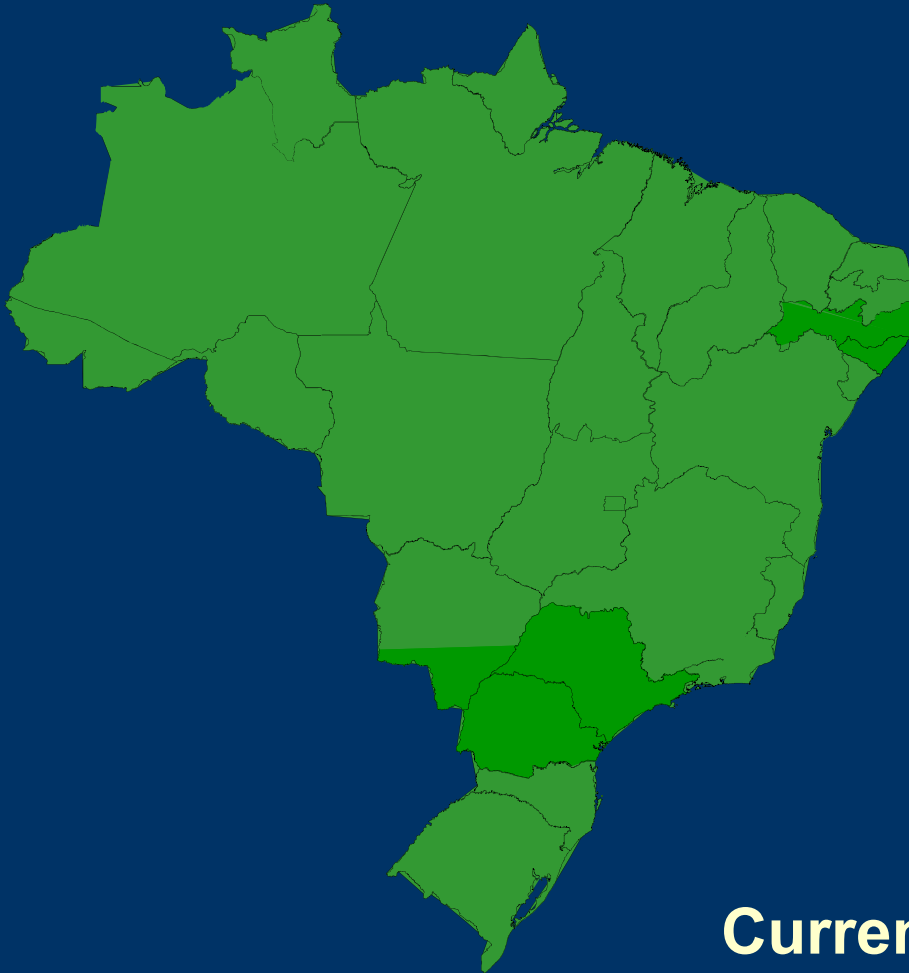


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Brazil



Area: 8.5 mln Km2

States: 28

Population: 176 mln

Life Expectation: 69 years

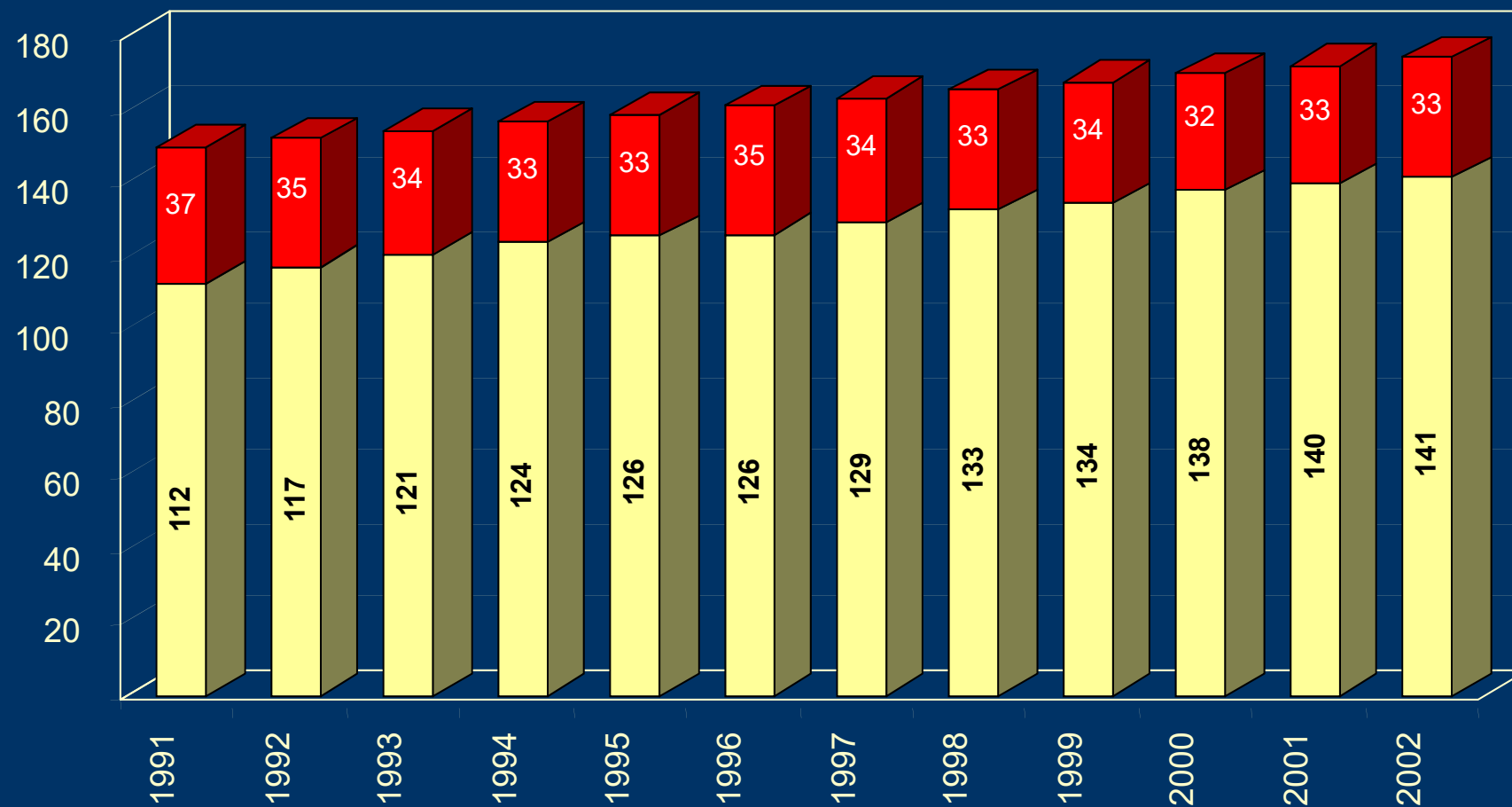
Unemployment: 7.3%

GDP (US\$): 500 bln

Currency: Real (R\$3,00=US\$1,00)

