

Risk management must be a priority despite higher sugar price



By ACFA
Chairman
Ross Walker

As far as sugar prices are concerned, 2006 is off to a promising start.

Currently the market is trading at over US18c/lb with some analysts predicting that prices may top US20c/lb.

This is a most welcome improvement for the industry.

However, the higher prices must not be seen as a reason not to improve efficiency and productivity. The increased costs for production which we have seen during the past 12 months and which we continue to see will further erode farmers' returns.

The costs of fuel and fertilizer have increased significantly during 2005 and now, prices for water are set to increase.

Unfortunately, water is becoming an increasingly scarce commodity and its price reflects this.

New water charges have been introduced in Queensland as of January 1st 2006 at a rate of

\$4/megalitre, plus new SunWater pricing arrangements are to take effect in July this year.

These changes may add thousands of dollars to the water bills of irrigating cane farmers.

ACFA would ask Governments to remember the consistently important role rural industries play in regional economies. Water prices must be affordable so that rural industries remain strong and viable.

Evidently, with the costs of production increasing, cane farmers cannot continue to rely solely on the volatile world sugar price.

The industry must continue to explore ways to diversify its income base so that it is better prepared for downturns in the sugar price.

And now, with the extra stability of higher prices it is the ideal time for diversification options to be explored.

One such option for diversification is ethanol production. The biofuels industry received some positive gains last year, culminating in a recent announcement that the Federal Government's Biofuels production target of 350 megalitres a year will most likely be reached prior to its 2010 deadline.

This news demonstrates how interest in biofuels has grown significantly over the past year.

However, as ACFA has already warned, the Government may need to consider increasing its production target. It is likely the current target will be easily filled by existing ethanol producers, leaving no room for new producers to enter the market.

ACFA has recommended the Government consider doubling its target to 700 megalitres to help to ensure that new producers are not being locked out.

This would mean that there is more opportunity for sugar industry participation in the production of biofuels.

It will also be imperative that farmers have an equity or interest in any diversification projects.

At this point, I would like to tell farmers about an ethanol conference being held in May this year. ACFA is one of the supporting organisations of the conference, entitled Ethanol 2006 Australia, which will be held in Brisbane on the 8th-11th May.

Further information is available at <http://www.bbifbiofuels.com/ethanol2006/> and on page 16 of this magazine.

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CSR share price soars.

CSR shares have surged 7c to an all time high following gains in the sugar price after Brazil announced its cane crop would be reduced this year due to drought.

Brazil announced that its production would be 26.7 million tonnes for the year ending April - 1.8 per cent lower than expected.

This, coupled with lower production out of China and Thailand as well as less sugar exports from the EU, have been pinpointed as the contributors to the rise in sugar prices to the highest value in a decade.

Source: The Australian 6th January 2006.

Indonesia to build two news sugar plants

The Indonesian Association of Sugar and Wheat Flour Companies (Apegti) has announced that it will build two new sugar plants in 2006.

Each plant will cost around US\$40 million for construction and will have an annual capacity of 60,000 tons.

Indonesia presently imports around \$1.5 million tonnes of sugar a year to cover supply shortages.

Source: <http://au.news.yahoo.com>

Oil prices back on the rise.

Oil prices could rise above \$US70 a barrel due to a stand-off over Iran's nuclear program, an analyst has forecast.

Last week Iran caused international outrage with it broke UN seals on three of its nuclear facilities.

Barclays capital analyst Kevin Norrish said the Iran issue represents a "major

source of upside risk for oil prices."

"It is not too difficult to construct a scenario in which prices will get back past \$US70 in relatively short order," he said.

Source: The Courier Mail 14-15 January 2006.

Wheat single desk to stay.

Australian Minister for Agriculture Peter McGauran has unconditionally rejected calls by the European Union to dismantle Australia's single desk arrangements for wheat exports.

"Numerous attempts have been made by commercial competitors to abolish Australia's export monopoly arrangements. None have succeeded for the simple reason that the single-desk is not in breach of WTO guidelines," he said.

