The end of season Harvest Management Meeting was held on Wednesday 13th November at Pioneer Mill.

Canegrowers Burdekin was represented by Director Arthur Woods and Managers Debra Burden and Wayne Smith.

The main points of interest being:

Review of the estimating and mapping process. This review will include documenting the process and may also include confirmation of varieties. The goal is for the estimate to be complete prior to the end of April.

Siding Induction Process. The region currently has no Siding Induction process following the change of roles of CBL’s Gary Halliday. This fact has been noted at this meeting several times over the past months. Wilmar are currently undertaking a review of options for siding inductions for next session. One option under consideration is an on-line induction process followed up by an exception audit.

Harvester GPS Trial. It was agreed that this is really no longer a trial and the use of GPS in harvesters will continue in the Kalamia and Invicta supply areas. It was felt by Wilmar that the main benefits included Wilmar being able to tell where harvesters have been and allowing Wilmar to keep better track and to manage the equity better.

Harvest Contractor Rosters. 7 or 8 day base and roster choices. This is seen as a big issue particularly with the general feeling that next season’s crop will be over 8 million tonnes plus the issue that the number of harvest contractors in the Invicta area may reduce. Wilmar logistics team firmly believe that unless the correct rosters are adopted there will not be sufficient harvesters to keep up the supply ...this mainly related to Invicta Mill.

Siding Booking System. Wilmar pointed out that there is a Siding Booking system available on line. This system is in use in other regions. Wilmar is considering trialling this for next year.

Burdekin Atlas. Wilmar are looking at publishing the Burdekin Atlas next year to assist emergency services locate accidents.

Rita Island. Wilmar are investing potential changes to two sidings at Rita Island but this would not occur until 2015/16.

Trip Numbers. Wilmar are reviewing the current process to record trip numbers following feedback from several Cane Auditors.

Recouping costs of infrastructure damage. Wilmar are considering charging third parties for damage to their equipment. This is mainly in relation to damage caused to sidings by repeat offenders.

Generic Consignment Notes. This project is nearing completion. It involved a complete review of the consignment notes to allow the same consignment note to be used across all Wilmar mill supply regions.
CANEGROWERS Queensland … taking up the fight on all issues affecting cane farmers businesses

Below is a summary of just some of the actions undertaken by your CANEGROWERS Queensland in the past week to help you and the cane industry. Current as at 12 November 2013

Electricity

- The CANEGROWERS electricity committee met with Ian McLeod (CEO Ergon), Dr Malcolm Roberts (Chairman QCA) and Cameron McLeod (Chairman, Tariff Reform Working Group), continuing efforts to influence and moderate the impact of electricity price rises on the industry's international competitiveness.
- The Committee will be working with Ergon to achieve greater transparency on costs and to understand and influence their cost allocation process. (Note The Canegrowers Burdekin representative on this Committee is Arthur Woods who is available on 0415 961 945.)

Agricultural roundtable

- CANEGROWERS participated in the Australian Farm Institute’s Agricultural Roundtable this week. Key issues on the table included building ongoing relevancy for commodity, state and national agricultural representative groups; whether Australia is indeed Asia’s food bowl or whether more is needed to secure our position thusly; and strategic approaches to building strong community perception for farming with the general public.

Rural Fires

- Local fire ban restrictions in the Maryborough, Isis and Bundaberg areas have been extended until 20 November. CANEGROWERS has negotiated with the Rural Fire Service for cane growers with seasonal permits to burn tops and trash, and to be permitted to lights these fires notwithstanding the existence of the fire ban in the region. However, the hours for burning tops and trash has been amended. Growers with seasonal permits are permitted to burn tops and trash between the hours of 6pm on one day and 5am on the following day. CANEGROWERS urges growers to take special care when lighting fires in tops and trash during this period.

Trade

- CANEGROWERS are working with DFAT and colleagues in the Canadian sugar industry to understand and assess WTO compliance issues associated with the US re-export and exchange sugar program and develop arguments that can be pursued in the WTO.
- CANEGROWERS joined the NFF meeting with a delegation from the Japanese farmer group JA-Zenchu. We made it very clear that the Australian sugar industry expected sugar to be fully included in any TPP agreement.