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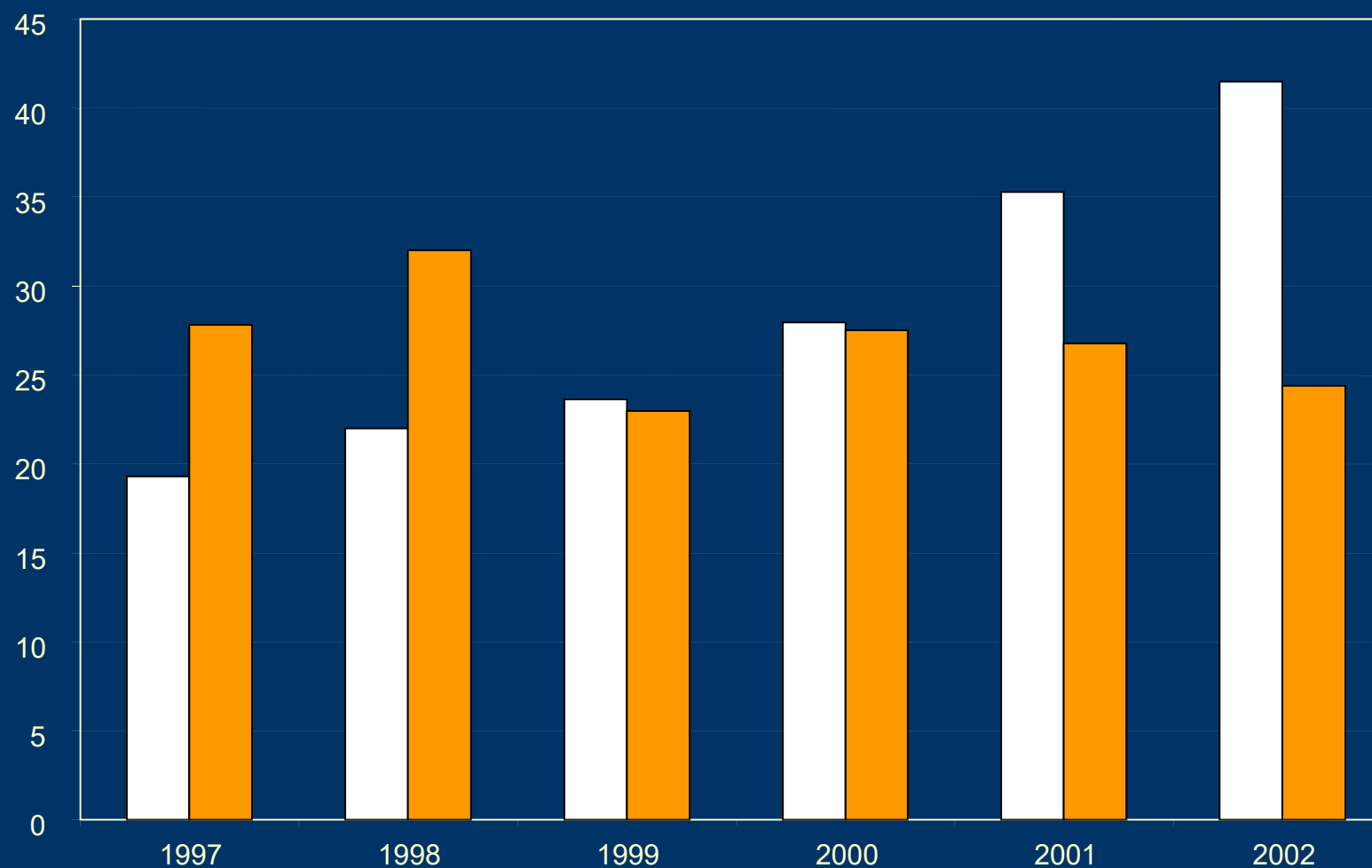
Brazil Population



