4th FAO Sugar Conference

‘Sugar Policies to Promote Trade, Development & Growth: Priorities to Face Future Challenges’ - Nadi, Fiji

‘Market Opportunities & Challenges’ (Trade Perspective)

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Czarnikow Group Limited
Presentation Overview

Global Perspective of Fiji Industry
- Export Dynamics

Commercialisation – Route to Market
- Product, Place, Positioning

Trade Opportunities
- Preferential Market Access / Regional Trade

Looking Ahead - Opportunities & Challenges
- Markets
- Industry
Global Perspective of Fiji Industry

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Exports Vs Production

- 2012 export forecast (cal.yr): 180k tonnes
Exports By Destination

- All 2012 exports bound for EU – most remunerative market
Commercialisation

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Product

- Bulk Raw Sugar – For refining at destination – 98.3°
- Bagged Raw Sugar – For local/regional direct consumption
- Molasses (90% for export, 10% local use)
Place – Route to Market

- Two bulk raw sugar export terminals: Lautoka & Labasa (Malau)
- Molasses tanks
Lautoka Raw Sugar Export Terminal

- Max Draft: 11m (30k-40k mt vessels)
- Loading Rate: 1,000 mt/hr
- Raw Sugar Storage: 120,000 tonnes
Malau Raw Sugar Export Terminal

- Max Draft: 11m (30k-40k mt vessels)
- Loading Rate: 250 mt/hr
- Raw Sugar Storage: 28,000 tonnes
Positioning – Export Routes (EU)

<table>
<thead>
<tr>
<th>Port</th>
<th>In port</th>
<th>Speed</th>
<th>Via</th>
<th>Min. Draft</th>
<th>Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lautoka</td>
<td>0 days</td>
<td></td>
<td></td>
<td>select</td>
<td>11319nm (39.3 days)</td>
</tr>
<tr>
<td>Thamesport</td>
<td>0 days</td>
<td>12kts</td>
<td></td>
<td>9.75M (Lautoka)</td>
<td>Total: 11319nm - 39.3 days</td>
</tr>
</tbody>
</table>

Typical Freight
~US$60
### Positioning – Export Routes (Asia)

<table>
<thead>
<tr>
<th>Port</th>
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<tbody>
<tr>
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<td>4116nm (14.29 days)</td>
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<td>12 kts</td>
<td>select</td>
<td>9.75M (Lautoka)</td>
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</table>

**Total:** 4116nm - 14.29 days

**Typical Freight**

~US$35
Background

- Over 50 years cooperation with Fiji sugar industry
- Support for Fiji Sugar Corporation & Cane growers

The Role of the Broker

- Optimising commercial opportunities abroad
- Handling logistic chain to move products across the globe
- Essential financial and logistical services
- Assisting with diplomatic representation in preferential markets
- Advising on market developments & trends
- Helping manage changing markets
Trade Opportunities

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EU Preferential Market Access

- **Background**
  - Guaranteed Prices / Guaranteed Market
  - Economic Partnership Agreement (October 2009 onwards)

- **Current Situation**
  - EPA: Duty-free, quota-free market access – all sugar
  - MFN bulk raw sugar import duty €339, plus special safeguard
  - White sugar prices currently €711 (May ‘12)
  - Strong demand for raw sugar / refining margin limited

- **Outlook**
  - EU market changing – Preference erosion continues
  - Uncertain implications of proposed removal of production quotas
USA Preferential Market Access

- **Background**
  - Duty free access for raw sugar for refining, within annual quota
  - Fiji one of 40 beneficiary GSP countries: 1.1m tonnes

- **Current Situation**
  - Quota: 9,477 tonnes
  - No.16 prices: ~28/29 c/lb
  - White sugar prices: ~50 c/lb
  - Large refining premium

- **Outlook**
  - Farm Bill currently under review
  - Limited change to sugar programme envisaged
Regional Market Opportunities

- **Background**
  - Asian markets of historic importance to Fiji industry
  - Destination refineries – Japan and other regional refiners
  - ~50% of total export during the 1990’s

- **Current Situation**
  - Deficit trade balance – Strong regional price premiums
  - Supported by high world market prices of late

- **Outlook**
  - Regional premium supported by strong global freight rates
  - Strong regional consumption growth
Looking Ahead

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World & Regional Market Outlook

- **Opportunities**
  - Strong global growth in demand
  - Production expansion potential limited – especially in Asia
  - Domestic policy favouring destination refining *i.e.* raw sugar

- **Challenges**
  - Price volatility
  - Increasing global freight rates

- **Summary**
  - Good opportunities for when Fiji production rebounds
Preferential Market Outlook

- EU
  - Current market conditions favourable for raw sugar
  - Outlook less certain, given forthcoming policy change

- USA
  - Price & quantity limited
  - Stable policy environment

- Outlook: Opportunities & Challenges
  - On going market access – supported by high MFN import duties
  - Preference erosion
  - Changing EU policy environment – commercial implications
Industry: Opportunities & Challenges

- **Opportunities**
  - Strong production potential
  - Strong demand for sugar: Preferential & regional markets
  - Geographical position for Asian markets

- **Challenges**
  - Price volatility: World market & increasingly EU
  - Logistics for preferential markets
  - Need to optimise logistics & terminal/loading facilities
  - EU policy direction - implications for EU refining sector
  - Diversify revenue flows: sugar & sugar products

- **Summary**
  - Huge opportunities – need for industry to position itself