

THE AUSTRALIAN EXPERIENCE

LESSONS FROM DEREGULATION & REFORM

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AUSTRALIAN SUGAR MILLING COUNCIL

- Advocate for raw sugar manufacturers & exporters
- Five company members collectively produce

90% of Australia's **raw sugar** market **>50%** **production** **>1** million MWh **cogenerated electricity**

INDUSTRY SNAPSHOT 2019

30 million tonnes
cane

4.3 million tonnes
raw sugar

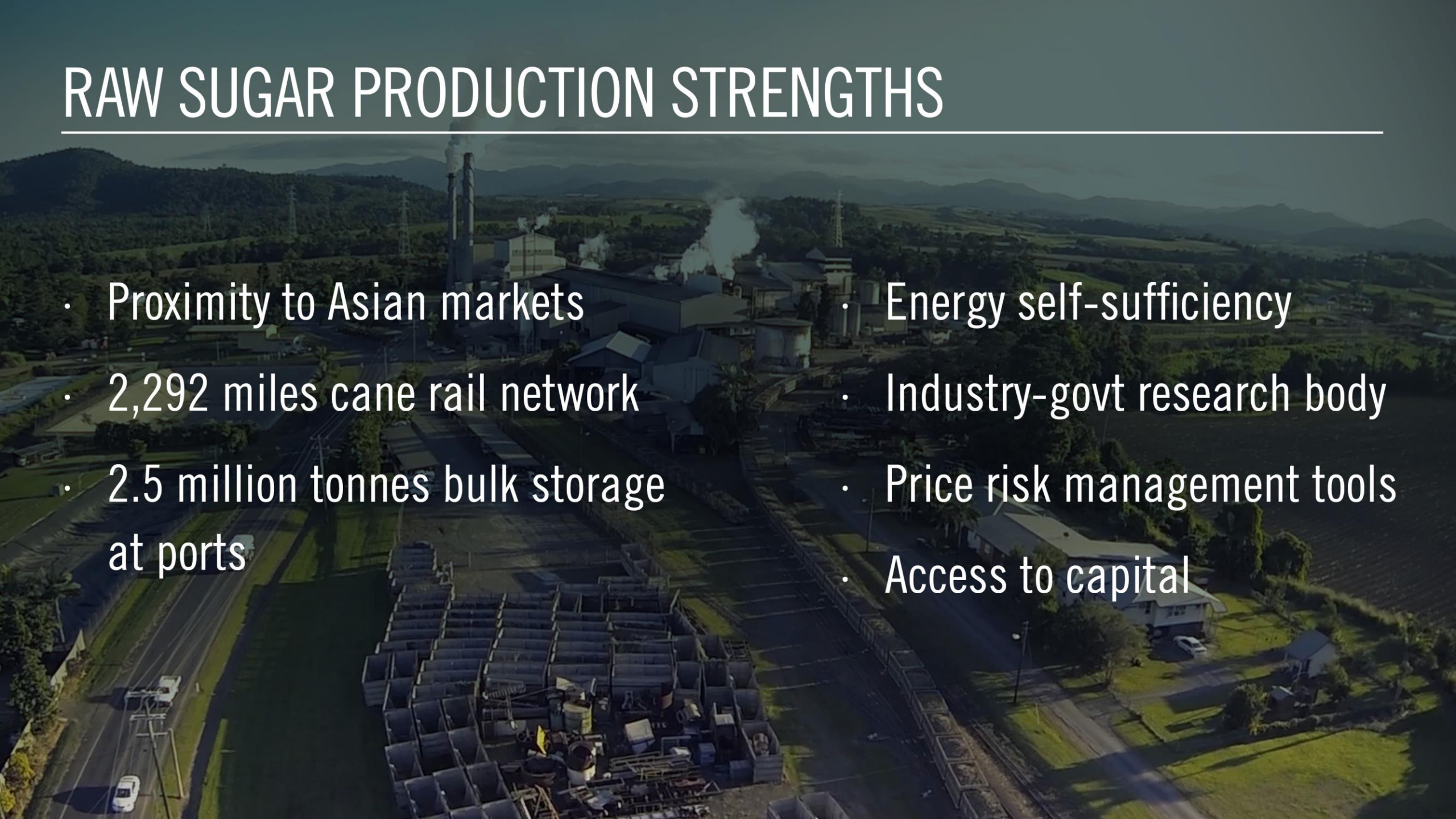
A\$4 billion **economic contribution**

GEOGRAPHY

- Coastal bordered by mountains and Great Barrier Reef
- High tropical rainfall – prone to Cyclones
- Irrigation in dry tropics