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Country
Urban

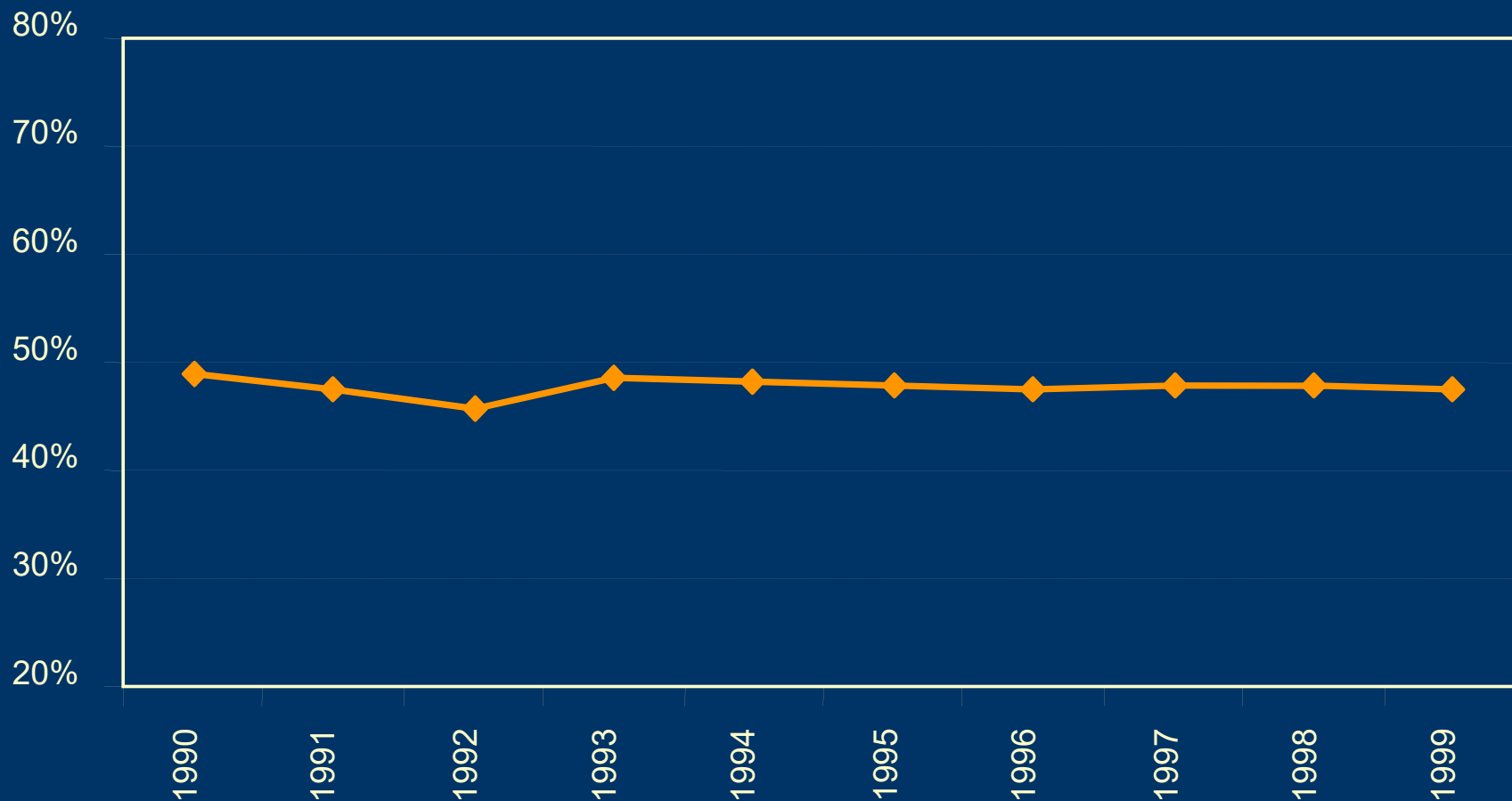
Credit Cards



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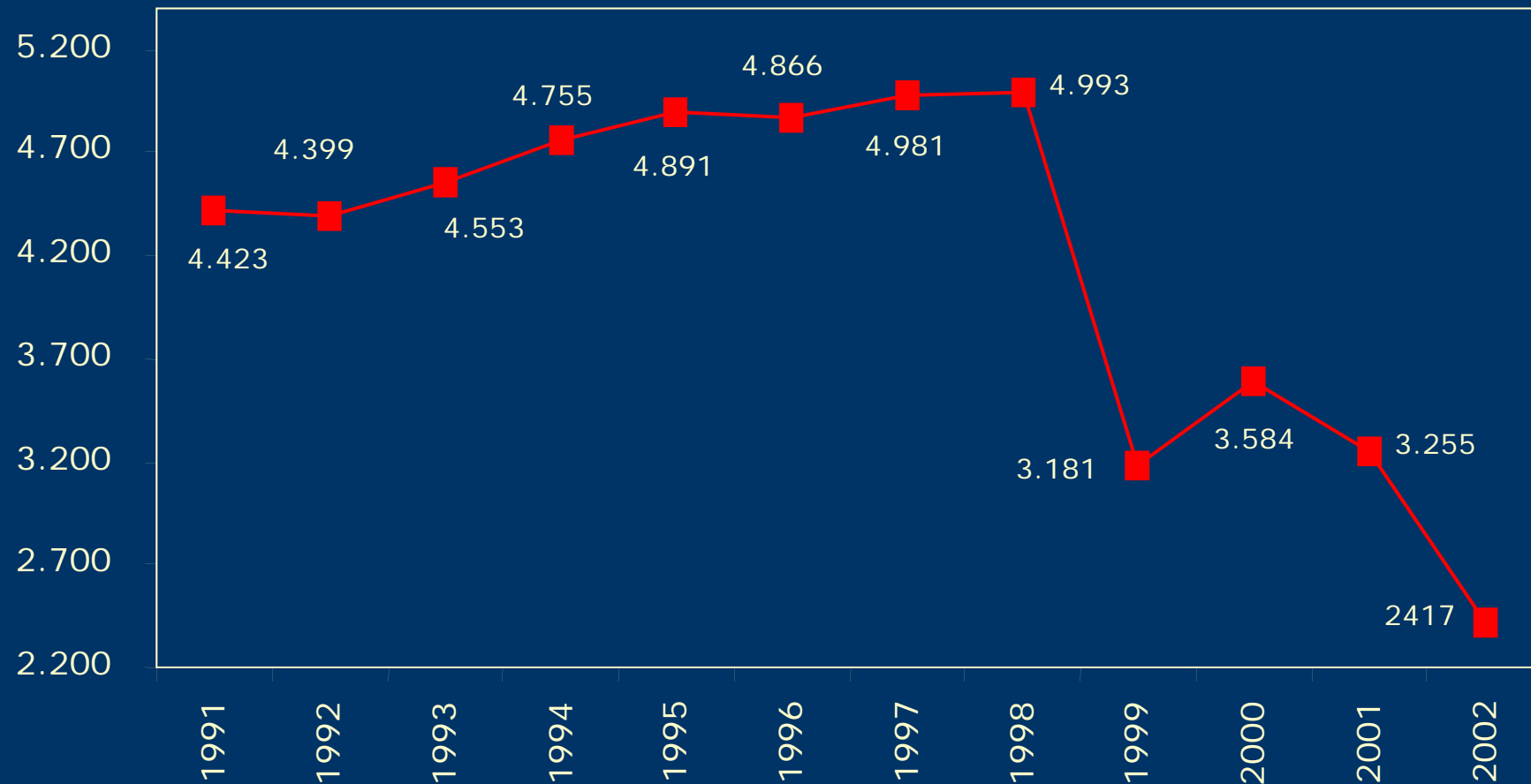
■ Number of Credit Cards (mln)
■ Total Expenses (US\$ bln)