Premier’s Business Advisory Forum

- CANEGROWERS participated in the third of the Queensland Premier’s business advisory forums, which bring together industry groups across all sectors to discuss how government can assist business in reducing red tape and regulatory burdens. This forum received an address from Queensland’s Chief Scientist, Dr Geoff Garrett who spoke about the global megatrends that will cause a significant shift in environmental, economic and social conditions that will play out over the coming decades. Of the megatrends, the growth in world population, demand for food, and developing economies, particularly in the Asia/Pacific region, provide great opportunities for Australian agriculture.

CANEGROWERS Great Barrier Reef Marathon

- CANEGROWERS, as the naming right sponsor for the ‘CANEGROWERS Great Barrier Reef Marathon’, attended the 2013 event held in Port Douglas last week. This sponsorship gives CANEGROWERS a platform to promote to the general public the synergies between the marathon, which celebrates a healthy reef, and the huge amounts of work being done by cane growers to care for the land and their surrounds.
- Over the course of the weekend, CANEGROWERS took every opportunity to tell media, government and community leaders about the green credentials of Australian sugarcane growers.

CANEGROWERS’ leadership has earned the respect of community, industry and government for its persistence and professionalism.
The Burdekin’s local and regional leadership is complemented by CANEGROWERS’ leadership at national and international levels.
Congratulations to our Payroll Officer Tiffany Palmer on her wedding to Peter Giardina.

Burdekin Region Smartcane Facilitator Gary Halliday was invited to speak at today’s Women In Sugar meeting. He described how the new Smartcane BMP program would demonstrate a high level of environmental stewardship for the sugar industry.

With twelve districts across the state participating, local facilitators from each area draw from a wealth of industry knowledge and experience. The voluntary program is available to anyone growing sugarcane throughout the state. Funding has been provided by the Department of Environment and Heritage Protection with the program free to all participants.

Expressions of interest for growers to participate will be sort following the official launch of the program in early December.
How you can help us help you

Please supply to Debra details of your Profit and Loss reports for the past 5 years to help show the government the impact of electricity price increase and the local council the impact of the increase of general rates.

All information remains confidential, all identifying details will be removed from documents.

FREE HANDBOOKS TO HELP CURB $67 MILLION WILD DOG DEBT

Wild dogs are costing Queensland’s rural industries millions every year. Current estimates put the impact of wild dogs on the state’s rural sector at up to $67 million annually.

They kill and attack livestock and native wildlife, threaten human and pet safety and even spread deadly diseases such as Hydatid tapeworms.

Local natural resource management body, NQ Dry Tropics is offering free handbooks to help land managers make the right decisions when dealing with the wild dog problem.

The Wild Dog Control handbook follows on from the hugely popular Feral Pig management booklets and video released earlier this year by NQ Dry Tropics.

NQ Dry Tropics Regional Pest Management Project Officer, Byron Kearns said the books are designed to help all land managers make a concerted effort when managing the declared Class 2 pest, saving time and money in the long haul by working better across boundaries and with neighbours and local government.

“Wild dogs are a growing concern around town centres, particularly in peri-urban subdivisions around Bowen, Townsville and Charters Towers,” Mr Kearns said.

“But wild dogs can have far worse consequences.

“Dingoes are vectors of parasites and diseases which can cause illness and occasionally death in humans.”

Mr Kearns said most local government were ahead of the issue and many landholders in the Burdekin Dry Tropics were already doing their bit to manage wild dogs, but no one standalone technique is best on its own.

“At our recent Dry Tropics Pest Advisory Forum there was a lot of interest in wild dogs so the issue is very relevant right now,” he said.

“Not every technique is suitable or cost effective for every situation and these handbooks are designed to be a guide to the pros and cons of tried and tested techniques for managing wild dogs to help you choose the right range of control methods that suit your situation and budget.”