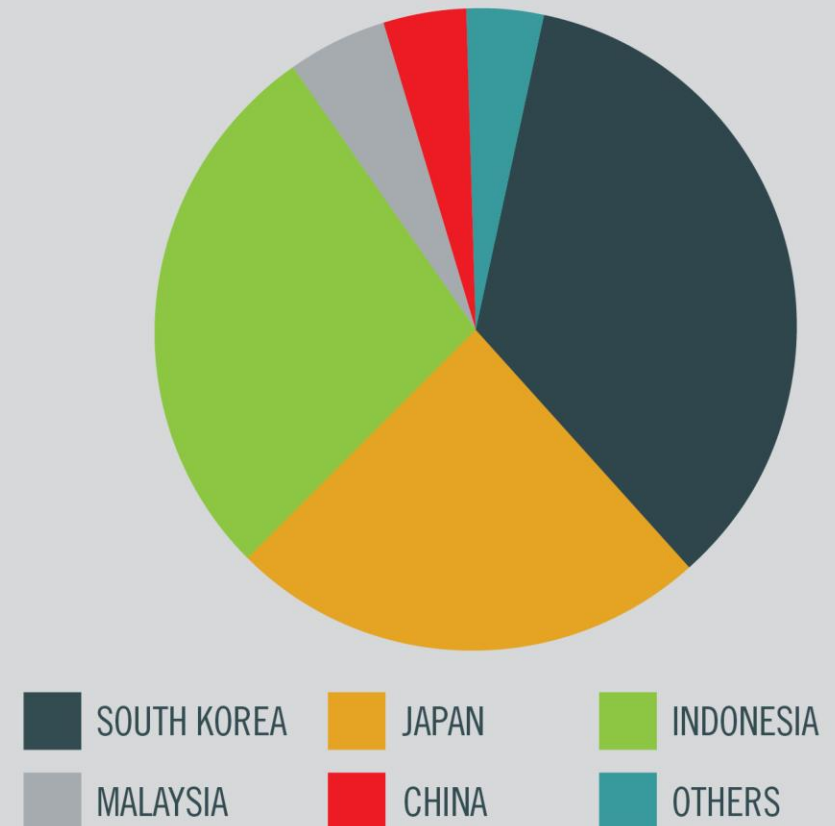
RAW SUGAR PRODUCTION STRENGTHS

- 
- An aerial photograph of a sugar mill complex with several buildings and smokestacks emitting white smoke. In the foreground, there are large rectangular storage bins and a road with a white car. The background shows rolling green hills and distant mountains under a clear sky.
- Proximity to Asian markets
 - 2,292 miles cane rail network
 - 2.5 million tonnes bulk storage at ports
 - Energy self-sufficiency
 - Industry-govt research body
 - Price risk management tools
 - Access to capital

AUSTRALIAN MARKETS FOCUSED IN ASIA



RAW SUGAR EXPORTS BY DESTINATION
2018/19



SOURCE: ABARES

ROAD TO REFORM 1986 TO 2005

- Before 1986, regulations controlled
 - Industry entry and exit
 - Assignment of cane supply per mill + managed cane/sugar volume
 - Domestic cane and sugar prices
 - Imports – tariff in place
 - A statutory single desk with pooled sugar returns
- Reform took 19 years, 8 reports, 15 reviews + >70 recommendations