Income Held by the Richest 10% of the Population



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Per Capita Income US\$



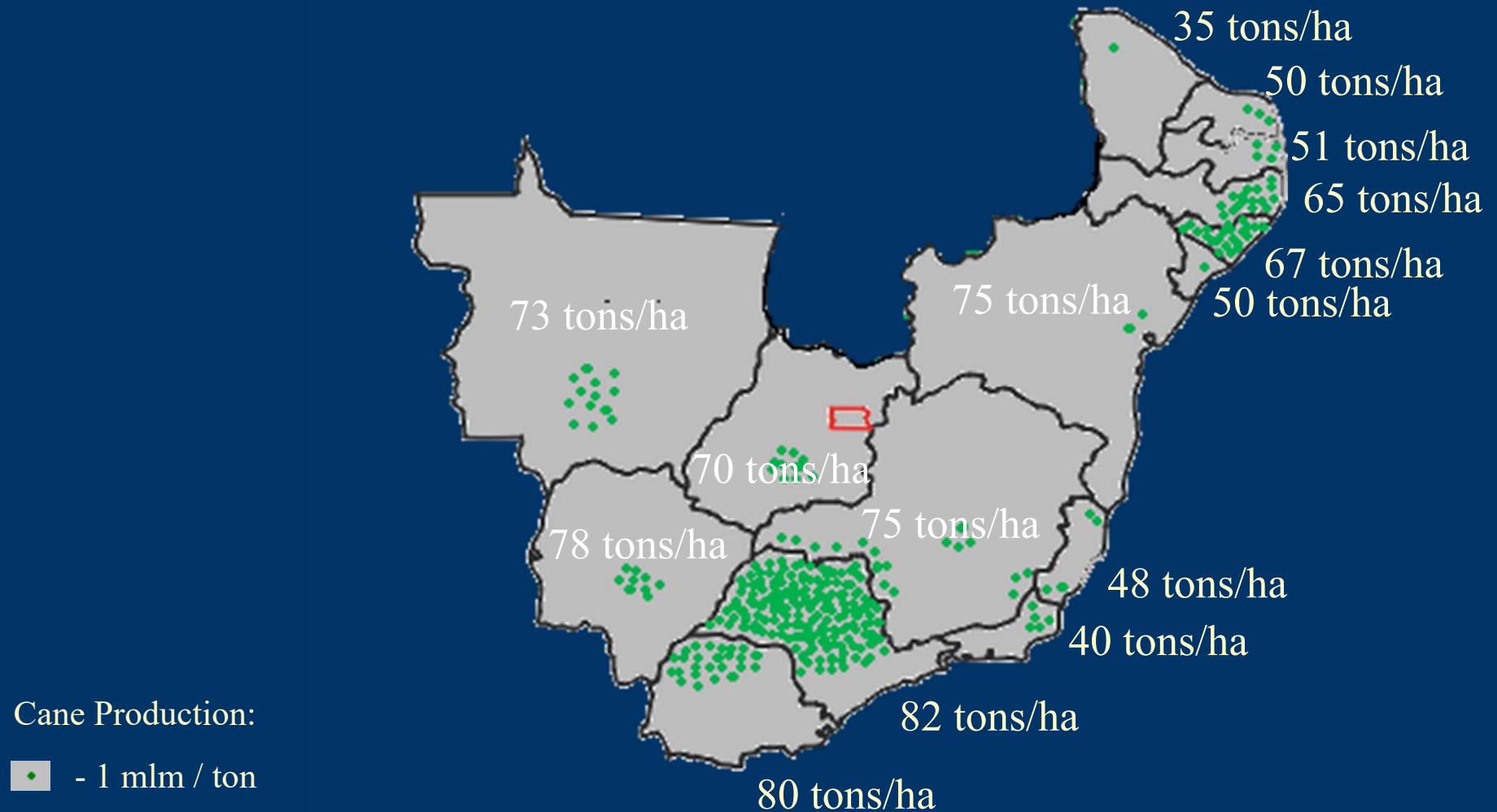
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Cane Producing States



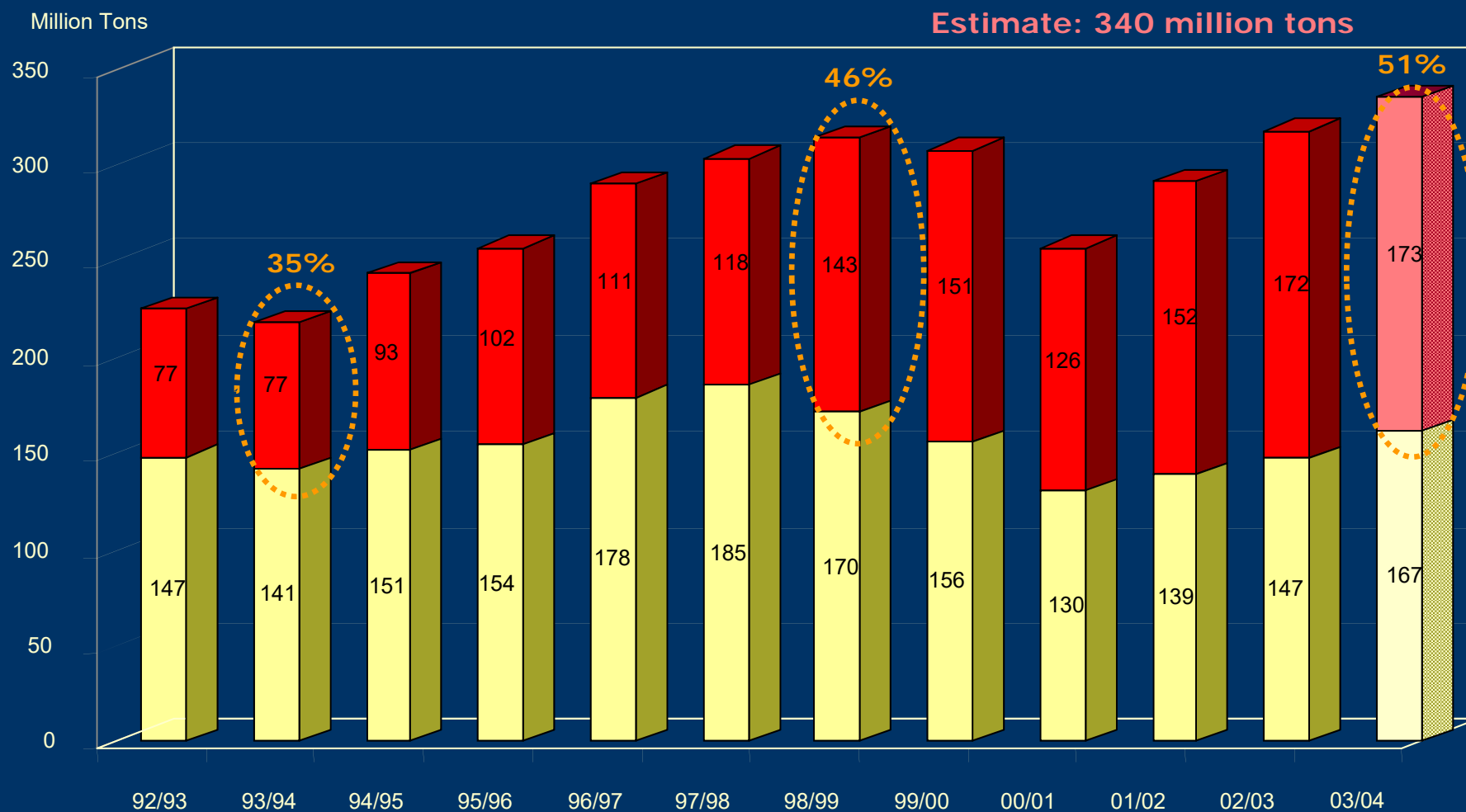
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Regions Productivity





