



Bundaberg
Cane Trends
Working Field Day

19 May 2011



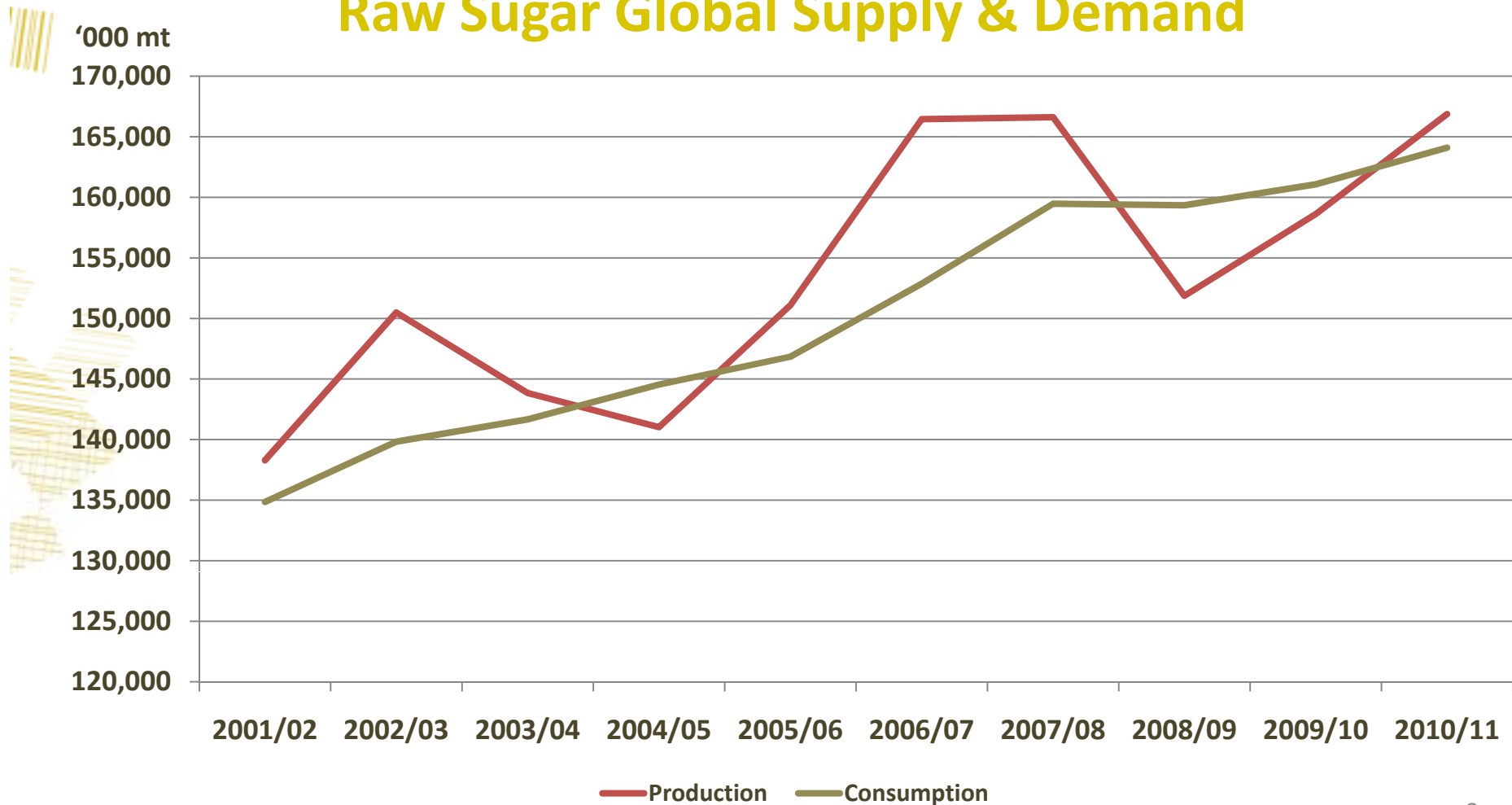
Agenda

1 Market Update

Market Update



Raw Sugar Global Supply & Demand



Source: FO Licht, 2011

Market Update



Raw Sugar ICE 11



- Raw sugar prices have **declined** almost 50 % from the US 36c/lb highs seen earlier 2011 as the world sugar balance transitions to a surplus environment