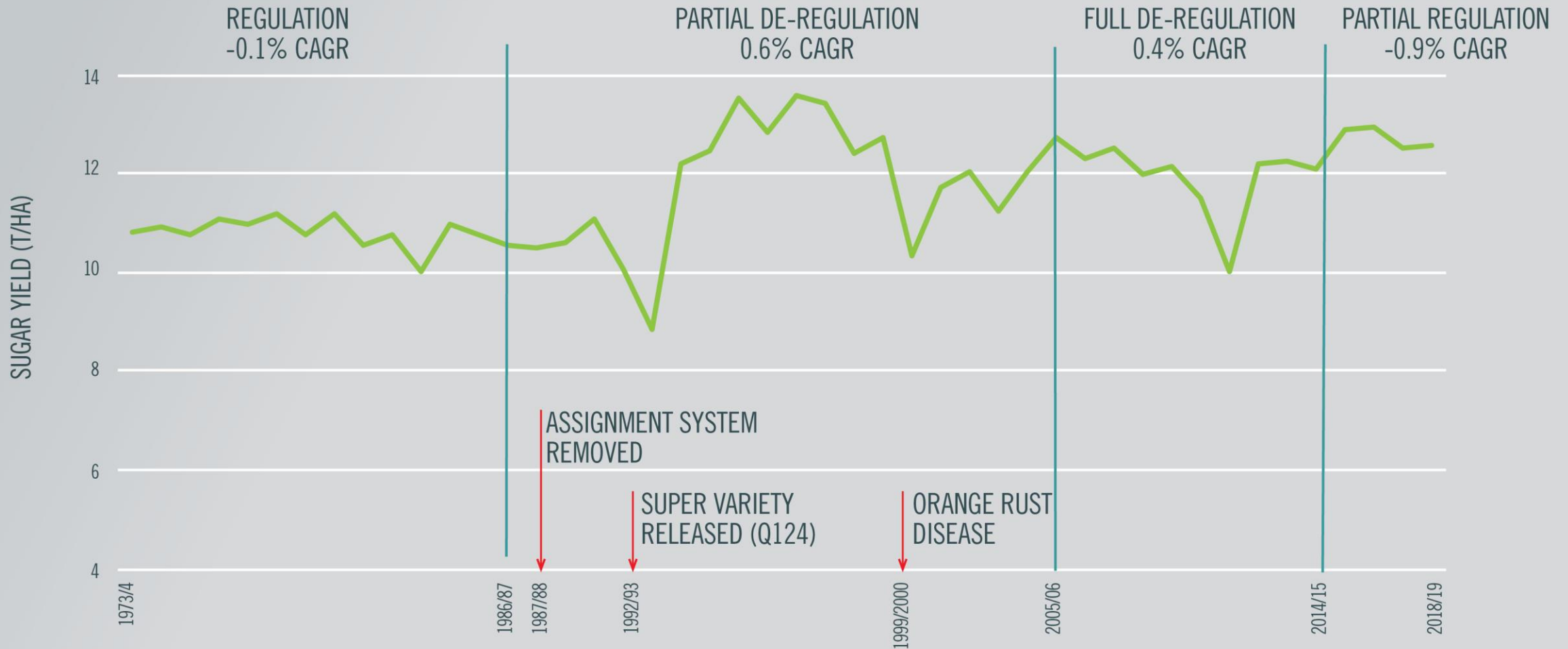
LIFE AFTER REFORM

- New multinational owners
 - Rationalisation and wave of acquisition investment (>A\$2.2 billion)
- Increased research investment (A\$23m levy + A\$17m gvt support/yr)
- Moderate increase in cane/sugar productivity, but
- Partial re-regulation has led to yield flat-lining



PRODUCTIVITY FLAT-LINING

AUSTRALIAN SUGAR YIELD (T/HA) CAGRS



AMBITIOUS TRADE AGENDA

- Trade Agreements
 - CPTPP11 – without US
 - KAFTA – South Korea
 - JAEPA – Japan
 - ChAFTA – China FTA
 - IA-CEPA – Indonesia
 - PAFTA – Peru
 - AUSFTA
- Negotiating
 - EU FTA
 - UK FTA



THE CASE AGAINST INDIAN SUGAR SUBSIDIES

Cane Fair and Remunerative Price (FRP)
and State Advised Prices (SAP)

- *Exceed 10% de minimis entitlement*

Indian Export Subsidies

- Inconsistent with WTO
 - *Agreement on Subsidies and Countervailing Measures*
 - *Agreement on Agriculture*

