



High Performance Strategies for the Queensland Sugar Industry



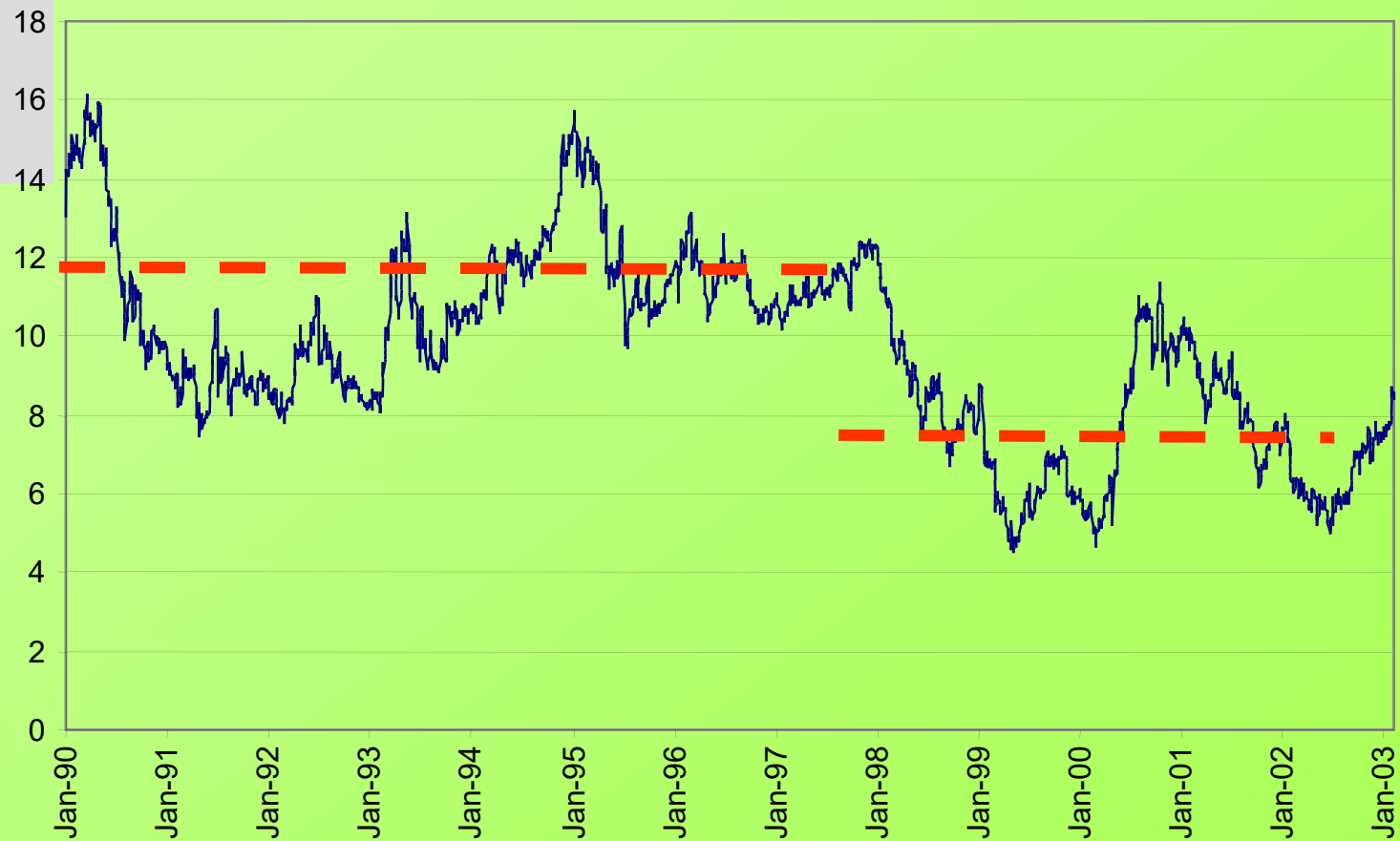
Why do we need to seek higher performance?

- Our costs are much higher than our major competitor's
- We have too much money tied up in assets that sit idle for too long
- Our capability, and therefore our performance, is too variable
- Our structures and systems discourage high performance
- The broader community does not trust us to manage our environmental impact



