

OUTLOOK CONFERENCE – TUESDAY 4TH MARCH 2008

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Subject: FUTURE DIRECTIONS FOR AUSTRALIAN SUGAR

The IOG is due to report to the Hon. Tony Burke, Federal Government Minister for Agriculture, Fisheries and Forestry, by mid year 2008.

Therefore, it is inappropriate to present a definitive paper in writing today. That said, I am willing, within the bounds of confidentiality, to present some facts, make some observations and address issues and challenges which have been discussed and debated during the last three and half years of our onerous task.

I will refer to some of the following broad headings, but I warn there is insufficient time in the 15 minutes here today to do justice to the subject.

Maybe time for further comments during question time.

- THE SUGAR INDUSTRY

Although basically cane growing and the milling to produce RAW SUGAR, but it is more than that.

- SECTORS/STRUCTURES

The two principals (sectors) are the growers of cane, the basic raw material and the miller as processors into Raw Sugar.

- Cane Farms of various scale (See **Visual 2** shortly)
- Millers, variety of structures eg Public Companies, private companies, co-operatives and others.

EACH HAVE THEIR OWN INVESTMENT NEEDS AND CRITERIA

AND OTHER STRUCTURES - SUPPORT, SERVICE, REPRESENTATION

eg Research and Development, marketing, agriculture supplies, industry services and lobbying groups.

- GEOGRAPHIC SPREAD

- 2,000kms, mostly coastal.

- BASIC NUMBERS

Which influence/dictate revenues

Visual 1 matrix

- Freely traded world sugar prices
- Exchange rates and interaction
- Australian sugar cane farmers' financial performance 2005/2006 (a snapshot) ABARE STUDY (October 2007)

Visual 2

Visual 3

- VALUE CHAIN

On farm to ship side (we export approximately 80% of our 'raw sugar')

- Australia – impediments in decision making
- Brazil – ownership/control quite different

- REGULATION and then part DEREGULATION
 - Market Signals

- GENERAL COMMENTS
 - Vast difference between genuine exceptional circumstances assistance and an expectation of being propped up and/or bailed out.
 - Significant difference between a business enterprise and a life-style venture.
 - Vast difference in farming between SUBSISTENCE, SURVIVAL, INADEQUATE VIABILITY and VIABILITY as a sub-set of SUSTAINABILITY.
 - In our vision Statement we said the ‘industry’ should be SELF RELIANT, and therefore SELF FUNDED (no expectations of public purse assistances), therefore there needs to be sufficient profit (after tax) to retain some earning to build CAPITAL, apart from normal operating needs.

- SUSTAINABILITY

Even if one can assume reasonable world prices and a probably good range of interacting exchange rates Aust dollar/ US dollar (trading denominated in US dollars)

Industry wide SUSTAINABILITY is not a given.

The outcome will vary region to region and depend on action taken to further reform and restructure and simultaneously attack costs (net benefit productivity etc)

 - There is much to do and hopefully with a sense of urgency

- FULL CONTESTABILITY
 - Scarce resources
 - Quality management, technical skills, labour, materials
 - In Queensland, in particular, there is strong competition from mining, tourism (including real estate development).

- COSTS/ INFLATION
 - Industry specific (See Full Contestability)

- AWARENESS OF INTERNATIONAL INFLUENCES

- SCALE
 - Utilisation of fixed investment
 - Streamlining the value-chain

- STRUCTURES/ RELATIONSHIPS
 - Mindsets born of a 100 years of tight regulation
 - Cultures take time to change, can we afford the time? After all, we are in the GLOBALIZED world of the 21st Century.

- FOOD/ FUEL POLICY DEBATE
- THE NEED FOR ACTION – NOT MORE REVIEWS, COMMITTEES etc

CONCLUSION

Visual 4