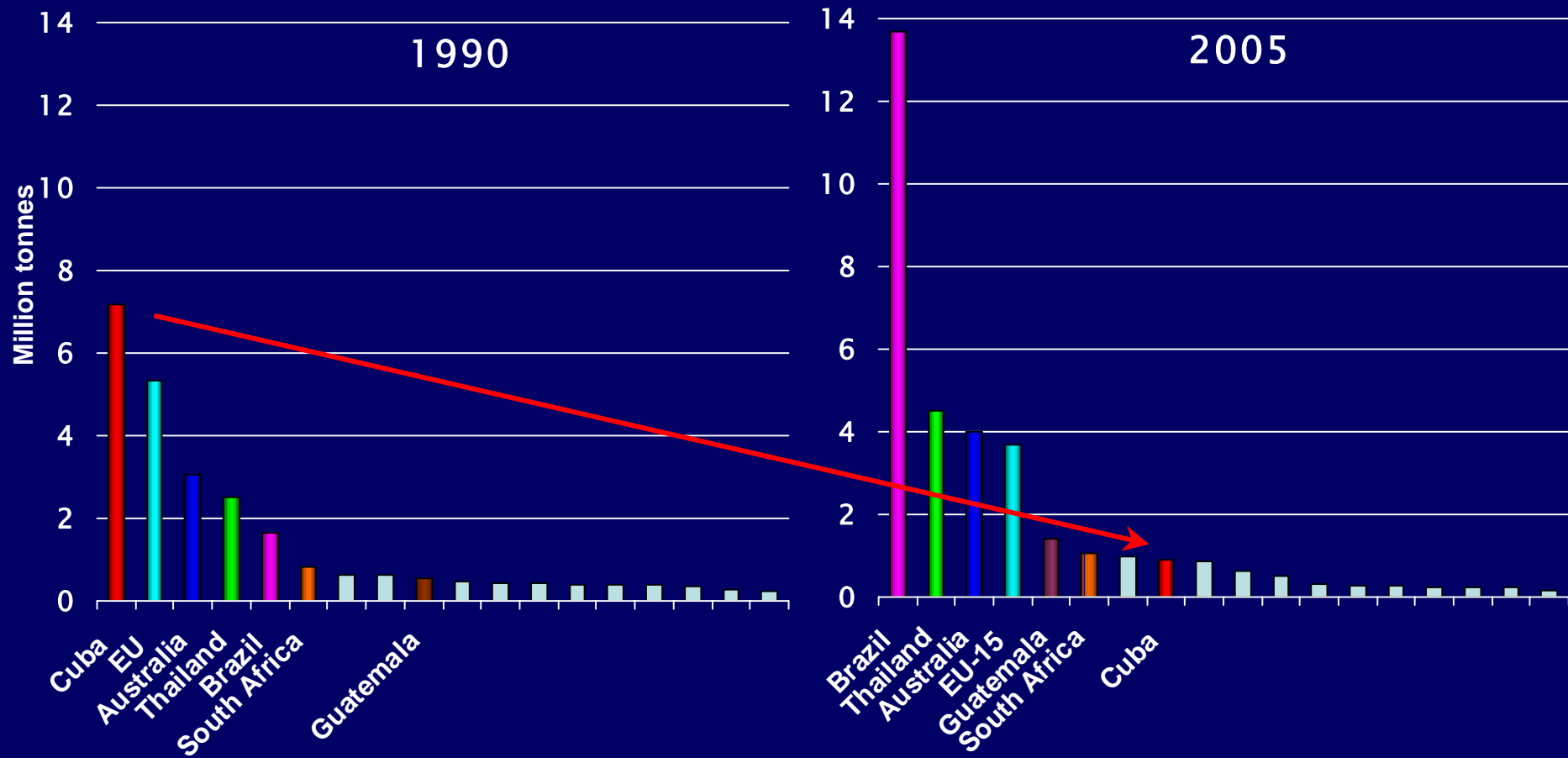
# China's sugar situation

despite recent stock drawdown  
... ongoing import need



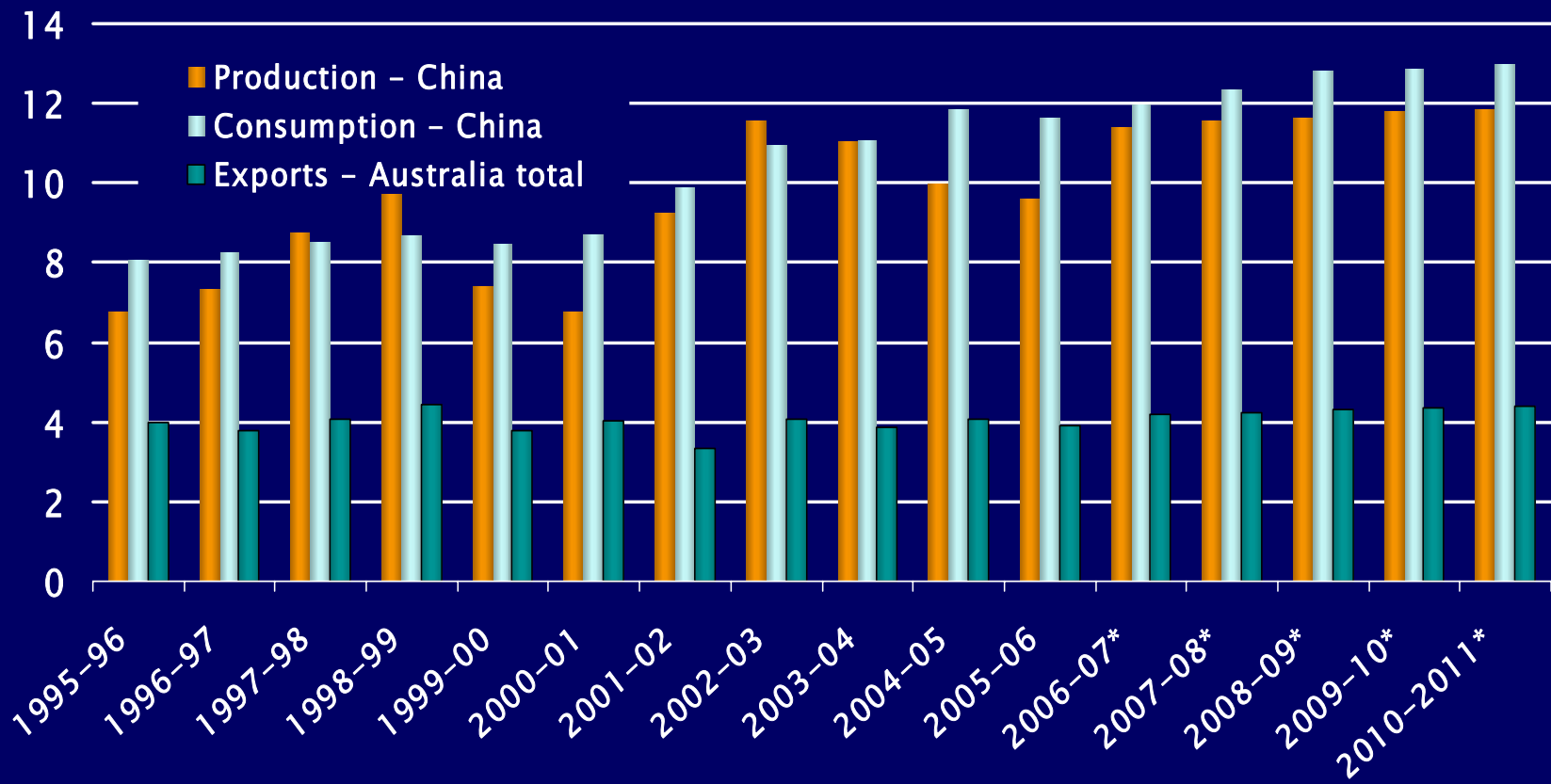
# *Cuba is no longer a major exporter*

... it cannot meet China's total import need



# Australia can supply raw sugar

... but the quantity is limited



# *FTA could benefit China and Australia*

- Facts

- changes in the EU will reduce world supply of refined white sugar from end-2006
- Asia is the fastest growing sugar consumption region in the world
- China has refined sugar export capacity
- how will China's emerging raw sugar import demand be satisfied?
- Australia could supply the raw sugar needed

- FTA negotiations provide opportunities

- to build a strong sugar mutually beneficial supply relationship
- for China to secure access to Australian raw sugar to meet future import requirements, without endangering farmers

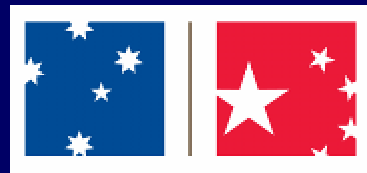


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