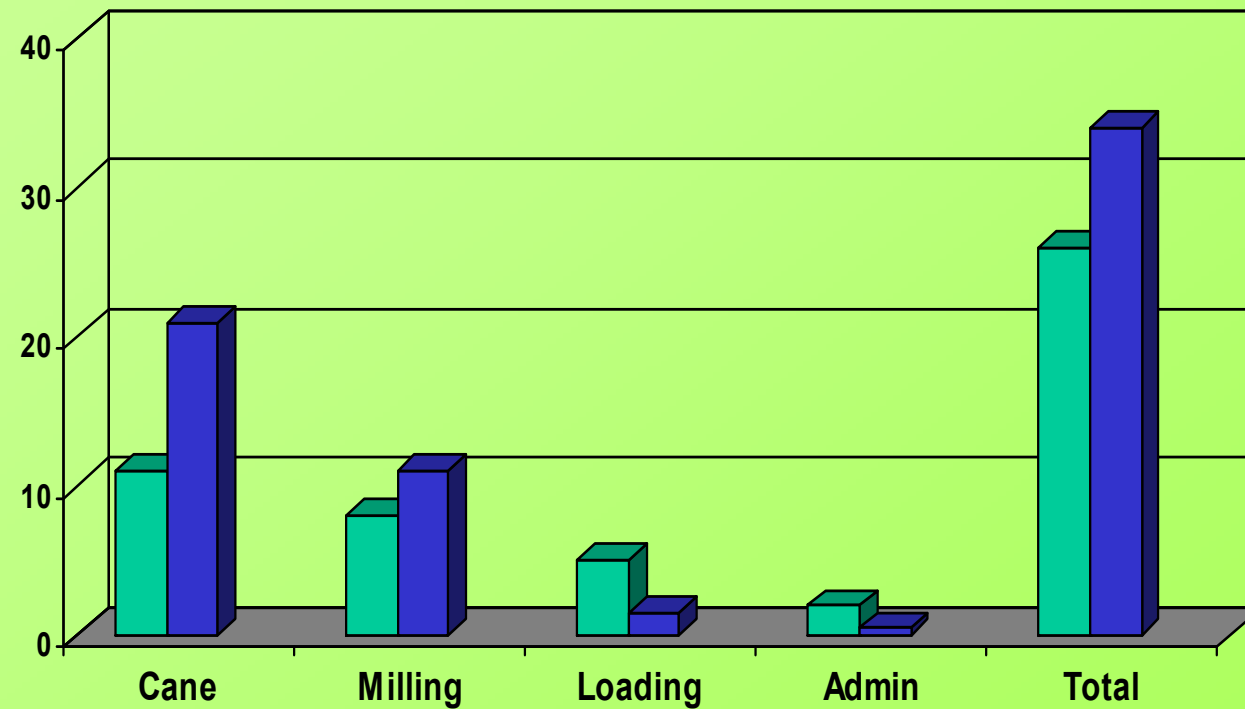
Brazil has changed global sugar prices

NY #11 Prompt Price (Jan 1990 - Feb 03)





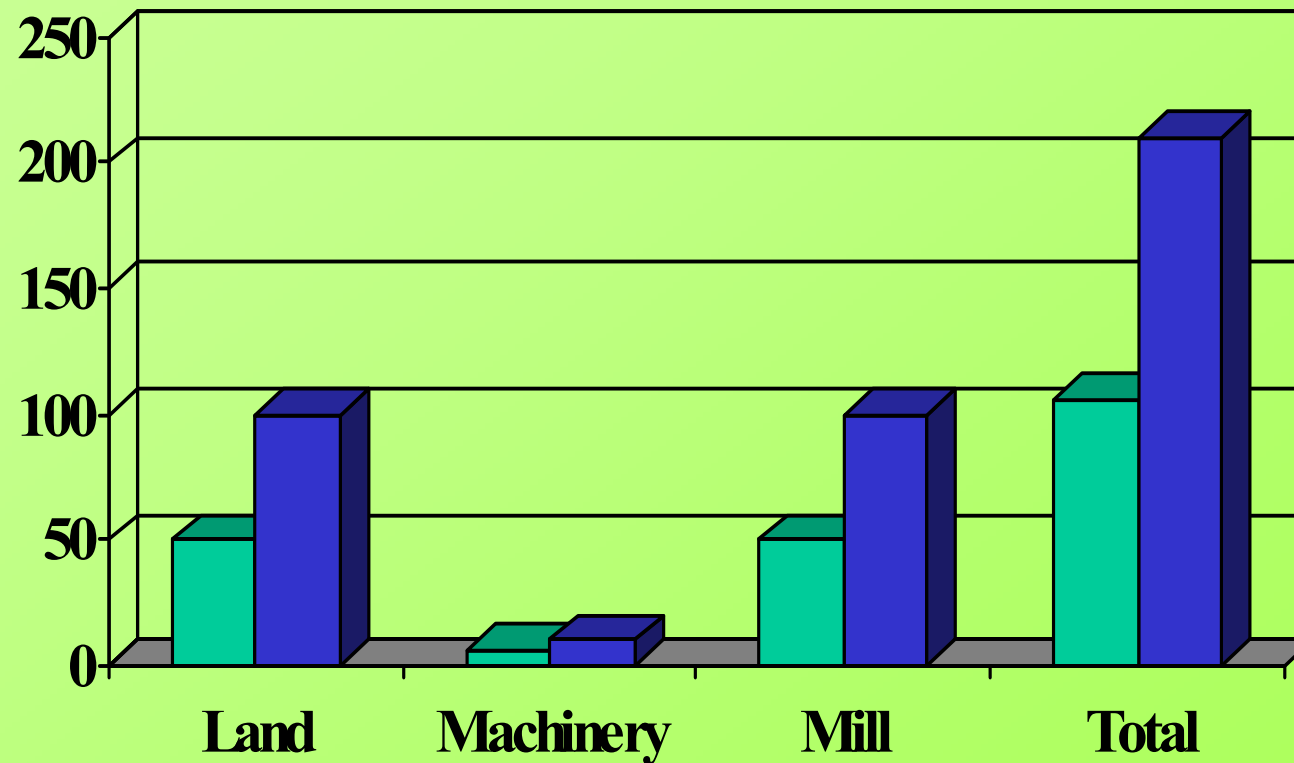
Our cash costs are about 20% above Brazil's,



Cash Operating Costs per tonne of cane (AUD) *(estimated)*



*We have a major gap in capital utilisation,
due to higher asset prices and short seasons*