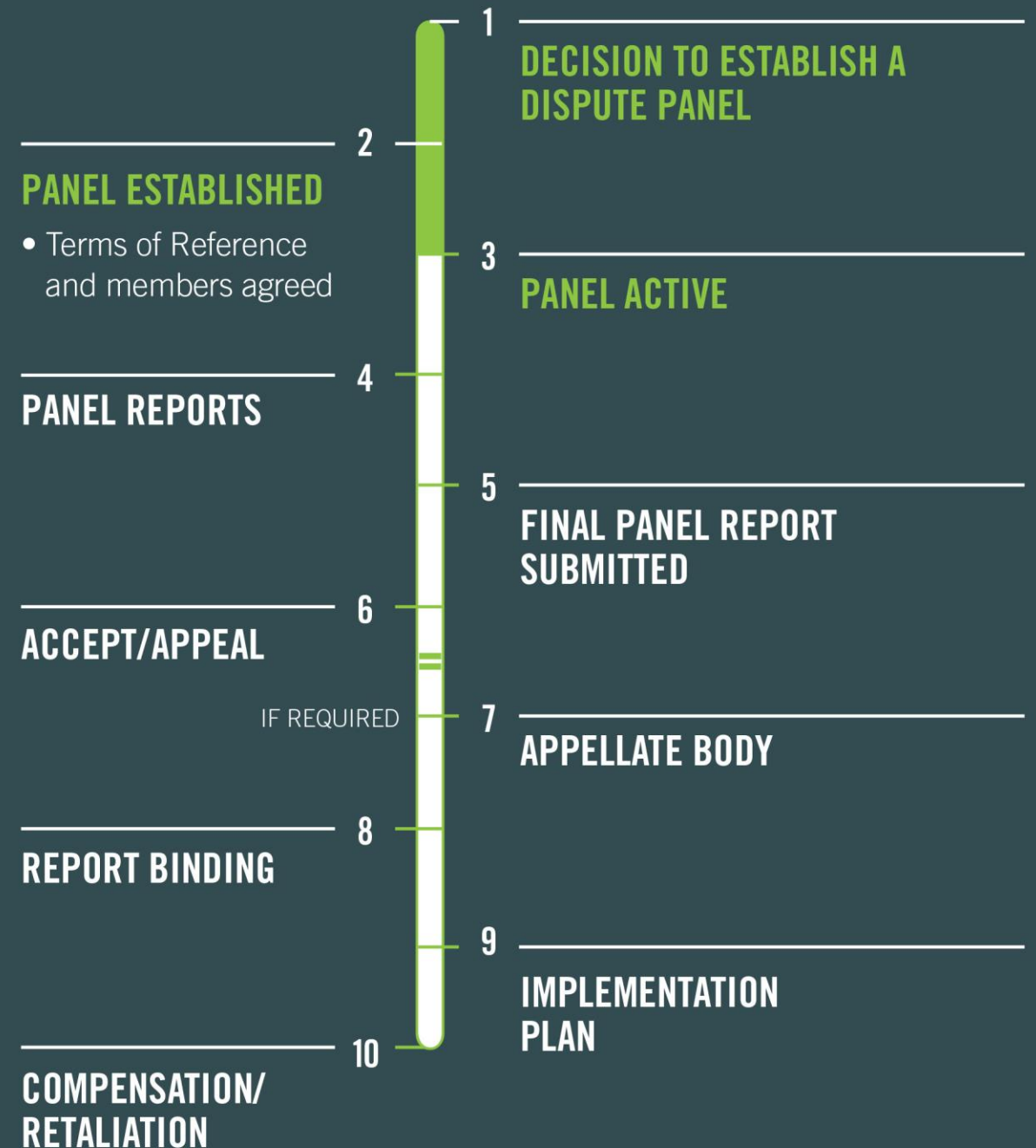


WTO PANEL PROCESS

INDIA – MEASURES CONCERNING SUGAR AND SUGARCANE

Government Complainants:

- Australia
- Brazil
- Guatemala



REVITALISATION AGENDA

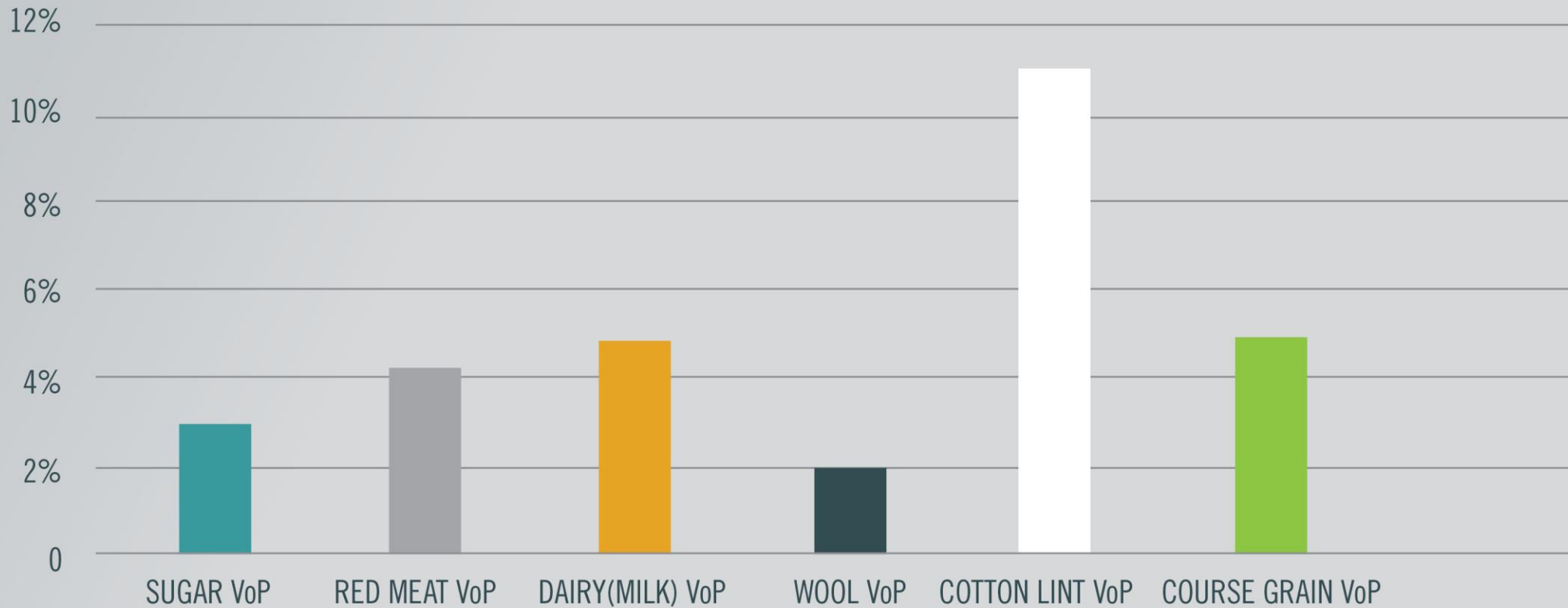
**PRODUCT
DIVERSIFICATION**

**ACREAGE
GROWTH**

**CANE AND
SUGAR YIELD**

PRODUCTIVITY GROWTH COMPARISONS

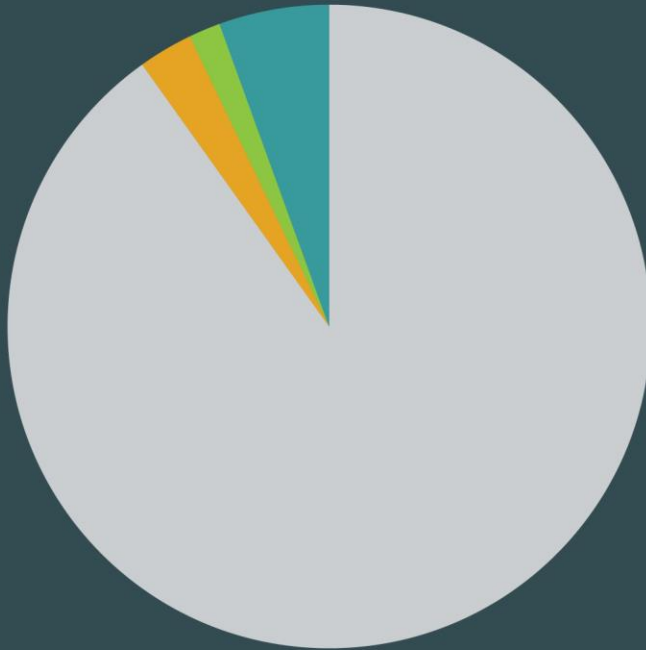