The resources were funded collectively by local councils in the Burdekin Dry Tropics region through the Blueprint for the Bush initiative. They form part of NQ Dry Tropics’ Regional Pest Management program aimed at supporting land managers in the 24/7 fight against weeds and feral animals.

The Wild Dog Control handbooks can be accessed at any time on the NQ Dry Tropics wiki knowledge library (http://goo.gl/xLTl7I) or by calling 4724 3544 during business hours.

SRA SEEKING YOUNG FARMERS INPUT

Sugar Research Australia is seeking four young (35 years of age or under) innovative and passionate people from the sugarcane industry to attend a forum at Jupiters in Townsville on 2nd December. The forum will assist SRA with the development of their 2013-2018 Strategic Plan and will guide SRA’s investment in RD&E projects over this period.

SRA are seeking input from the next generation from any area of the sugarcane industry including growing, milling or research areas.

SRA will sponsor the four participants attendance (travel and accommodation costs) at the forum.

If you are the sugarcane industry’s next generation and are interested in having a say in the future of your industry please contact Tiffany today on 4790 3600.

But act now as the closing date for this opportunity is Friday 15 November.

If you have any questions please contact Leigh Clement from SRA on (07) 3331 3329.
While the harvest has finished in most regions, our teams at the terminals are still in full-swing managing the storage of sugar and loading shipments. While most of the sugar has been received, we are waiting to receive the final tonnage of Harvest Pool Production Buffer sugar.

Please see below an update on each of our four value offerings as well as the latest Market Update by our Treasurer Stephen Stone.

Remember you can keep abreast of the daily market activities by subscribing to our daily market reports and daily indicative prices by visiting our website www.qsl.com.au.

**Financing**

As discussed in an earlier update, a recent review of our Advances Program showed that a weakening sugar price and high Aussie dollar could potentially result in some millers (and therefore growers) receiving lower payments at the start of 2014. This is because the price ultimately obtained for their sugar had already been mainly paid in earlier instalments. In response to this, QSL is proposing to increase the percentage rates for January, February and March to 77.5% (from 72.5%), 80% (from 75%) and 82.5% (from 80%) respectively.

By increasing the percentage rates, we aim to give growers’ confidence that you will continue to receive cash flow. The proposed rates also provide a sufficient safeguard against the market price movements on the unpriced portion of QSL-managed pools. It should be noted that these indicative rates require the approval of the QSL Board who are meeting next week.

**Pricing**

We have seen a 10 per cent fall in the ICE 11 Futures Market since the highs experienced on the day of the Santos Port fire in Brazil last month. QSL Treasurer, Stephen Stone explains the reasons behind this in his latest update below.

In terms of how the QSL-managed pools are tracking, growers can monitor their performance via the Price Pool Matrices, published on our website (www.qsl.com.au). This information is updated regularly and is all about giving growers a sense of how the QSL managed pools are performing over the current season. The prices given below are in Gross $A dollars/ IPS tonnes and don’t include a shared pool allocation.

<table>
<thead>
<tr>
<th>Current as of 25 October 2013</th>
<th>2013 Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>QSL Harvest Pool</td>
<td>$403</td>
</tr>
<tr>
<td>QSL Discretionary Pool</td>
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<tr>
<td>QSL US Quota Pool</td>
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<tr>
<td>QSL 2013 Season Forward Pool</td>
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</tr>
<tr>
<td>QSL 2014 Season Forward Pool</td>
<td>$420</td>
</tr>
</tbody>
</table>

**Market Overview**

**Raw Sugar**

Raw sugar prices have corrected from the 20c/lb. level as the market reassesses the full implications of the recent fire at the Brazilian port of Santos. Sugar futures have retreated to the 18 c/lb. level, reducing the large level of speculative positioning now attracted to the improving sugar market fundamentals. The price correction is seen as healthy, allowing the sugar market to consolidate before a likely move above 20c/lb. again into 2014.

Why the sudden cooling of prices?

- Weaker physical cash and refining premiums remind all a surplus is still in play.
- The implications of the fire in Brazil are more of an internal logistics issue, playing-out in the medium-term.
- Recent crush updates suggest a stronger end for Brazil’s crush.
- Speculative positioning and a weaker Brazilian currency.