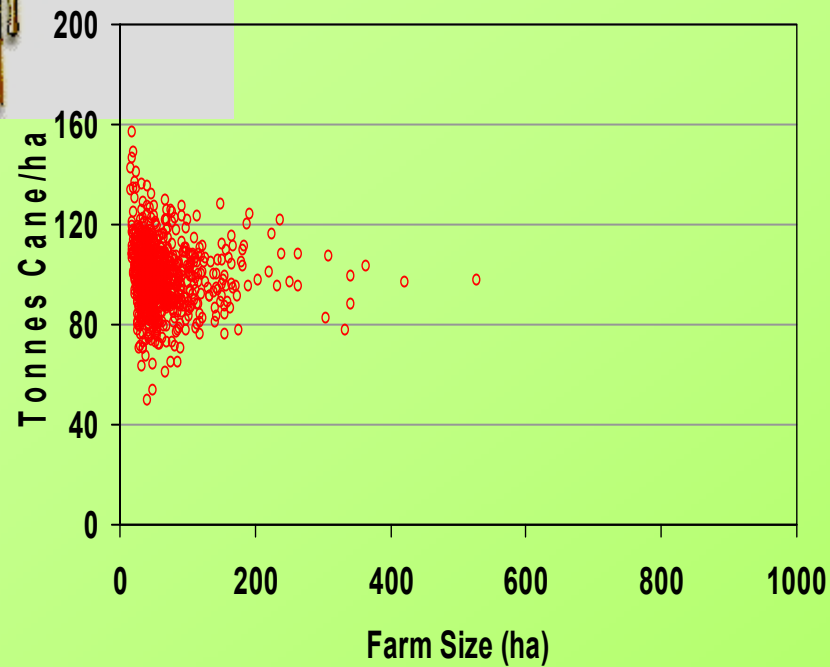


Capital invested per annual tonne of cane crushed (AUD) *(estimated)*

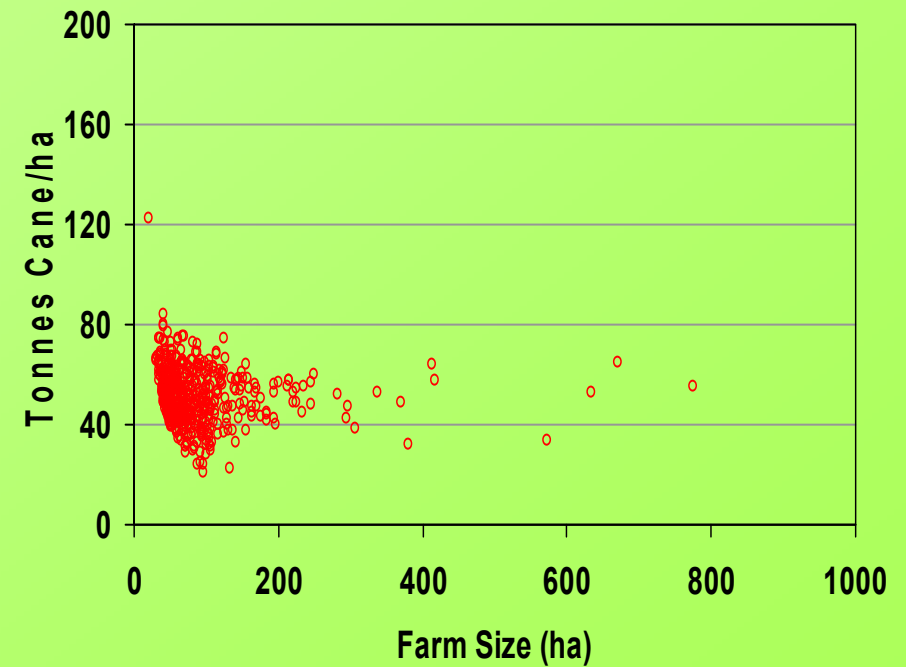


Farm yields are highly variable in the Herbert...