VALUE OF PRODUCTION (COMPOUND AVERAGE GROWTH RATES) 1974–2017



SOURCE: ABARES

HIGH DEPENDENCY

MILLING REVENUES (%)



RAW SUGAR ETHANOL COGENERATED POWER MOLASSES

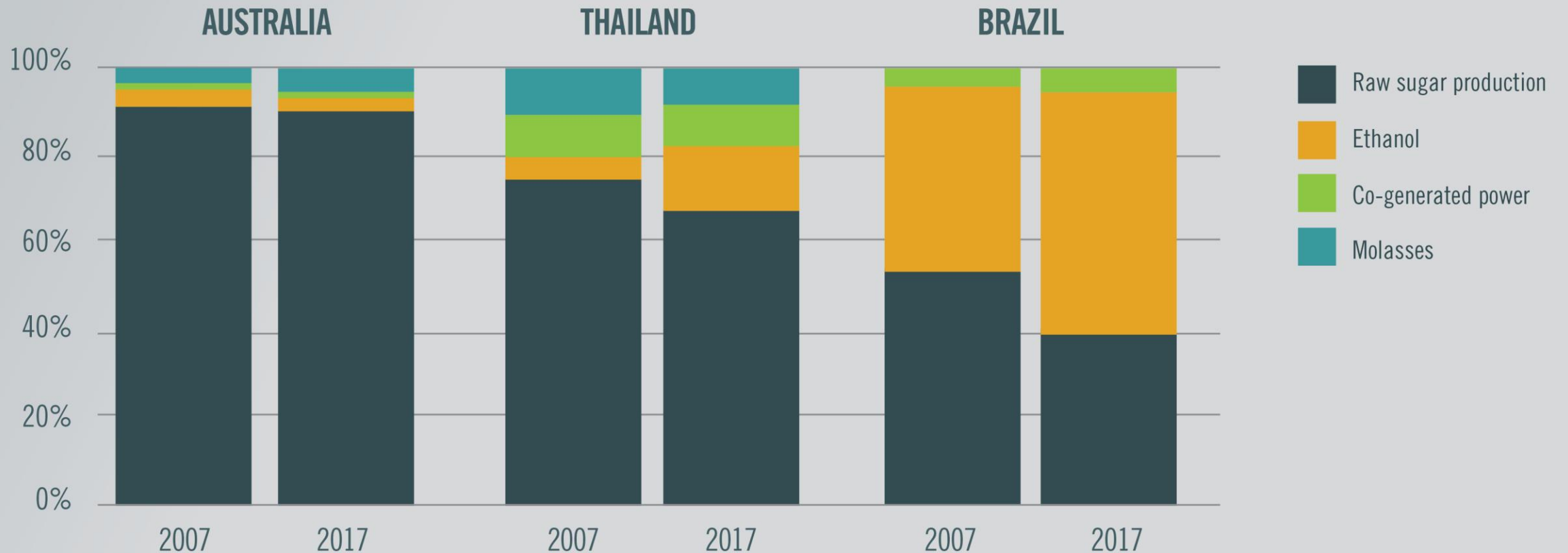
RAW SUGAR DOMESTIC VS EXPORT (%)