At QSL we believe the failure to break 20c/lb. on first attempt has set up a healthy period of market consolidation. Sugar market fundamentals continue to suggest we are transitioning to a tighter global sugar balance, which will see stronger returns for the Australian industry into 2014.

**Australian Dollar**

The Australian dollar has also lost some of its renewed strength in recent weeks. A run of improving economic data in China and locally saw our currency trade as high as US98 cents, attracting renewed focus from the Reserve Bank of Australia (RBA). The RBA continue to highlight the negative impact of a stronger currency on our economy and with little room left to reduce interest rates we expect them to use Governor Stevens to help weaken the currency. The Australian dollar is now trading closer to the US94 cent level, largely reflecting a broader strengthening of the US dollar. All financial market participants are closely monitoring the pulse of the US economy as higher interest rates are inevitable for the world’s largest economy; the difficult part of the puzzle is working out when this will occur. Seven straight sessions of Australian dollar weakness highlighted the overriding importance of the broader US monetary policy theme, and provide confidence we will see the Australian dollar weaken with consistent evidence of a stronger US economy.

Accordingly, we remain confident Australian exporters will see a lower Australian dollar into 2014. The current period of consolidation around the US95 cent may frustrate in the short-term, however, reflecting the patchy nature of the US economic recovery.

In summary, an Australian dollar under US90 cents remains probable however the timing around the next period of weakness has now certainly been delayed.
**PRICING INFORMATION**

**2013 Season Advances & Payments**
as at 1 November 2013

| Initial * | $219 |
| 22 August 13* | $235 |
| 26 September 13* | $256 |
| 24 October 13* | $262 |
| 21 November 13 | $275 |
| 19 December 13 | $285 |
| 23 January 14 | $313 | 77.5% |
| 20 February 14 | $323 | 80.0% |
| 20 March 14 | $333 | 82.5% |
| 24 April 14 | $343 | 85.0% |
| 22 May 14 | $363 | 90.0% |
| 26 June 14 | $383 | 95.0% |
| Final Payment | $404 | 100% |

* paid  
+ scheduled

The Advance Program is a guide only. CANEGROWERS Burdekin takes no responsibility for its accuracy. It only applies to growers who did not forward price for 2013 (the default method). Growers who have forward priced for 2013 will be paid the same percentage of their final expected proceeds. For individual advance rates check your grower forecast on the Wilmar website.

**Wilmar Indicative Future Sugar Prices**
as at 13 November 2013

<table>
<thead>
<tr>
<th></th>
<th>Gross</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Season</td>
<td>$412</td>
<td>$388</td>
</tr>
<tr>
<td>2014 Season</td>
<td>$434</td>
<td>$410</td>
</tr>
<tr>
<td>2015 Season</td>
<td>$464</td>
<td>$440</td>
</tr>
<tr>
<td>2016 Season</td>
<td>$487</td>
<td>$463</td>
</tr>
</tbody>
</table>

**Estimated QSL Pool Prices**
As at 25 October 2013

| QSL Harvest Pool | $403 |
| QSL Discretionary Pool | $399 |
| QSL Actively Managed Pool | $411 |
| QSL Guaranteed Floor Pool | $393 |
| QSL US Quota Pool | $471 |
| QSL 2013 Season Forward Pool | $430 |
| QSL 2014 Season Forward Pool | $420 |

See www.qslcom.au for more information
DATES TO REMEMBER

BPS Shed Meetings
See past editions of canenews for dates & times

20 November
Wilmar Meetings
Three presentations – 11am, 2pm and 4pm
Ayr showgrounds

21 November
CANEGROWERS Burdekin
Members Only AGM
7.00pm
CANEGROWERS Hall, Home Hill

22 November
Women In Sugar Burdekin Christmas Lunch
12.30pm
Chill Parlour
RSVP to Kimberley 0427 624 561

4 December
WIS Water Quality Discovery Tour
8.45am
CANEGROWERS Burdekin, Ayr

next gen

Next Gen is excited to announce a new project for 2014

Business and Cash Flow Management course

The course will be held over two days and will cover topics such as Business Structures, Government Regulations, Legal and Taxation Issues, Income & Cash Flow Projections, Profit & Loss and Break-Even Projections.