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Cane Production Evolution



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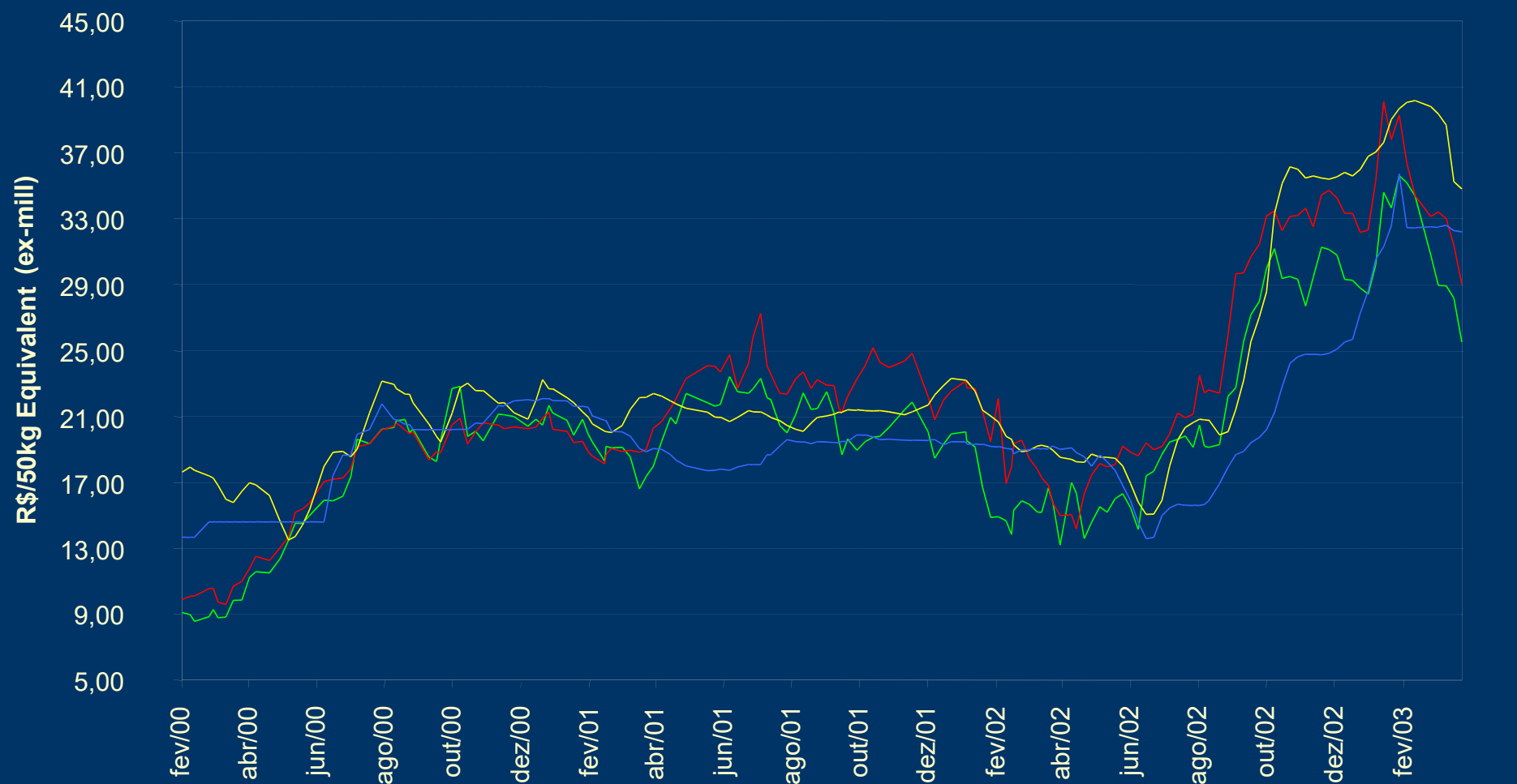
 Sugar
 Ethanol

Sugar Balance

	CS	NNE	Brazil
Stocks Forecast 30 April, 2002	118	696	814
2002/03 Crop			
Production	18.698	3.730	22.428
Consumption	7.056	1.785	8.841
Exports	11.350	2.150	13.500
Transference (CS - NNE)	200	(200)	0
Stocks Forecast 30 April, 2003	210	691	901
2003/04 Crop			
Production	18.700	3.620	22.320
Consumption	7.120	1.800	8.920
Exports	11.000	2.000	13.000
Transference (CS - NNE)	350	(350)	0
Stocks Forecast 30 April, 2004	440	861	1.301
% Variation 2003/04 Vs 2002/03			
Production	0%	(3%)	0%
Consumption	1%	1%	1%
Exports	(3%)	(7%)	(4%)
Transference (CS - NNE)	75%	75%	-