Herbert 1996



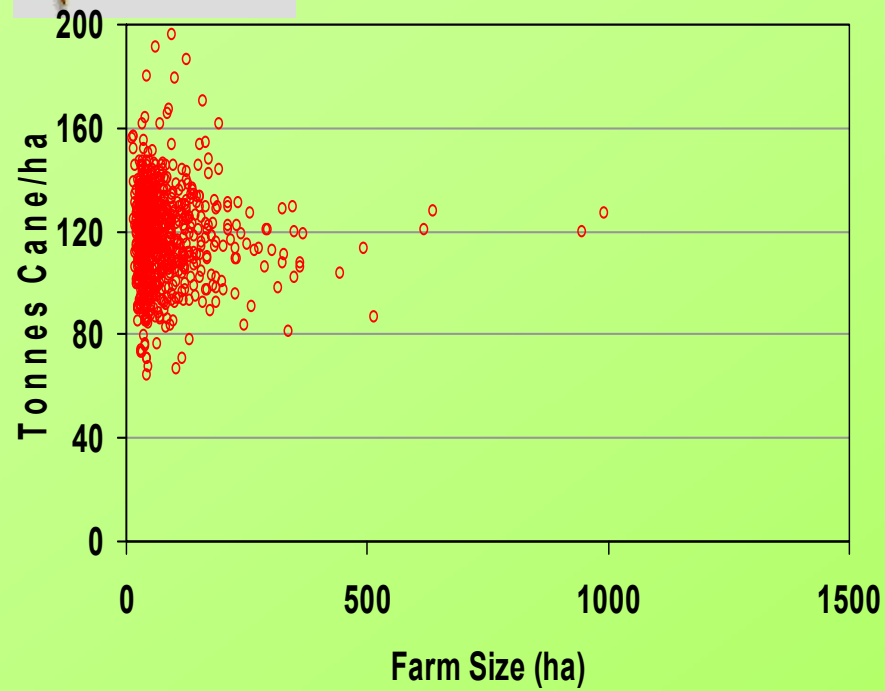
Herbert 2000



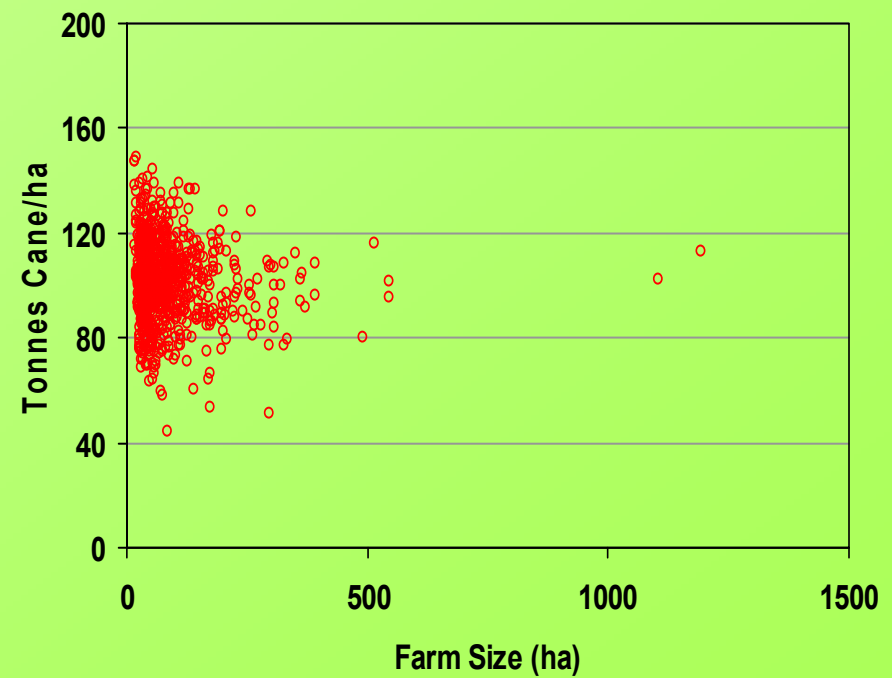


.....and also in the Burdekin

1996

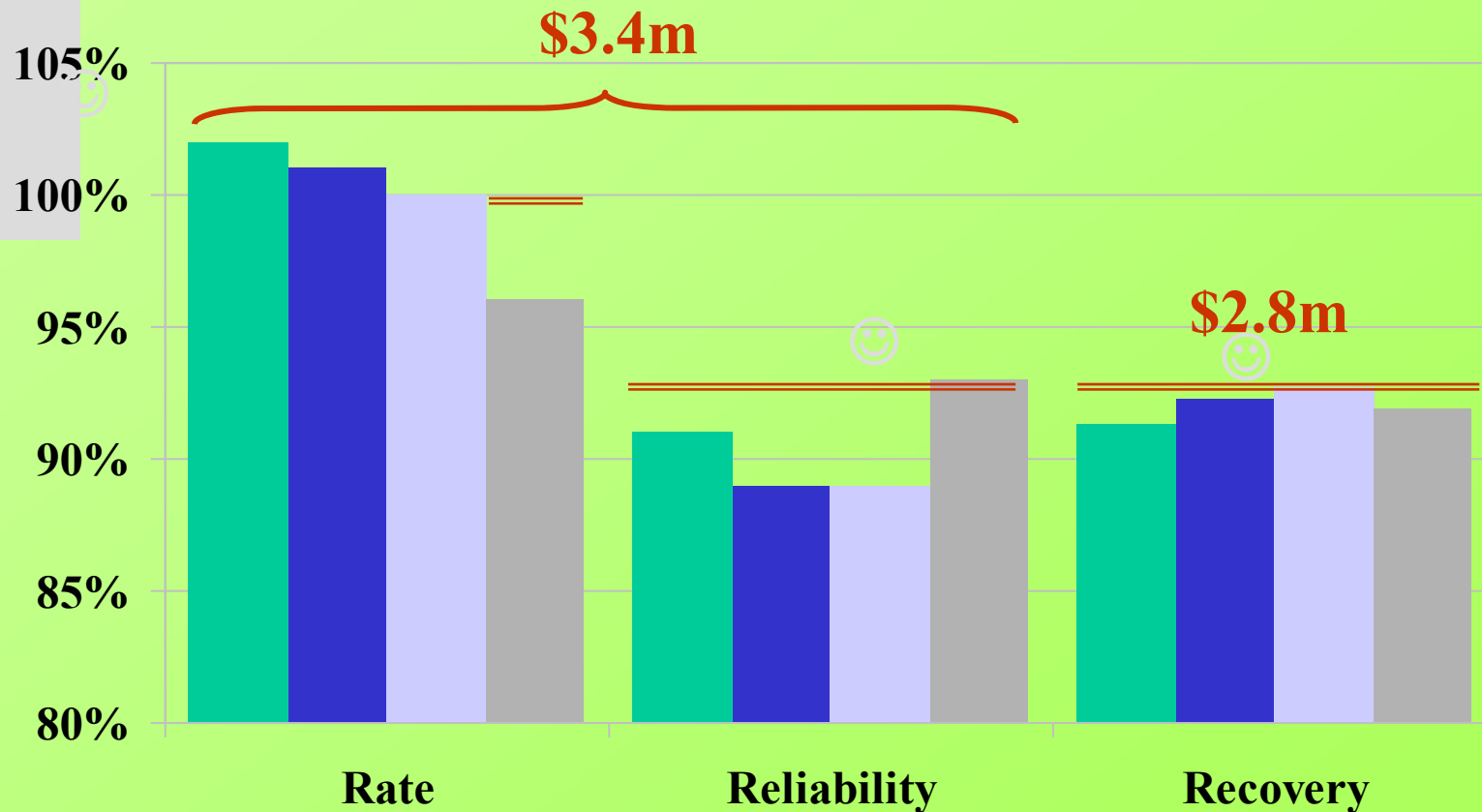


2000





In mills, technical performance is also variable

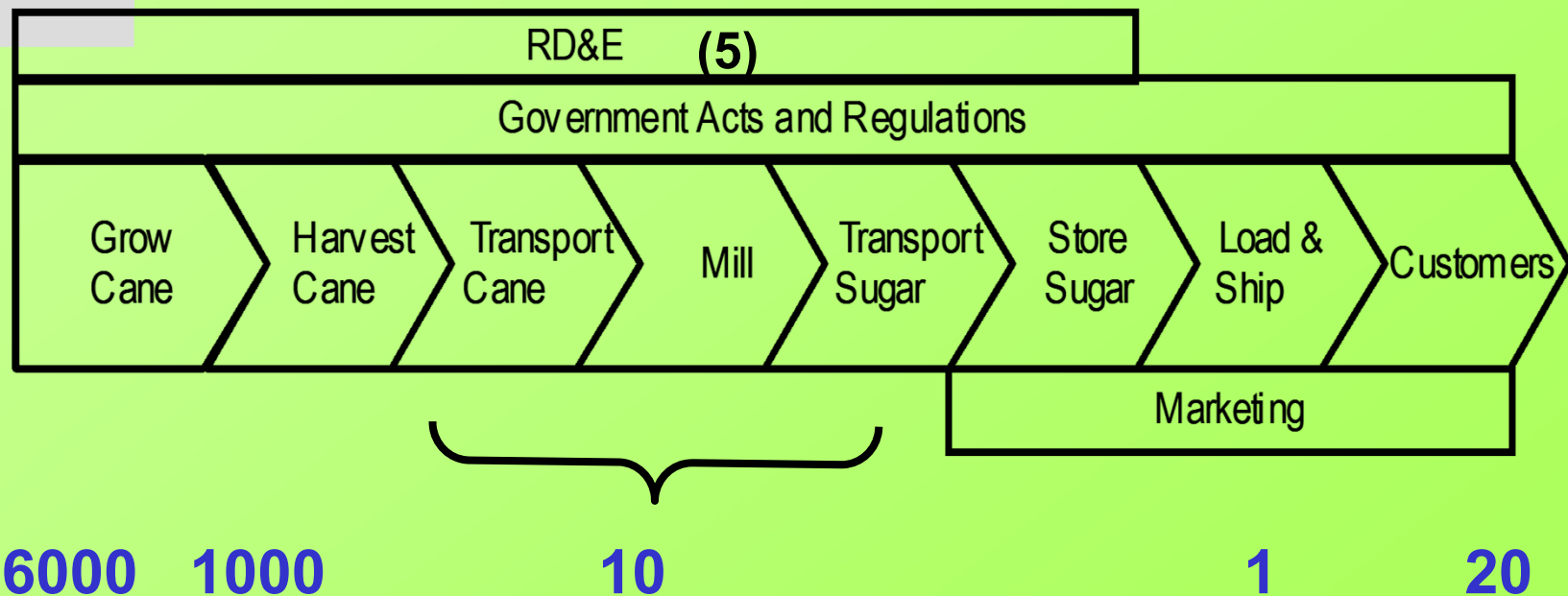


Assumptions
\$275 / t sugar
\$45 / t mol
24.5 dry weeks



Our industry is small and fragmented, and we lack the leadership and alignment needed for success...

Total value \$1.2 billion





Reluctance and lack of visionary leadership has slowed response to environmental concerns