Elements from the course are taken from a nationally accredited training package and credits can be gained towards further studies.

The course will be delivered in Cairns, Ayr, Mackay, Bundaberg, Salema in early 2014.

Cost: $190 per person (includes lunch both days)
Register your interest by emailing nextgenfarmers@gmail.com or call (07) 3839 1900.

Limited number of spaces available

Water Quality Discovery Tour

Date: Wednesday 4 December 2013
Time: 8.45 for 9.00 am start
Concludes 3.30 pm
Venue: Bus departs Burdekin Canegrowers Ltd Young Street Ayr

The Water Quality Discovery Tour will highlight Burdekin irrigation and water quality initiatives including:
- Delta and BRIA on-farm best management practices, presented by cane farmers
- Visits to water quality testing, revegetation and wetland sites
- Local technical expertise

ALL WELCOME
Morning tea and lunch provided
Seats are limited

Information/RSVP:
Terri Buono
Email: Terri.buono@afff.qld.gov.au
Ph: 47 601 614
Mob: 0447 108 010

PROUDLY SUPPORTED BY:
FLOOD RECOVERY VIDEOS HIGHLIGHT VALUE OF ASSISTANCE MEASURES

THE Queensland Farmers’ Federation has prepared a series of videos telling farmers’ stories as they progress with the ongoing and difficult job of recovering from the ex-Cyclone Oswald rain and flooding in January. The videos highlight farmer case studies specifically around the grants and loans that have been made available for eligible primary producers and small businesses under the Natural Disaster Relief and Recovery Arrangements. This assistance, available through QRAA, expires on November 29, 2013, so producers are urged to act quickly on this assistance if they have not already done so. These videos are available here and will also be available via the QFF website here.

USING DIGITAL TECHNOLOGY TO TACKLE AGRICULTURE’S CHALLENGES

AN event is being held to find digital solutions to current challenges in the agricultural sector, create collaborations with the ICT industry and increase productivity through the uptake of digital technologies and help realise the Queensland Government’s target of doubling the value of food and fibre production in Queensland by 2040. Queensland’s Agricultural industry has been identified as a major growth sector and digital technologies will play a major part in productivity improvements within the industry.

The ‘Partners in digital productivity - Agriculture’ forum will run from 10am–1pm on Friday 22 November at The Edge in Brisbane. The forum aims to raise awareness of the challenges within the Agriculture sector, promote discussion and create ongoing industry collaborations between the Agriculture and ICT sectors that result in increased productivity within Queensland’s Agriculture industry. The key industry challenges that we will focus on in this forum are:

• Better online access
• Overcoming remoteness
• Managing biosecurity
• Improving productivity
• Reducing perishability

For information and to register, click here.
Federal Government’s announcement on Farm Finance Package

The Minister for Agriculture, Barnaby Joyce this week announced the reallocation of Farm Finance concessional loan funds, demonstrating that the Federal Government needs to continually improve its commitment to agriculture.

The NFF recognises that the current seasonal conditions faced by the majority of Queensland, Northern New South and areas in the Northern Territory are such that flexible measures are needed to ensure farmers in these regions are not left without support. However, the NFF preference is that new drought policy measures should be provided from new allocations and not reduce the capacity of existing measures within the agriculture portfolio.

Moreover, the announcement outlined further sensible measures, including that the concessional loans package can assist with a range of external pressures facing farm businesses in each jurisdiction, ensuring that they were readily available to those most in need by reason of current seasonal conditions. Secondly, the additional funding announced by Minister Joyce for water infrastructure in Queensland and New South Wales ensures that farmers will have improved capacity to manage and allocate water to where it’s most needed across the property. For more, read our media release here.