EXPORT DOMESTIC

INDUSTRY REVENUE CONTRAST

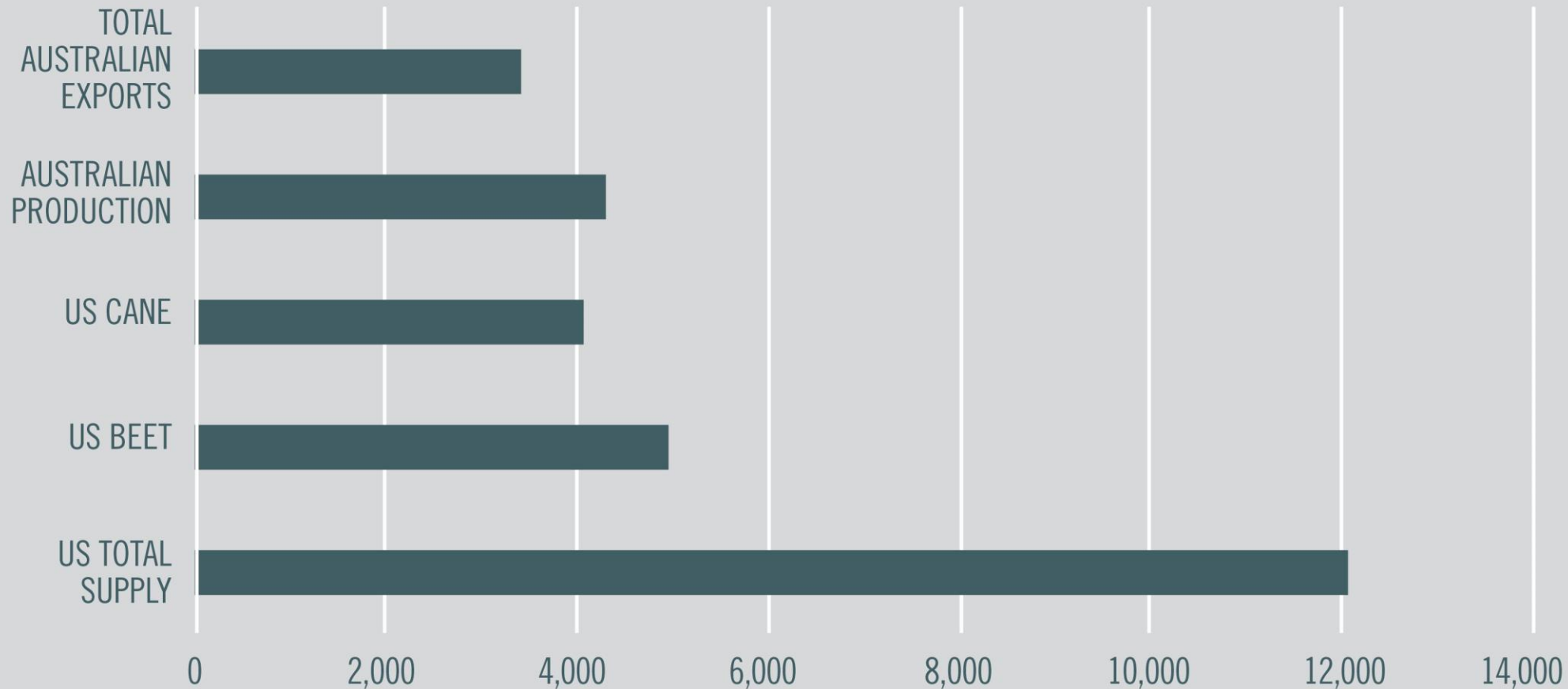
MILLING REVENUE MIX 2007 & 2017 (AUD)