- Sufficient evidence that increases in nutrients and sediments can be traced to farm activity
- Limited evidence of negative impacts as yet
- Strong campaign by environmental lobby groups
- A sometimes defensive grower public response has accentuated community concerns
- No longer acceptable for millers to treat this as a grower issue
- Need to build whole-of-industry commitment to environmental sustainability, and audit compliance with best practice across all industry sectors

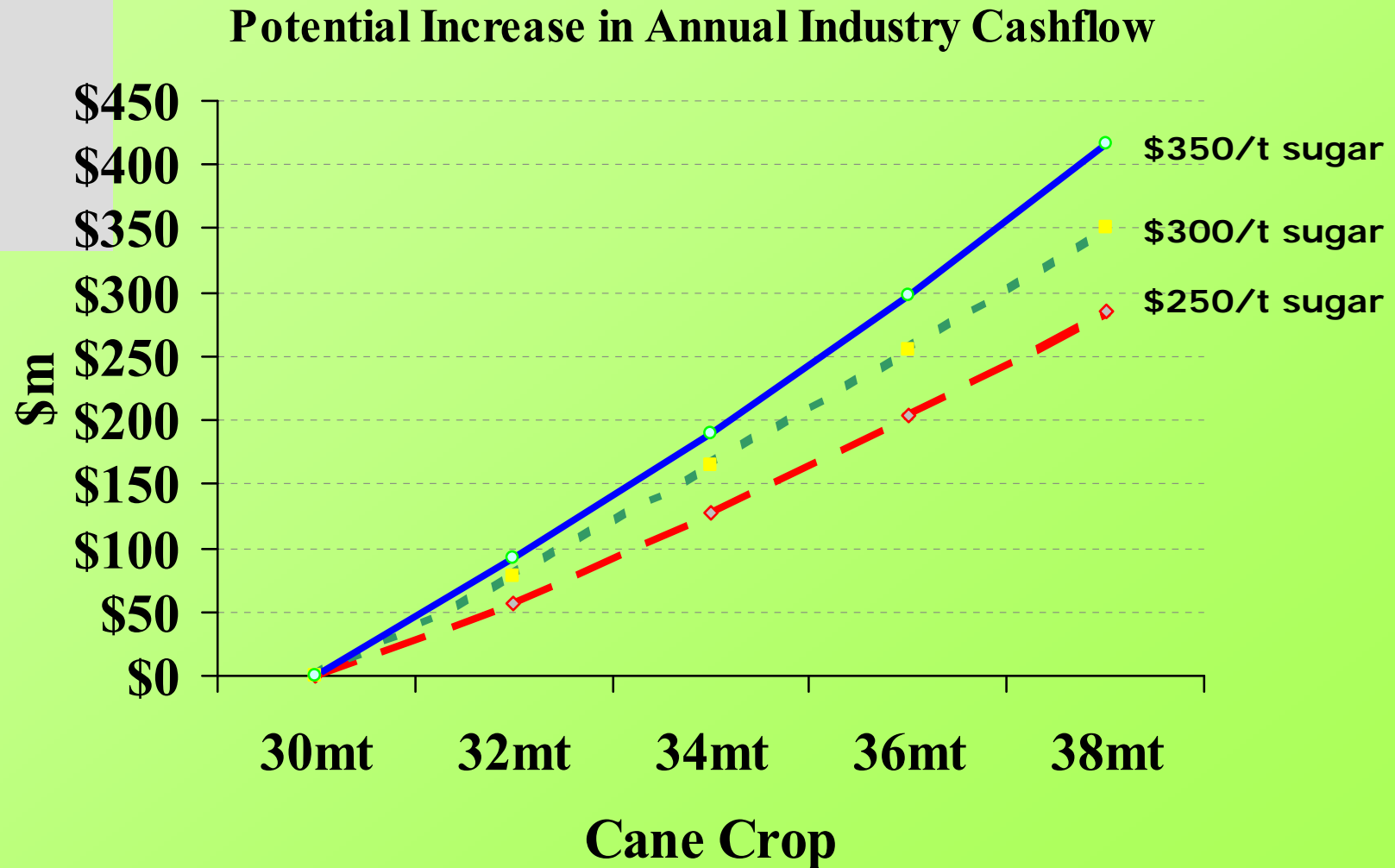


What are we able to change?

