



Asia's position in the global sugar market

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The Geo-politics of Sugar in Asia

'A combination of geographic and political factors relating to, or influencing, a nation or region.'

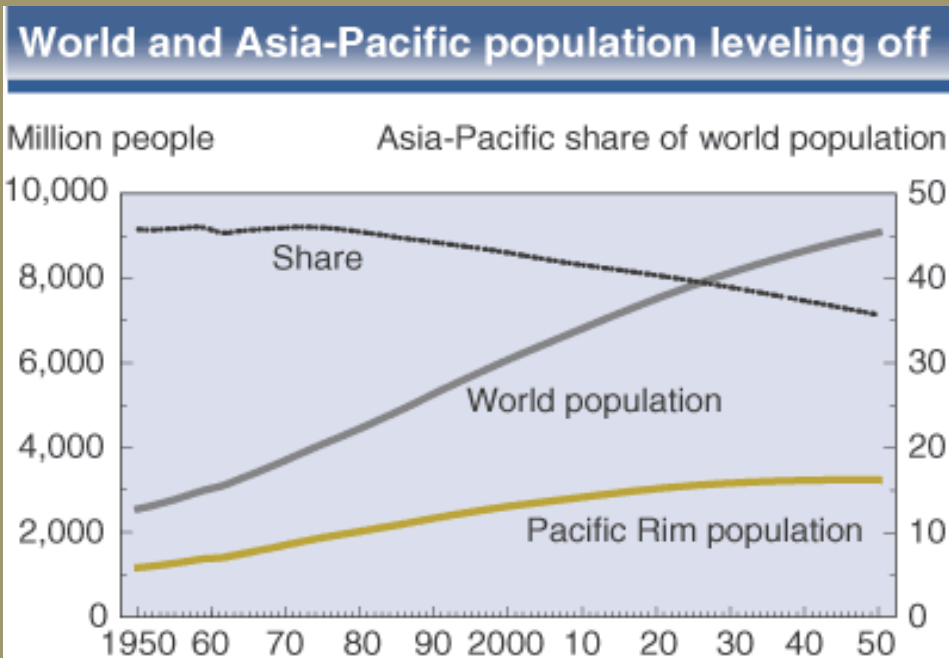
- What are these?
- What do these mean for Asia's position in the world sugar market, and hence, what is Asia's role?
- What is QSL focusing on to stay relevant?

What are these?

- Population
- Diet
- Land
- Water
- Uncertainty

Population and Diet

Declining fertility, population ageing and urbanisation



Current growth trend is for 'western diets'

Urban population growth continues putting stress on food logistics

Sugar is a fast-rising consumption item

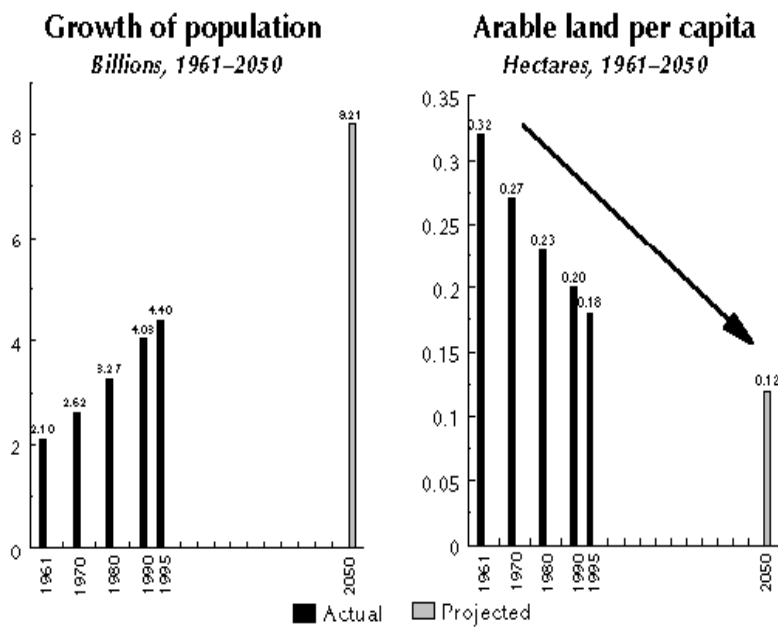
The developing countries' average consumption is 21 kg/person/year, but it is higher (26 kg) if China is excluded

Future trends will see food demand drop off from a peak, as older people eat less calories

For example, Japan is currently the largest net importer of food in the world, but its population is aging rapidly