NFF hosts Japan’s peak farm body

The NFF hosted a delegation from Japan’s national farm lobby, JA Zenchu, this week marking the third time the two national farmer groups have met this year. The aim of the visit was to build a better understanding and closer ties between farmers in both countries, which has proven to be particularly beneficial amongst younger farmers.

The JA Zenchu visit took place on Wednesday 6 and Thursday 7 November 2013, and included a farm visit to an ACT sheep and cattle property. It also involved meetings with the NFF and its members, plus the Department of Agriculture and the Department of Foreign Affairs and Trade. It is anticipated that stronger relationships will provide a clearer picture to dispel misconceptions that Japanese farmers have about the impact of free trade deals on their domestic markets, including fears associated with bilateral or multilateral free trade agreements that may see cheaper Australian produce saturate the Japanese market.

The JA Zenchu delegation led by the NFF and members was a great opportunity for both organisations to discuss the key challenges facing both agricultural sectors, and also facilitated an important discussion on some of the key issues on the agenda. For more, read our media release here.

Action needed on agricultural infrastructure, says report

A new report, released this week by ABARES, has confirmed that agricultural infrastructure is going to come under increased pressure as farm productivity grows. The report, Infrastructure and Australia’s food industry: Preliminary economic assessment, identifies potential pressures on infrastructure in Australia in the future, based on predicted growth in the agricultural sector to meet growing world demand for food and fibre, and discusses the roles both public and private investment can play.

The NFF has welcomed the report, calling on the Government for further funding to rural and regional infrastructure. As such, Australian farmers are already facing impediments in using the current infrastructure system, due to a lack of funding or maintenance, and ageing infrastructure. The release of this report comes as grain harvest gets underway across Australia, placing added pressure on our freight transport system.

In addition, ABARES is currently working on further projects on specific commodities (including beef, dairy and wheat) and also on airfreight agricultural exports. The NFF will be engaging with ABARES throughout the development of these reports, and will encourage further collaboration with relevant NFF members throughout this process. For more, please read our media release here.

The full report is available here.

Rates that stop the nation stay on hold

The Reserve Bank of Australia (RBA) announced on Tuesday 5 November 2013 that interest rates will remain on hold at 2.5 percent for the third consecutive month, following the August rate cut that saw rates reduced to a 53 year low.

The RBA decision comes as the National Farmers’ Federation (NFF) releases its Agribusiness Loan Monitor for October, which shows all lenders mirroring the RBA’s decision to keep rates on hold, after all dropping rates by 0.25 basis points from August to September. Following the conception of the NFF Agribusiness Loan Monitor in June 2011, this is the first time that all eight Australian banks have passed on the RBA’s interest rate cut in full, and within two months of the rate cut being made.

For more, read our media release here.
Government report backs up NFF’s call for red tape action

The NFF last week welcomed the release of the ABARES red tape report, which backs up the NFF’s findings that Australian farm businesses are struggling under the growing weight of unnecessary regulation. The Review of Selected Regulatory Burdens on Agriculture and Forestry Business report found that Government action could play an important role in reducing the regulatory burden for farmers.

Following the Government’s promise to cut red and green tape across Australian business by $1 billion a year – the findings from both the NFF and ABARES reports show that agriculture would be an ideal industry to start with, as the unnecessary regulation is a huge cost burden for farmers. The ABARES report also outlined that for approximately a quarter of all regulations studies, direct Government action could assist in cutting unnecessary red tape.

Reiterating the NFF’s standpoint on key priorities of red tape, the report called for action on: environmental law, where overlapping is and duplication of regulation is constant, at both state and federal levels; and workplace health and safety and water property rights, of which all are subject to inconsistencies in regulation between various states and territories. To read our media release, please see here.

‘One stop shop’ for environmental approvals- update

The Australian Government is committed to delivering a ‘one stop shop’ for environmental approvals that will accredit state planning systems under national environmental law, to create a single environmental assessment and approval process. The one stop shop policy aims to simplify the approvals process for businesses, lead to swifter decisions and improve Australia’s investment climate, while maintaining high environmental standards.