- We can increase the productivity of our assets
- We can take advantage of scale economies
- We can manage the volatility of our revenues
- We can eliminate cross-subsidisation
- We can build a customer-focused culture
- We can redesign our systems and structures to be flexible and efficient



Productivity improvement is the largest lever

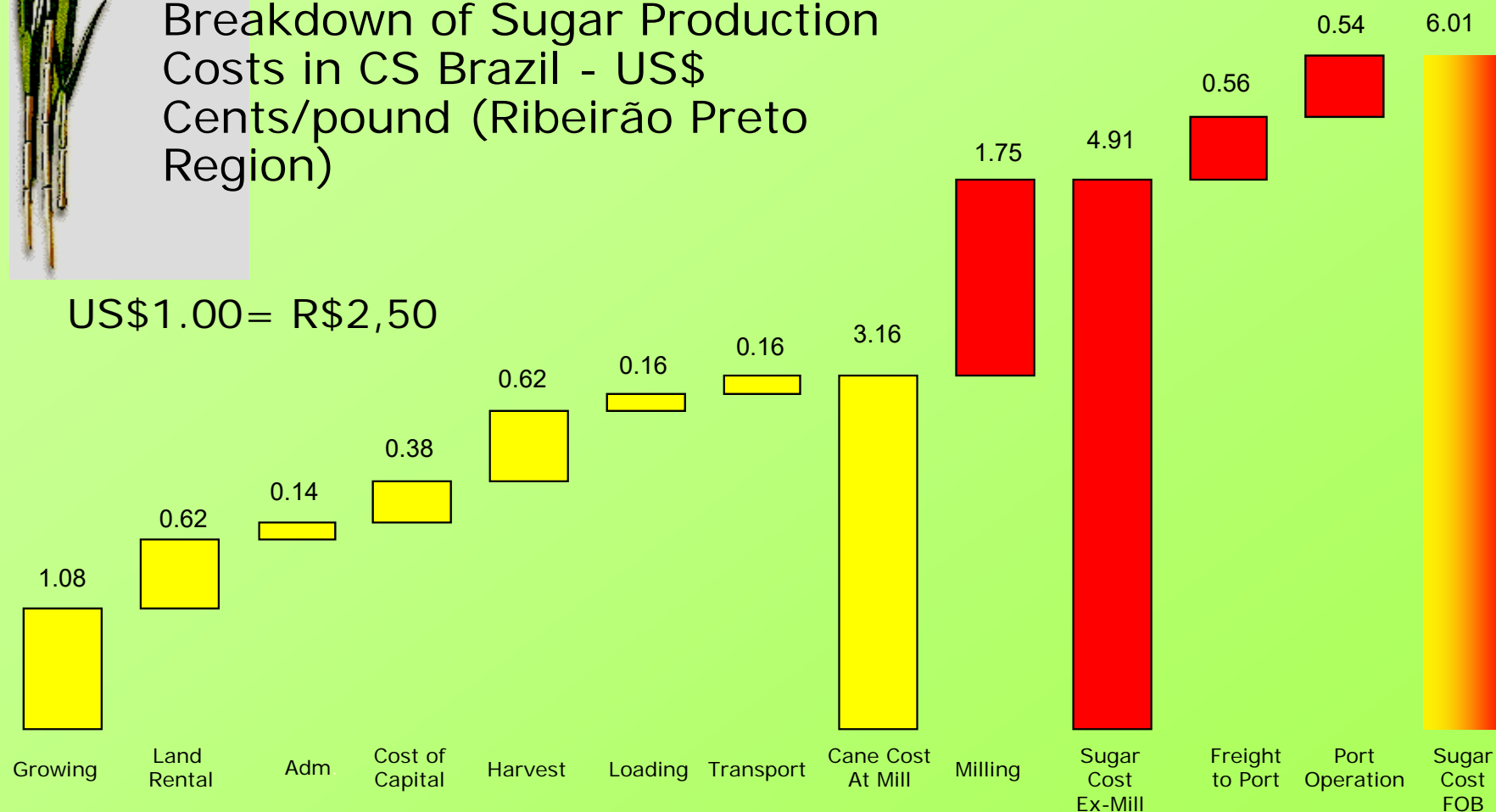




Brazilian production costs show the advantages of large scale

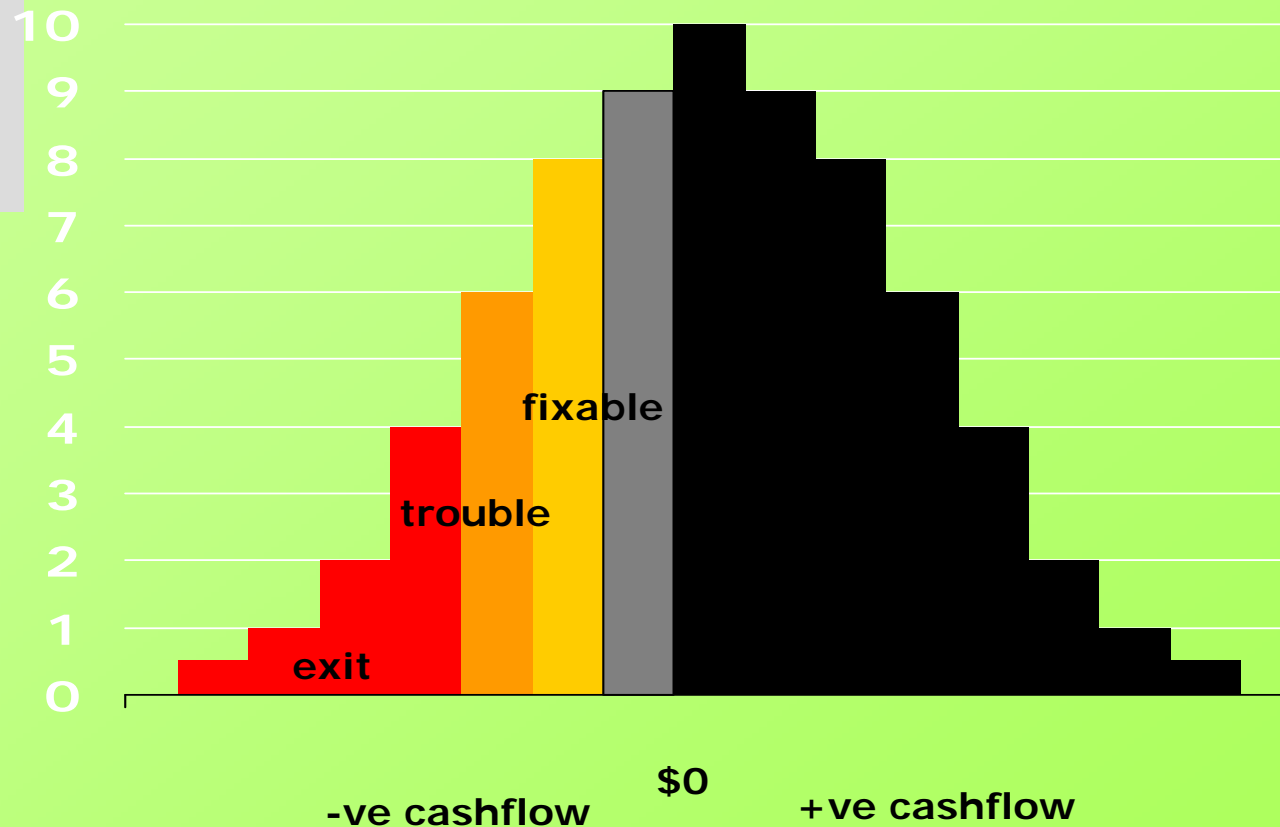
Breakdown of Sugar Production
Costs in CS Brazil - US\$
Cents/pound (Ribeirão Preto
Region)