SOURCE: ASMC, UNICA AND THAI SUGAR MILLERS

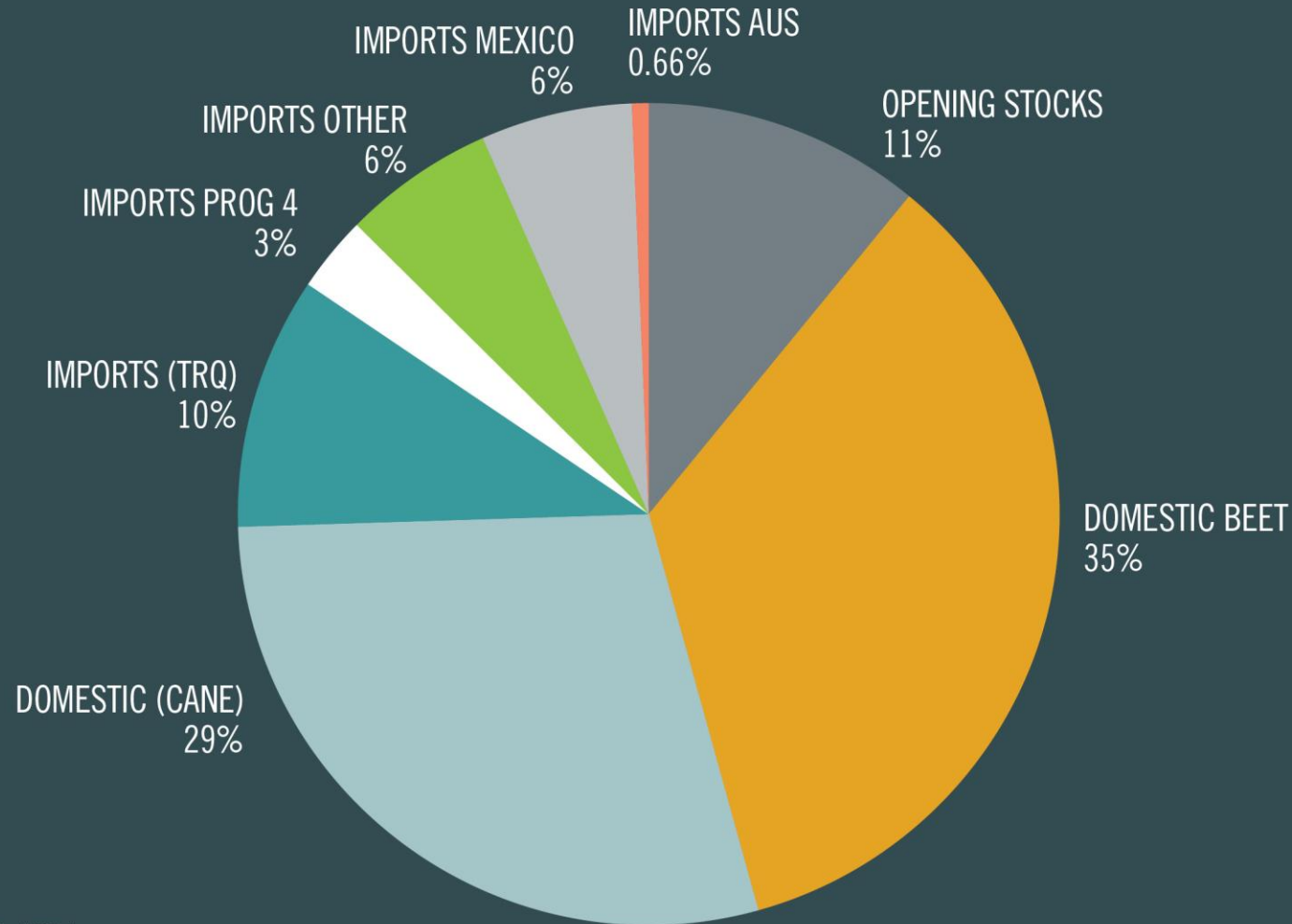
POTENTIAL FOR INCREASED AUSTRALIAN ACCESS

US/AUS COMPARISONS 2018



SOURCE: ASMC & USDA

US SUGAR SUPPLY 2019/20 ESTIMATED



- Total US demand of 13.7 million metric tons
- <1% imports from Australia

THE AUSTRALIAN EXPERIENCE

- Reform takes time
- Use low points in price cycle to focus minds
- Government 'rescue' packages dull desire for change
- Full exposure to global markets drives investment & efficiency
- Build an ambitious trade and market access agenda
- Deregulation only endures if culture changes

SHUT THE GATE BEHIND YOU!

THE AUSTRALIAN EXPERIENCE

Future Focus

- Greater revenue diversification
- The need for a sustainability and productivity revolution

THANK YOU

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KEY FOCUS AREAS



Trade
policy



Social
licence



Advocacy



Revitalisation



Research
strategy