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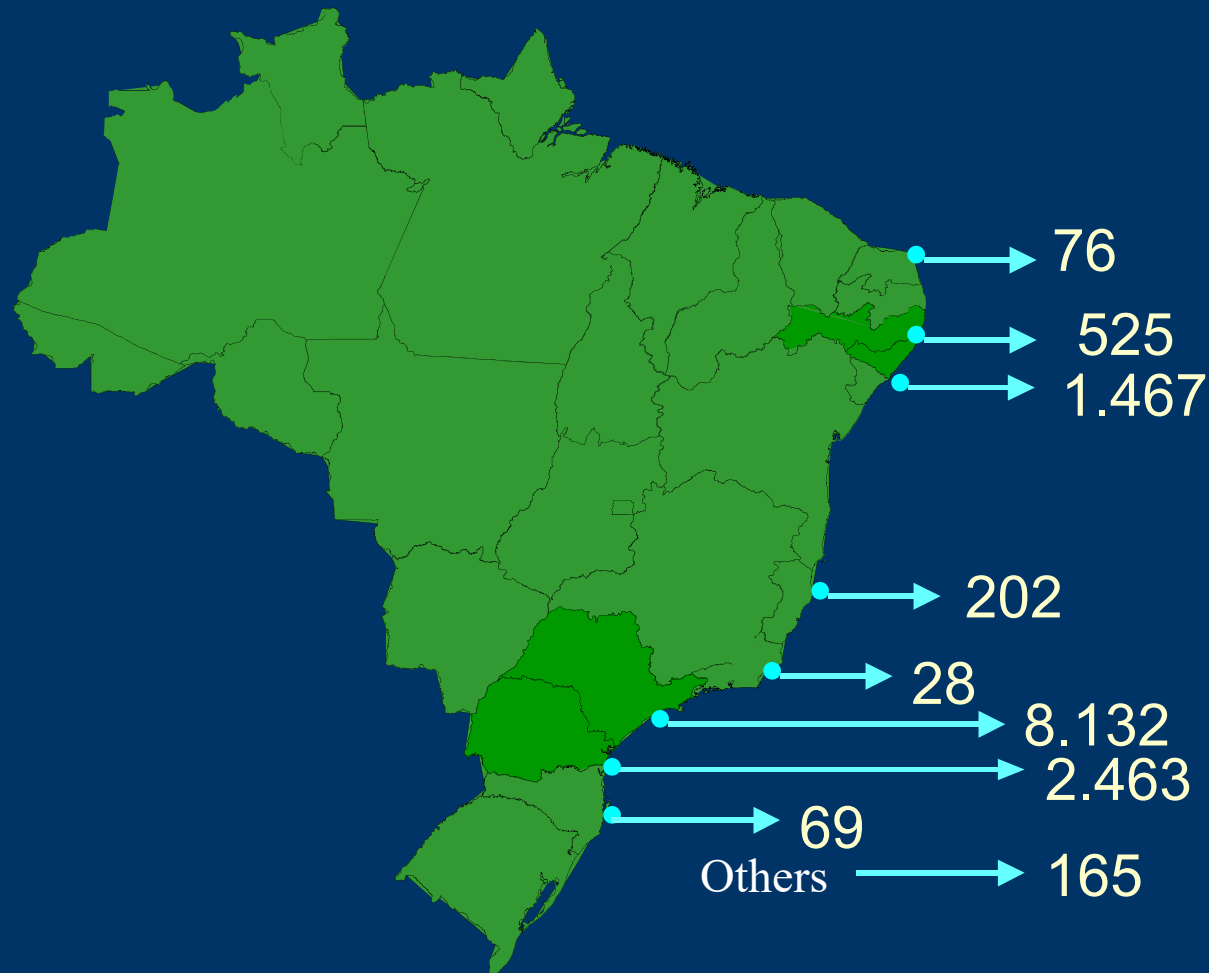
Export Parity



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VHP Export ESALQ
No5 export Anhydrous

Brazilian Exports per Port in 2002/03 Crop (000 tons)

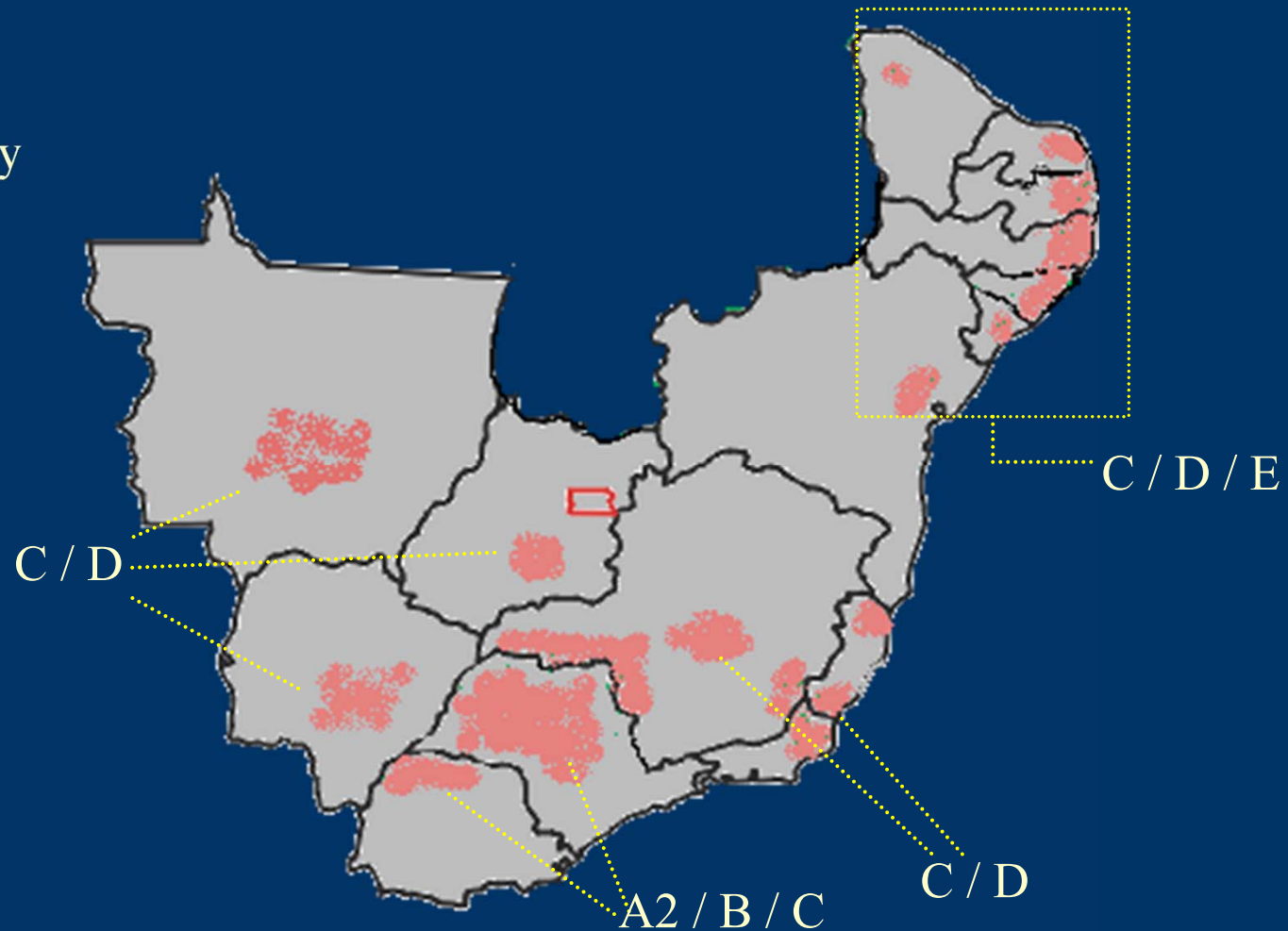


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Soil Varieties

Types of Soil:

	Productivity t/ha
A1	>100
A2	96-100
B1	92-96
B2	88-92
C1	84-88
C2	80-84
D1	76-80
D2	72-76
E1	68-72
E2	< 68



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Rainfall Pattern

Rainfall:

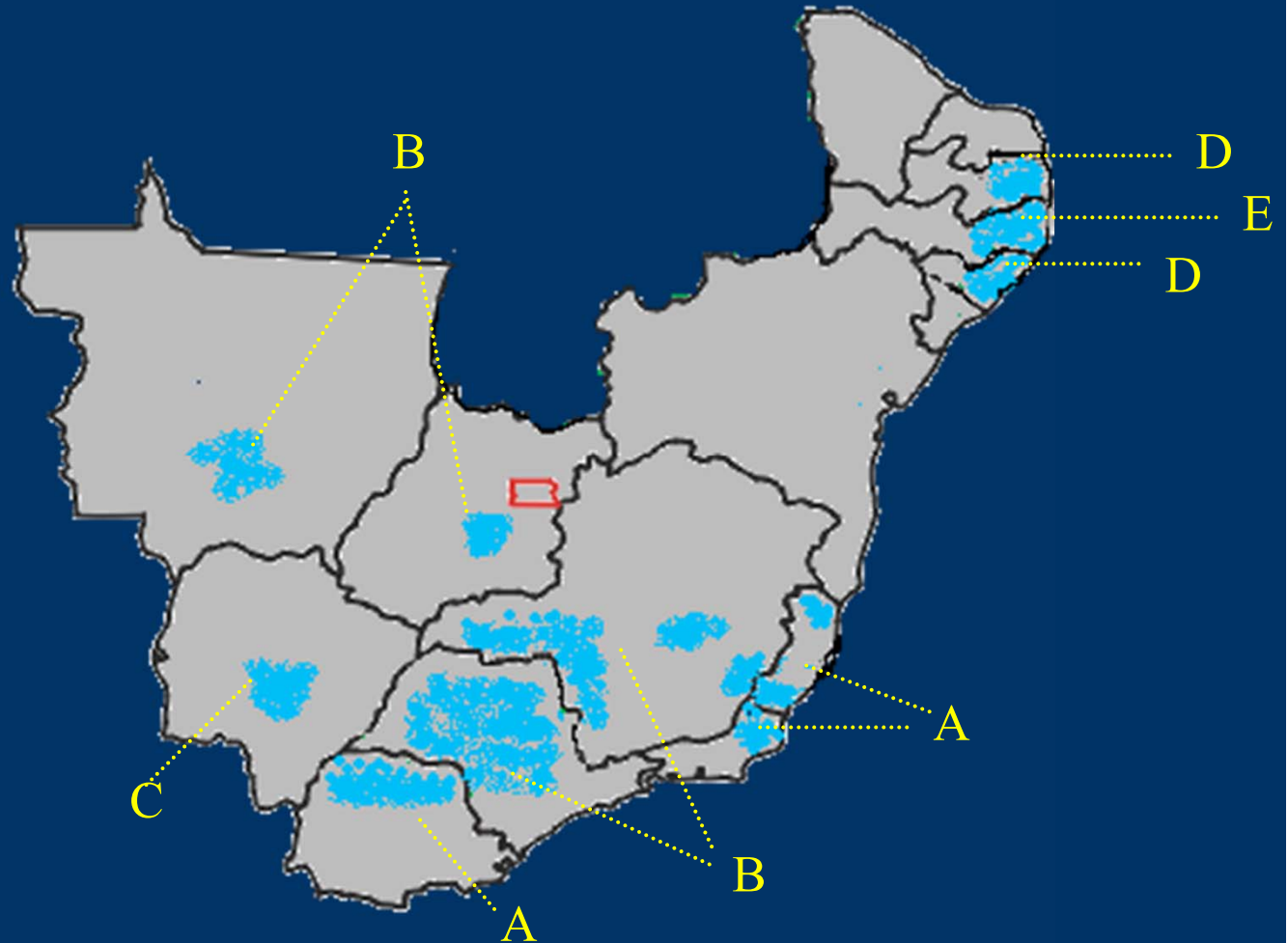
A - 1000 - 1300 mm

B - 1300 - 1600 mm

C - 1600 - 1900 mm

D - 1900 - 2200 mm

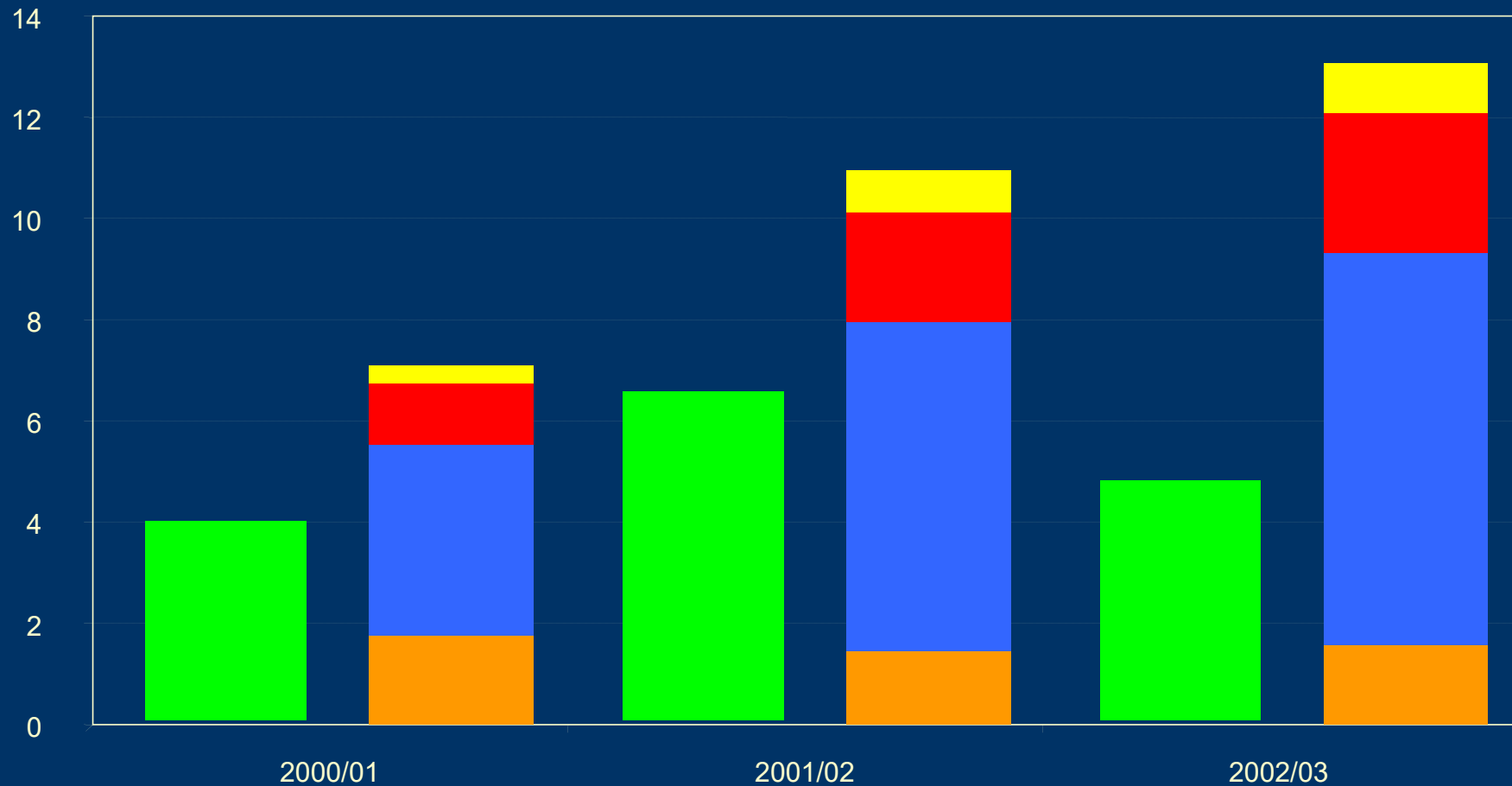
E - 2200 - 2500 mm



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Brazilian Exports per Sugar Type

mln tons mttq



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■ EU ■ Raw ■ VHP
■ Crystal ■ Refined

Other Sugar Cane Products

- Energy Co-generation;
- Yeast for animal food;
- Molasses for yeast production and for export;
- Vinasse for irrigation and fertilisation;
- Filter waste for fertilisation;
- Carbon Credit Sales.

Environmental Issues

➤ Cane Burning During the Harvest:

➤ Sao Paulo State approved a law to abolish the cane burning until 2031, according to the table below.

	Parcel of the Area Allowed to Burn	
	Mechanisable Area	Non-Mechanisable Area
2002	80%	100%
2006	70%	100%
2011	50%	90%
2016	20%	80%
2021	0%	70%
2026	0%	50%
2031	0%	0%

Environmental (Carbon Credit, Childhood labour and Bio Diesel)

- Around 20 mills are implementing carbon credits .. programmes.
- A mill that produces 100 mln litres of alcohol can have an extra income of around US\$ 1.1 mln with carbon credits.
- Biodiesel blend of 5% on the conventional diesel is under .. National Petroleum Agency analysis.
- 61 mills in Brazil are enrolled in childhood labour combat .. programme.

Weaknesses and Strengths

	Strengths
Industry Diversity	<ul style="list-style-type: none">➤ Brazilian industry is less exposed to theinternational sugar prices than others.➤ Other sugar cane products helps to reduce thedependence of sugar and alcohol.
Political Environment	<ul style="list-style-type: none">➤ Strong lobby with the Government.➤ The generation of US Dollar income increases .. the industry political power.
Currency	<ul style="list-style-type: none">➤ The devaluated currency increases Braziliancompetitiveness in the world market.
Other	<ul style="list-style-type: none">➤ Lower production costs.➤ High potential for area expansion.