On 16 October 2013, the Minister for the Environment, the Hon Greg Hunt MP, announced that the Government had approved the framework for achieving the one stop shop. This includes a three-stage process with each of the willing jurisdictions, comprising:

1. signing a Memorandum of Understanding;
2. agreement on bilateral assessments and updating any existing agreement with the state; and
3. negotiation of approval bilateral agreements within 12 months.

As work progresses, further information will be made available here.

DAFF Weekly Australian Climate, Water and Agricultural Update:

- October 2013 rainfall was 51 per cent below the long-term average nationally. Tasmania was the only state to record above-average rainfall.
- Water storage levels in the Murray-Darling Basin decreased this week by 214 gigalitres and are at 81 per cent of total capacity.
- The Global Dairy trade weighted average price of anhydrous milk fat increase to US$5343 a tonne, whilst whole milk powder declined to US$4891 a tonne.
- Australian beef and veal exports were 104 000 tonnes (shipped weight) in October 2013, 11 per cent higher than in October 2012.
- Saleyard prices of lamb in the week ending 1 November saw indicator price (18–22kg fat score 2–4) rise by 1 per cent in Vic and 5 per cent in SA.

The world wheat indicator price averaged US$326 a tonne in the week ending 5 November 2013.

View the full report here.

CANEGROWERS WEATHER UPDATE

The forecast for Home Hill is represented below.

View the full report here.
Sugar business lifts Wilmar's profits as firm bucks trend

BY CHRIS PRENTICE AND RUJUN SHEN

Nov 7 (Reuters) - Wilmar International Ltd’s reported a 2.5 percent increase in its third quarter profit from a year earlier as a boost in sugar milling and merchandising activities offset weakness in the palm oil business.

The Singapore-based commodity firm’s results bucked a larger trend in the commodities trading sector, as the world’s top merchants saw third quarter earnings hurt by a struggling Brazilian sugarcane business and a grains sector hit hard by a U.S. drought.

Wilmar’s strong sugar unit is significant as the firm entered the global sugar business only in 2010 when it acquired Australia's Sucrogen Ltd.

The commodities merchants - Archer Daniels Midland, Bunge Ltd, Cargill Inc and Louis Dreyfus Commodities - that dominate the agricultural trading sector saw lower profits year-over-year in the third quarter.

Bunge, another relative newcomer to the competitive global sugar trading sector, said last month it is considering the sale of the Brazilian cane mill business that dragged it to a loss.

Wilmar's net profits climbed to $416 million in the three months ended Sept. 30, compared with $405.8 million in the year-ago quarter, the company said in a statement.

Those gains came on the back of stronger sugar milling and marketing activities, even as revenue fell 4.2 percent to $11.8 billion as palm oil prices hurt that sector of the company.

WILMAR'S SUGAR RUSH

Strong cane crushing due to favorable weather in Australia and increased merchandising activities boosted sugar profits, which were up 49 percent to $151.2 million.

The unit’s sales volumes jumped to 3.4 million tonnes in the third quarter, up 44 percent from a year ago.

Wilmar has been expanding its footprint in the global sugar sector, even as it faces headwinds in the Indonesian palm oil business.

India’s Business Standard reported that the company is eyeing a stake in Shree Renuka Sugars. A share of the Indian raw sugar producer, which has operations in Brazil, would give Wilmar a foothold in the world’s top sugar producers.

Earlier this year, the company bought a 27.5 percent stake in Moroccan sugar firm Cosumar S.A., and in August, Algeria’s Cevital Spa named Wilmar Sugar its supplier.

Meanwhile, the company’s palm and laurics business reported revenue of $4.9 billion during the quarter, down 15 percent from a year ago.

Wilmar’s oilseeds and grains division saw a slight increase in revenue, while its consumer products division revenues were down year-over-year.