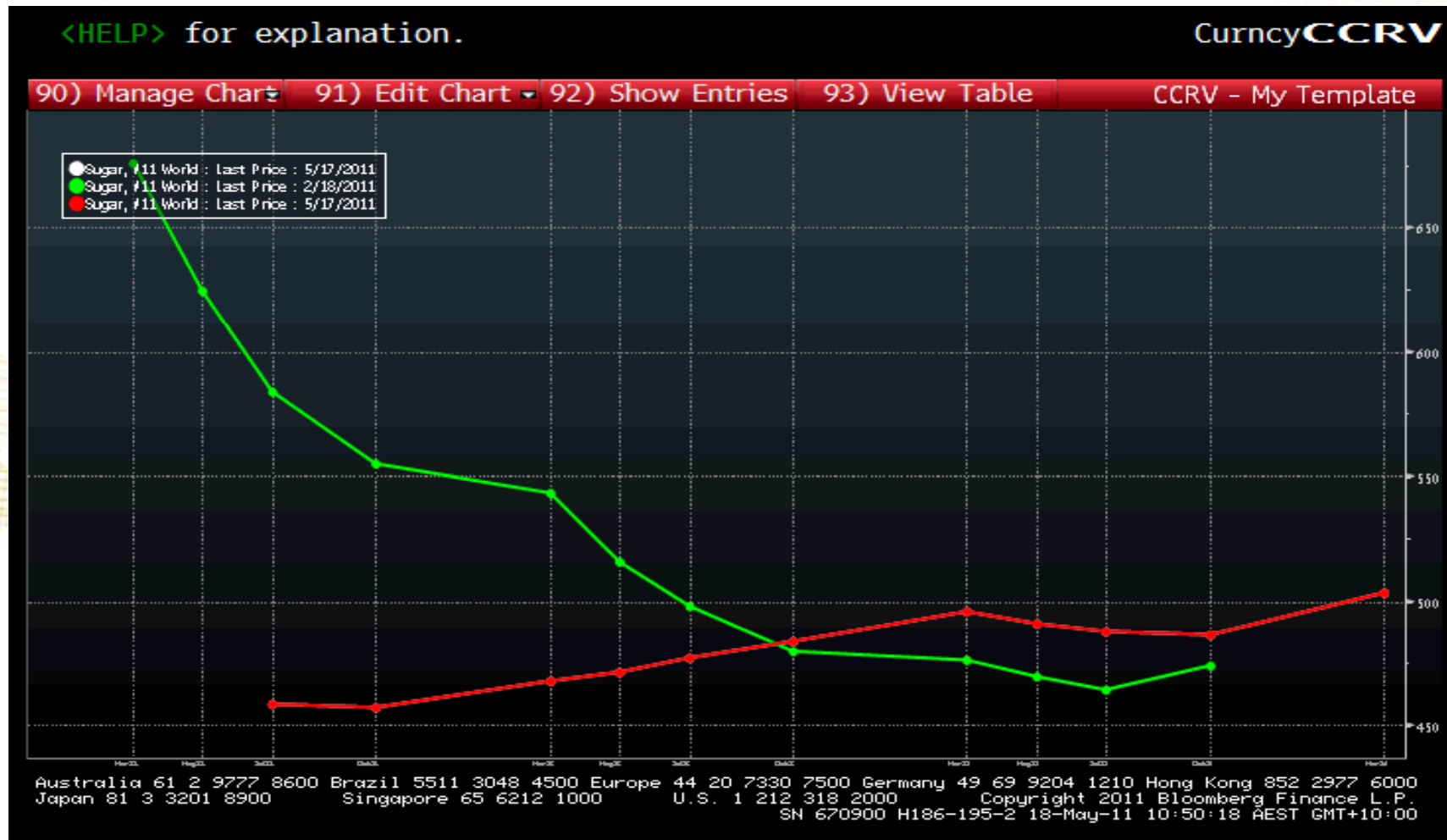
Market Update



Raw Sugar

- The period of higher prices choked off **DEMAND**
- Physical premiums and flat futures prices lower with higher sugar **SUPPLY** estimates from Brazil, Thailand & India
- The futures curve now in traditional carry shape

Market Update



Source: Bloomberg, 2011

Market Update



Raw Sugar

- Prices are now settling above structural support at the US20-22c/lb level, based on greenfield cost in Brazil, much stronger ethanol prices, and tight sugar inventory levels globally
- Expect to see the futures curve move more into carry and possible move below US20c/lb in short term

Market Update



Raw Sugar

- Supply surprises, inventory levels, ethanol demand and awareness of food security are all positives for raw sugar prices going forward
- Forward pricing for 2011 by suppliers and fixed price contracts currently in place has industry well price protected this season

Market Update



AUD/USD



- A\$ now comfortably trading above parity to the US\$, with a post float high of US\$1.10

Market Update



FX

- Currency strength a function of:
 - ✓ Australia's commodity boom
 - ✓ High interest rates
 - ✓ Weaker US\$
- A\$ is a proxy for risk appetite because of our deep capital markets, it is a heavily traded currency by global investors
- The economy is coping better with the stronger currency due to our resource base delivering higher commodity prices

Market Update



FX

- Elevated A\$ levels likely to persist with China growth story still relevant and the US economy very slow to recover from the Global Financial Crisis
- Unlikely to trade under US\$0.90 for some time, with levels above US\$1.10 quite likely
- RBA may have to raise rates again due to mining boom inflating prices in many parts of the economy



Thank You.