US\$1.00= R\$2,50





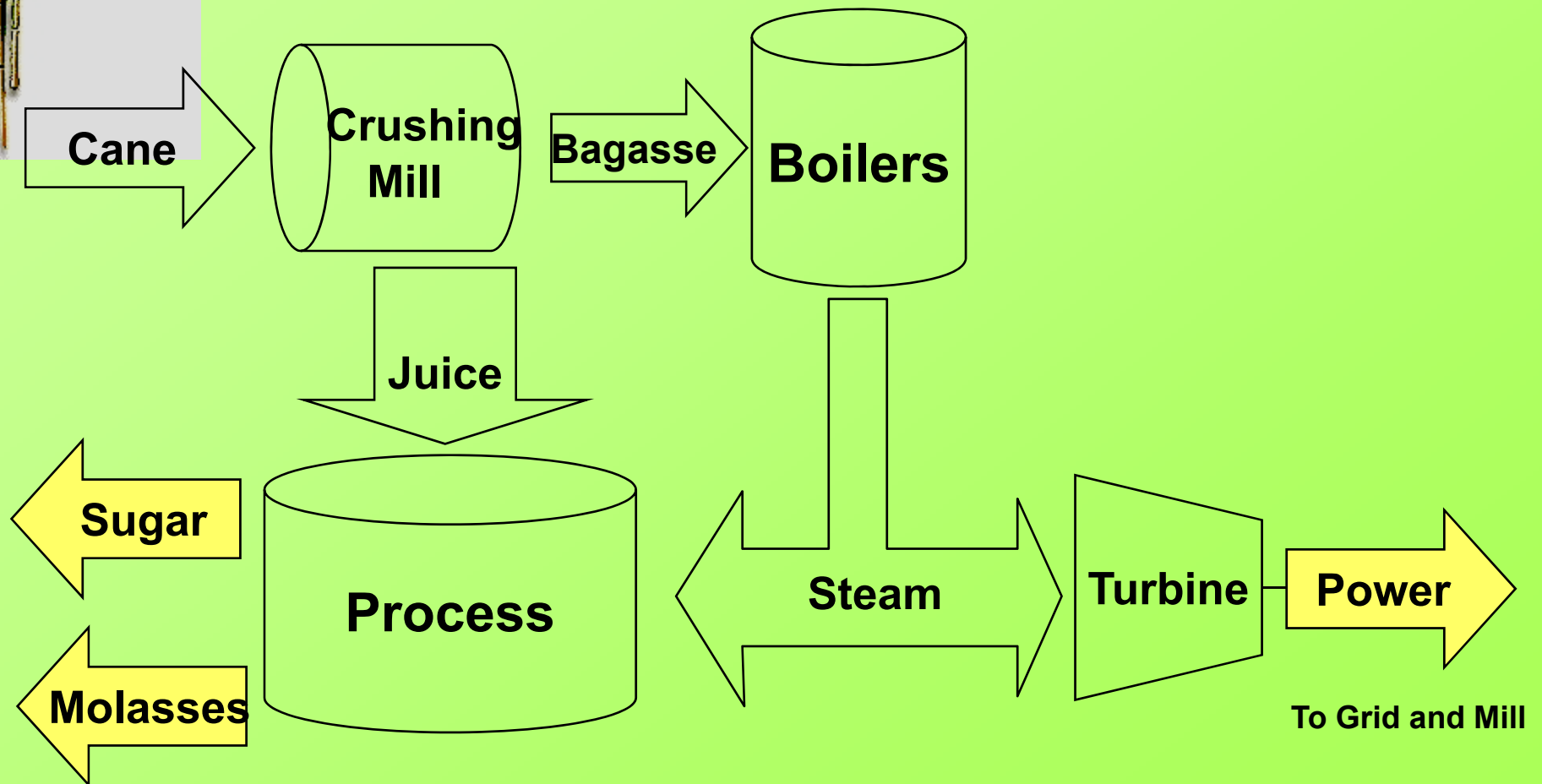
But maintaining our living standards at lower prices means less industry participants



Basic criterion is “cash positive at the bottom of the trough”



Cogeneration can help to stabilise revenue





Other opportunities are also arising

- **Regulatory structures becoming more flexible**
 - CPA changes could give added flexibility to drive better outcomes
 - New contractual arrangements may be more commercial
 - Exemption processes can help the development of new product markets
- **Fuel Ethanol could create additional new market options**
 - Greenhouse policy and support issues to be resolved
 - Risk/reward sharing mechanism with growers
- **We have an opportunity to transmit market signals more clearly**
 - More producer contact with sugar customers
 - Commercial harvesting contracts
 - Realistic cane quality incentives



What principles guide High Performance?