Extracted from Green Pool Australian Weekly Sugar Report

Severe Typhoon Haiyan caused massive destruction and loss of life in the Philippines, with eastern province Leyte worst affected. In terms of sugar production, the Island of Leyte only grows 2% of Philippines’ total; but Haiyan’s track took it within 50 km of the northern end of the Island of Negros, the main cane growing area (53% of prod.) and across the Island of Panay (6% of prod.). Given the strength of the typhoon, it is likely that significant damage to the 2013/14 cane crop, as well as milling infrastructure, occurred across northern Negros, Panay and Leyte. A weakened Haiyan crossed into NE Vietnam this morning with winds of 120km/h. It may bring heavy rain to China’s Hainan, Guangxi and Guangdong provinces, where the harvest is just underway.
Wave of sugar mill closings seen due to global price pressures

By David Brough

LONDON, Nov 4 (Reuters) - A global merchant's plan to sell its loss-making sugar milling operation is the first sign that low prices could drive mills out of business and move the market from a surplus to a deficit as soon as next season.

Merchant Bunge Ltd's new chief executive has signalled plans to shed its Brazilian sugar milling business, making it the first such player to consider exiting the once-hot sector, which has swallowed billions of dollars of investment.

Mills in major producers Brazil, India and China have struggled with tumbling margins and years of falling prices, and a coming wave of closures appears to be a near-certainty.

In the centre-south growing region of Brazil, the world's top sugar producer and exporter, up to 50 sugar mills have closed since 2007 and as many as 60 of the 330 now active mills may close or be taken over in the next few years, according to Brazilian cane industry group Unica.

Benchmark sugar prices sank to three-year lows in July, succumbing to the huge global surpluses of recent years.

Meanwhile, governments have supported the prices that mills must pay to cane farmers. The combination of high local costs and falling global prices have squeezed mills' margins.

Production costs for a pound of sugar in many areas now exceed the world market price.

Stefan Uhlenbrock, an analyst with F.O. Licht, said there was a real risk that mills in big producing countries such as Brazil could go out of business.

"The surpluses in the world market and the financial difficulties of mills mean that sooner or later producers will turn off the tap," Uhlenbrock said. "This could trigger a severe downturn in sugar production into 2014/15."

Sergey Gudoshnikov, a senior economist of the International Sugar Organization (ISO), also predicted consolidation in the milling sector, which would give survivors the benefits of economies of scale and greater flexibility.

"It is without question that mills' margins are suffering," Gudoshnikov said. "I am more than sure that there will be more consolidation."

A leading Indian miller noted huge pressure on margins of sugar mills in India, the world's top sugar consumer.

"The situation is grim to say the least," said Abinash Verma, director general of the Indian Sugar Mills Association.

"Prices have not only been depressed for a long time, they have been consistently below production cost, and we have been asking the government to step in to help us stabilise prices."

SURPLUSES, PRICE SUPPORTS

The ISO reported global surpluses of 6.1 million tonnes in 2011/12 and 10.2 million in 2012/13 and has estimated a surplus of 4.5 million tonnes in 2013/14, weighing on prices.

The ISO has not yet released a forecast for 2014/15, but Gudoshnikov said he expected the global market to be finely balanced or to show a small surplus.

He added, "The global sugar market in 2014/15 may be balanced or in slight deficit if production costs persist above market prices."

The financial problems of mills have led to delays in cane crushing in major growing states in India.

"A freefall in sugar prices has become so critical that banks have refused to lend working capital to mills, and that's the main reason behind the delay in cane crushing," Verma said.

In China, mills are also suffering from government-supported cane prices.

"Either the government needs to reduce the fixed price of cane for farmers or alternatively the market support, which is resulting in excessive imports," said Tom McNeill, Australia-based director at commodities analyst Green Pool.

Current Chinese domestic prices are equivalent to $880-890 a tonne, almost double the global price, because of government support for cane and beet farmers, who receive $70 per tonne for cane, compared with just $30 per tonne in Thailand.

The result is squeezed margins for Chinese mills.

"This year some of the smaller-scale mills are losing money, but not everyone, and it hasn't reached a level where companies are going bankrupt," said Zhan Xiao, a senior sugar analyst at Xinhu Futures.

"But if the sugar price continues to drop next year, it could be more serious."