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Weaknesses and Strengths

	Weaknesses
Logistics	<ul style="list-style-type: none">➤ Long distances between CS mills and ports increases freight cost.➤ Poor rail system.➤ Competition with soya at the port terminals in the CS.➤ Long vessel lines during season causes shipment delays.
Political Environment	<ul style="list-style-type: none">➤ Poor industry co-ordination.
Marketing Features	<ul style="list-style-type: none">➤ Lack of an overseas marketing programme.

Weaknesses and Strengths

	Weaknesses
Logistics	<ul style="list-style-type: none">➤ Can be addressed via Additional Investment thoughraises total cost - especially to produce No.11deliverable sugar
Political Environment	<ul style="list-style-type: none">➤ Industry needs to become aligned
Marketing Features	<ul style="list-style-type: none">➤ Requires change of approach

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Marketing Features

- Limited knowledge of Overseas Markets
- Customers are a handful of International Trade Houses
- Sales dependent upon Sugar Trade requirement and not end user driven / limited direct relationships
- Exposed to 'Trade Squeeze'
- F.O.B. sales to the Trade results in loss of control and higher logistics costs and potential port delays
- Lack of knowledge of end user requirements exposes Brazilian industry to adverse changes in market place
- Brazilian industry adopts a speculative approach to sales, which is not end user focused and creates volatility

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Conclusion

- Brazil will continue to grow
- Will continue to be the lowest cost producer
- Will continue to diversify in products and industry complexity
- Ethanol reassumes strategic importance in the longer term

Conclusion

How to meet this challenge?

- Queensland must aim to be the second most competitive ..
...Producer, driving down domestic cost of production:
- Maintain and develop excellent relationship with customers
- Continue to be the preferred origin to the majority of first ..
...class global raw sugar buyers
- Make every effort to jealously guard the geographical ..
...advantage Australia has in the Far East marketplace

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