COMPANY UPDATE

2014 Crushing Season Preparations
Mackay’s cane ratoons and newly planted areas are looking good and the crop condition is better than it was this time last year. Initial assessments indicated we could be in for a crop around 5.5 million tonnes this year. Heavy rains since the end of January have been welcome and the crop has responded well to a ‘good drink’. The three-month rainfall forecast is promising, so we hope that we can see good growth for the balance of the growing season.

The Mossman crop is projected to be 4-5% above the 2013 season crop. This will see the coastal crop in the vicinity of 610,000 tonnes and the Tablelands crop around 700,000 tonnes.

Maintenance and capital programs are progressing to target at Mackay and Mossman. The replacement of one of Farleigh’s main process cooling towers is well advanced, with the erection of the tower to commence early next month. Staff have worked closely with boiler and chemical technical personnel to develop a strategy to complete tube repairs and undertake a chemical cleaning regime on No1 Boiler at Marian. Inspections have also been completed on Farleigh boilers in conjunction with the remedial repairs to No4 Boiler economiser for the 2014 season. An additional commitment of $500,000 towards the replacement of exit ducting on No1 Boiler at Marian will also contribute to improved efficiencies and bagasse production for the 2014 season. Factory steam trials in the Mackay region are scheduled for mid-May, with a staggered start to crushing in early June (weather permitting).

The Mossman capital program is currently to schedule with major works underway on both boilers. Qube Logistics has advised that the manufacture of the new prime movers and trailers for the transport of the Tableland road cane are underway and, together with the additional cane bins, are on target for delivery ahead of the commencement of crushing planned for early May.

Grower Support Schemes
The following grower support schemes are now available for 2014:

- **Plant Loan Scheme** - offers $2,500/ha, interest free and repayable over three seasons, for the planting of new land (land out of cane for two seasons);

- **A Plant Loan Productivity Scheme** - offered on the same basis as the Plant Loan Scheme, but offered for planting of land that does not classify as new land but is land that meets the following productivity improvement criteria:
  - Low yielding farms with a current yield 20% below the zone average;
  - A clear change in management on the farm such as a sale, lease or other acceptable documented change.

- **Secure the Future** - offers growers a fixed price for four seasons. For planting in 2014, Mackay Sugar has secured a forward price of $470/tonne IPS, payable for (the sugar equivalent of) 80 tonnes cane per hectare. This scheme is available for:
  - Low yielding farms with a current yield 20% below the zone average;
  - A clear change in management on the farm such as a sale, lease or other acceptable documented change.
  - New land to cane (defined as land that has been out of cane for at least two seasons).

These schemes will only be offered in the Mackay region in 2014. A detailed notice with the particulars of these schemes is attached.
Queensland Commodity Services
Queensland Commodity Services (QCS), a Mackay-based subsidiary of Mackay Sugar, commenced operations in early January. QCS is a licensed commodity business engaged in the marketing and price risk management of all sugar and molasses produced by Mackay Sugar. QCS will initially focus on maximising returns for Mackay Sugar and its growers wherever possible in the 2014 season, by actively managing fluctuations in the price of raw sugar and foreign exchange rates. The company has also launched a website (www.qcs.com.au), which provides growers an easy to navigate information hub that details available services and the latest market and pricing information. The website is also being developed to include a secure grower login area which, when operational, will enable growers to access information relevant to their farms and web-based long term pricing tools. QCS, comprising a small team of experienced personnel, is based at Mackay Sugar’s Farleigh Mill. Growers wishing to contact QCS for further information can do so on 4953 8271 or via the QCS website at www.qcs.com.au. In addition to the pricing role of QCS, with the Raw Sugar Supply Agreement being signed between all millers and QSL recently, Mackay Sugar will allocate this Economic Interest sugar to QCS for marketing this year.

Yellow Canopy Syndrome
Yellow Canopy Syndrome (YCS) has been identified in the Mackay region. Specifically, recent field monitoring activities, conducted by Mackay Area Productivity Services (MAPS) and Sugar Research Australia (SRA) discovered YCS-like symptoms in the Farleigh district. MAPS and SRA will continue to monitor this situation. Should you wish to obtain further information regarding YCS, please visit the SRA website at www.sugarresearch.com.au, or alternatively contact the local MAPS representatives.

Renewable Energy Target
The Renewable Energy Target (RET) will be reviewed by the federal government this year. While the initial discussions of this review suggested the government may seek to reduce the RET to a ‘real 20%’, in recent weeks, both the Queensland government and Queensland-based federal politicians are seeking to abolish the RET. In the short term we have a Power Purchase Agreement which expires in 2019, and thereafter we would be subject to the prevailing market prices. Together with the Australian Sugar Milling Council (ASMC) and Canegrowers we have been lobbying against these changes to protect our interest in the renewable energy market.

Should you have any queries relating to the above information, please contact Mackay Sugar Company Secretary Donna Rasmussen on 4953 8241.

Andrew Cappello
Chairman