Land

Figure 3. Population and Arable Land in Developing Countries



Source: UNFPA/FAO

Population Reports

Agricultural land is a finite resource

Main supply drivers in the past were expansion of land and yield increases

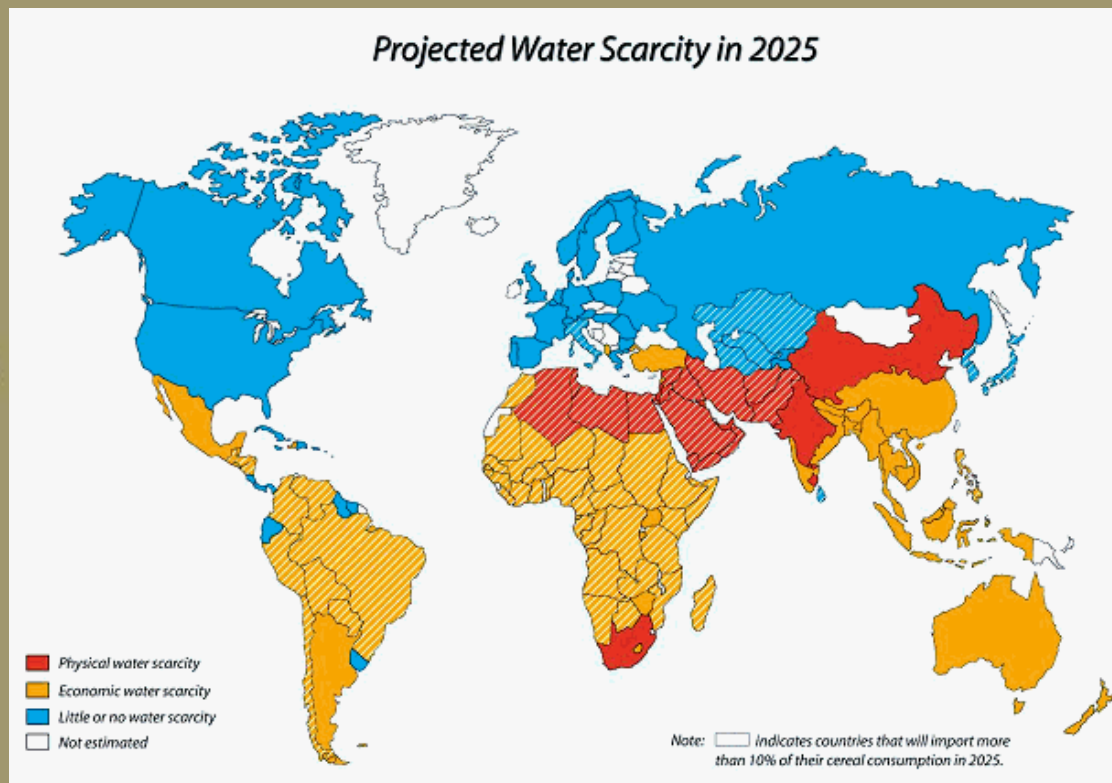
The best and most productive land is already being farmed

Consequently, crop yields must increase to meet increased demand for food

China's Ministry of Land and Resources reported that China's total cultivated land area dropped to 123.5 million hectares at the end of 2008 from 130.1 million hectares in 1996.

This leaves China with the need to find ways of increasing productivity yields or being forced to increase imports to meet growing demands, or more likely a combination of both.

Water



About 70% of the world's total fresh water is used in the production of food

Water, Food, and Climate Change experts currently consider 21 countries with a combined population of about 600 million to be either crop land or fresh water scarce

Owing to continuing population growth, 36 countries, home to about 1.4 billion people, are projected to fall into this category by 2025

Uncertainty

The world is a more challenging place

- Economic crisis events are more common
- These events are much more interconnected (Greece affects Asia)
- Economic crisis can become a political one (again Greece)
- A political one can become an economic one (Thailand potentially)
- In sugar, Indian swings create 'pricing violence'
- The world is too dependent on Brasil



What does this mean for Asia's position in the global sugar market

- Asian production growth continues to not meet rising Asian demand
- Demand growth continues for foreseeable future
- Has to be met by imports from outside Asia i.e. Brasil and others
- Uncertainty means buyers should seek to guarantee supply sources rather than focus on *'best deal of the day'*
- Sweeteners potentially become more relevant, to increase buyer options



Australia has always been important

- Stable macroeconomic position
- Good reputation
- Nearby
- Consistent and reliable
- Long-term relationships
- Robust quality controls



QSL's Focus

Keep the history but working on the future

- Remain a CIF seller but optimise better
- Focused on the long term and want business partnerships that reflect this ethos
- Seeking to focus on improving our customer offer in a number of spaces, including:
 - Inventory management including complementary sugars
 - Freight management
 - New pricing options
- And working with customers, new and old, that provide best returns to the Australian Sugar Industry



Sources

Coyle and Gilmour

United Nations – FAO

Stratfor

ACUS

Asia Society