Minister McGauran said that the single desk would remain so long as the majority of growers continued to support the arrangements.

"80 per cent of Australian wheat growers want to continue the use of single desk marketing - not because it is trade distorting, but because, at present, it is the best way to do business."

Sweet news for memory research

Researchers in Scotland have found that the amount of sugar in an average soft drink could be enough to boost memory retention by almost one-fifth.

Neuroscientists from Glasgow Caledonian University said the effects might lead to better ways of treating memory problems in old age.

The researched used memory tests and brain imaging techniques to assess how volunteers responded after drinking soft drinks.

They found that the area of the brain that creates new memories - the hippocampus - lit up with activity after the volunteers had a sweet drink.

Source: www.theaustralian.news.com.au

Bundaberg locals urged to get involved in Community Cabinet

Bundaberg locals are encouraged to take part in State Cabinet's first Community Cabinet meeting for 2006.

State Cabinet will be in the city on February 19 and 20. The open community forum will be held at Bundaberg State High School on Sunday, with Cabinet meeting at Bundaberg City Council the following day.

Locals can also register to meet one-on-one with the Premier or Ministers by completing a deputation request form.

Deputation request forms are available from local MP Nita Cunningham's office or from the Bundaberg City Council.

Completed forms must be faxed to the Cabinet Secretariat on 3224 6640 or mailed to Cabinet Secretariat, PO Box 15185, City East, Qld 4002. Forms must be received by midday Wednesday, February 8.

ACFA Calendar

February 2006

8th and 9th	ACFA Board Meeting
14th	R&D and Innovator Awards nominations close

New technologies key to climate change battle

A meeting of the Asia-Pacific Partnership on Clean Development and Climate has conceded that fossil fuels will continue to be a major energy source for many years to come but has appointed taskforces to fast-track the development and spread of clean energy technology.

The augural meeting of the Partnership was held in Sydney on 11th and 12th January 2006, involving Ministers and business representatives from the six founding members: Australia, China, India, Japan, Korea and the United States.

During his address to the meeting, Australian Prime Minister John Howard said that the Partnership recognises that there is no quick fix to the challenges of global climate change; that long term commitments and significant investments are needed to tackle the sustainable generation and use of energy.

"And that the acceleration of technology especially low emissions technology, collaboration between governments, business and researchers to innovate and implement practical, achievable, economically sustainable solutions to climate change is the way forward," Mr Howard said.

Outcomes of the meeting included:
* A recognition that clean development and lower greenhouse gas emissions requires economic growth as it is growth and investment that will deliver the new technologies to reduce emissions;

* Agreement that governments and business must work together to achieve sustained economic growth and lower greenhouse gas emissions;

* A public commitment to real actions; and

* The establishment of 8 taskforces on clean fossil energy, renewable energy and distributed generation; power generation and transmission; steel; aluminium; cement; coal mining and buildings and appliances.

During the meeting Mr Howard also announced that Australia will invest a further \$100 million over five years to support clean air industry development projects.

Mr Howard said that 25 per cent of this additional \$100 million will be specifically earmarked for renewable projects.

Australia will chair the taskforce on cleaner fossil fuels and the aluminium taskforce, co-chair the renewable energy taskforce and play a leading role in the buildings and appliances taskforce.

The Partnership Minister agreed to meet again in 2007.

ABARE report on clean technologies released.

The Australian Bureau of Agricultural and Resource Economics (ABARE) has released a report which shows that the adoption and diffusion of cleaner technologies has the potential to reduce greenhouse gas emissions in partner countries by almost 20 per cent below what would otherwise be the case by the year 2050.

The report, released at the climate conference, focuses on the key greenhouse industry polluters of electricity, transport, iron and steel, cement, aluminium, wood pulp and paper and mining.

ABARE's executive director Dr Brian Fischer told the ABC that agriculture still has a role to play in reducing its pollution.

"If we're thinking about a gas, a greenhouse gas like nitrous oxide which is a very, very potent greenhouse gas indeed, agriculture can do something to reduce emissions of nitrous oxide if it can improve the efficiency, for example, with which it uses nitrogen fertilisers.