Mission

Clear, shared sense of purpose

Targets

Commitment to achieving “unreasonable” goals

Structures

Flexible and efficient organisation

Feedback

Performance consistently measured

Consequences

The market rewards merit

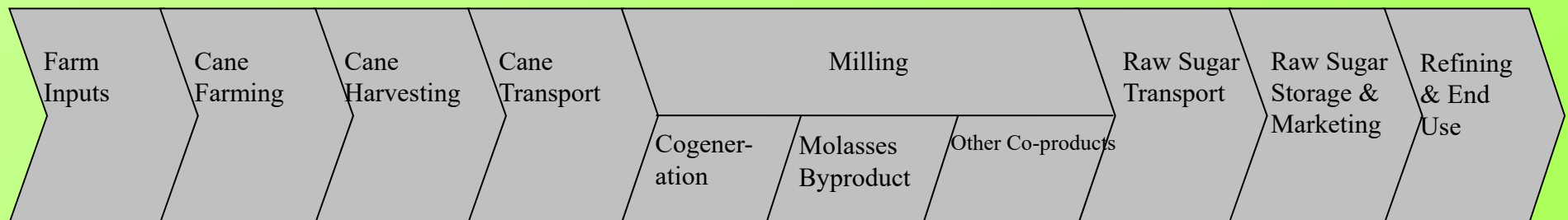


What might a shared mission look like?

Our mission is to

"beat Brazil at its own game"

and as a result, create a prosperous future for our communities and our businesses





Shared Values can build shared purpose

"It's up to us"

"Have a go"

"Work together"

"Get results"

The status quo is not enough

If not us, then who?

We take the initiative and shape our destiny

We try new things that create lasting value

We give people room and support to make it happen

We celebrate success and learn from experience

Together we achieve more

We strive to build lasting relationships

We can rely on each other

Our goals are clear

We overcome obstacles

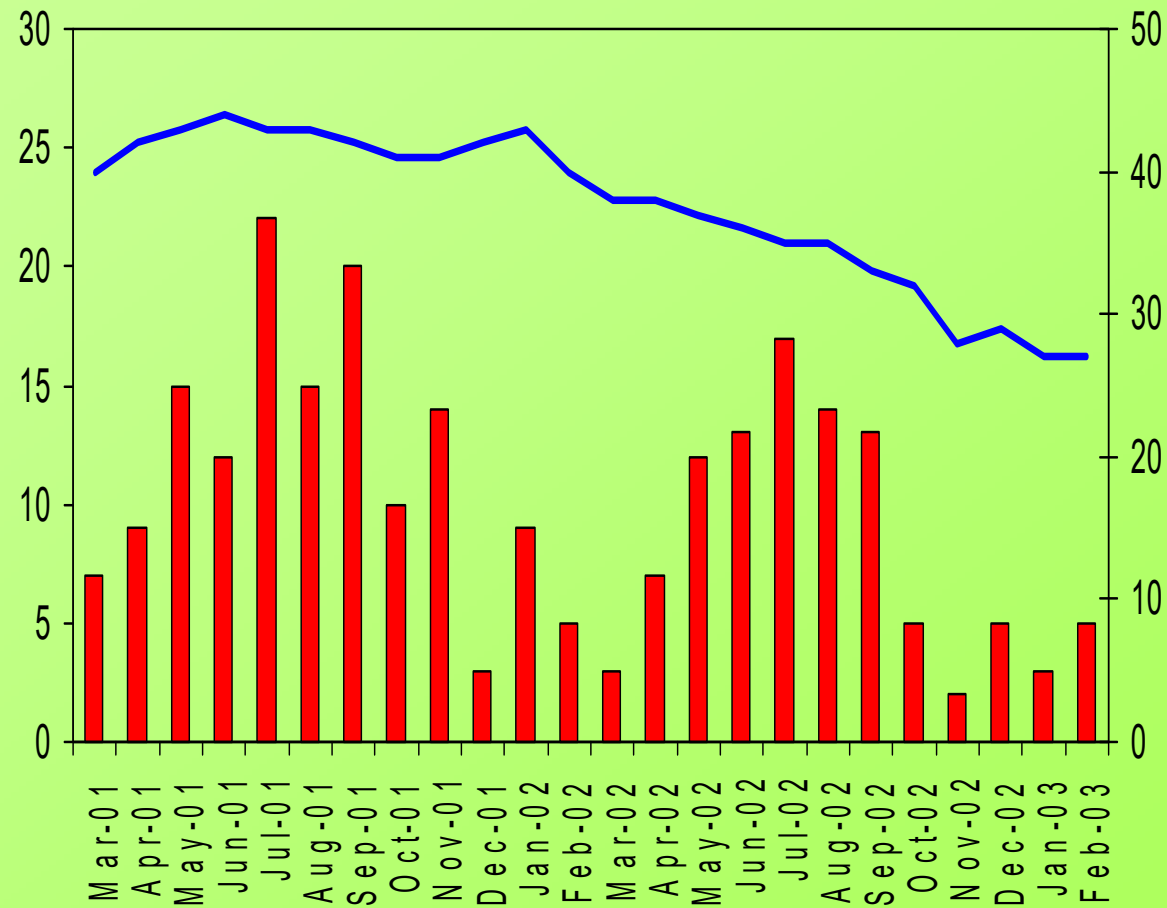
We deliver

We set new standards



Injury Count

Unreasonable targets can be achieved





Other key elements – some examples

- **Targets: Match Brazilian Costs and Returns**
 - Increase cane productivity (and production) by 20%
 - Increase asset utilisation by 40-60%
 - 20% reduction in unit costs
- **Organisation: Efficient Regional Structures**
 - Regional Boards responsible for regional strategy
 - Regional influence over marketing and pricing
 - Regional management of infrastructure
- **Feedback : Measure what you provide to your customer**
 - Best Practice Harvesting of best practice farms
 - Optimum cane quality and sugar quality
 - World class equipment performance
- **Consequences: Real incentives for performance**



*By rebuilding value in our industry,
we create options for a bright future*