How will climate change affect you?

The Queensland Government has released a discussion paper, "Climate Smart Adaptation: What does climate change mean for you?" to generate debate on the topic.



The Discussion Paper says Queensland can expect its climate to continue to change throughout this century because the atmosphere already has elevated levels of greenhouse gases.

According to the Paper, the following are possible:

- * Average temperatures could increase by up to 2C by 2030 and up to 6C by 2070.
- * Twice as many extremely hot days and longer hot spells of about 35C and a higher bushfire risk.

A decline in rainfall by up to 15 per cent in 2030 and by up to 40 per cent by 2070.

- * More droughts and less soil moisture
- * Possibly more frequent and intense cyclones and storm surges.

Department of Primary Industries and Fisheries climatologist Holger Mienke told the ABC that global warming may force many farmers to change what they grow during the next 20 years

For more information on the Discussion Paper visit www.nrm.qld.gov.au

Queensland Water Plan under fire

Amid criticisms of 'revenue raising' the Queensland Government has released a package of initiatives to address some of the more controversial aspects of its Water Plan 2005-2010 released in August last year.

The Water Plan introduced new water charges to come into effect on 1st January 2006 at a rate of \$4/megalitre for irrigators plus new pricing arrangements to be in place by July 2006.

Queensland Irrigators Council has predicted that there will be many farmers who boycott the new water charges.

"What's concerning farmers is that all these charges and impositions are coming on them like an avalanche," Council chairman Lyn Brazil said.

But the Queensland Government has defended its moves on water.

The Government has released a package of initiatives including:

- * Introducing a five year price path for new SunWater rural irrigation prices which will start on 1st July 2006;
- * Providing Community Service Obligation (CSO) payments over the

new SunWater five-year price paths while CSO payments will continue for existing category 3 schemes;

- * Upgrading spillways at Bjelke Petersen, Borumba and Tinaroo Falls dams with capital costs excluded from new SunWater five-year price paths;
- * Not recovering a rate of return on SunWater assets during the five-year price paths;
- * Making concessions on the application of the licence change for those licences to take water from the Great Artesian Basin for stock and domestic use; and
- * Undertaking a review of water charges by 2011.

"This package and our Queensland Water Plan reflect an unprecedented commitment to ensure we have enough water in Queensland to meet our current and future needs," Queensland Premier Peter Beattie said.

"The Government is not revenue-raising. The Government is not even recovering costs," he said.

The Queensland Government has mailed out information to more than 30,000 water entitlement holders, SunWater customers and water harvesters across Queensland explaining the initiatives.

The information will also be posted on the Department of Natural Resources and mines website at www.nrm.gov.au

PC to examine water markets

The Australian Government has asked the Productivity Commission to undertake a research study on the feasibility of establishing market mechanisms for the efficient use of rural water and for dealing with rural water-management related environmental externalities.

The outcomes of this study will assist jurisdictions in implementing their water trading commitments under the National Water Initiative (NWI).

The NWI, which was agreed through

the Council of Australian Governments on 25 June 2004, has been signed by all States and Territories excluding Western Australia. One of the key objectives of the NWI is to establish an efficient water market structure and expand markets to their widest practical geographical scope, enabling increased returns from water use.

Further information on the study can be obtained from the Productivity Commission's website at www.pc.gov.au

Landcare projects receive \$5.5 million

Queensland landcare groups will share up to \$5.5 million in 2005-06 for 39 natural resource management projects across the State.

The Queensland-based projects are among 210 nationwide that will share in \$25 million in funding, and include:

* \$170,000 for Revitalising landcare on the Burdekin Dry Tropics coastal plain. to improve the profitability, competitiveness and sustainability of farming and landcare activities.

* \$59,300 for Agricultural best management practices in sugar cane lands in far north Queensland. This project involves demonstrating five farm management practices that industry and research organisations consider essential for sustainable sugar cane production in wet tropics but which have low rates of adoption.

* \$26,050 for soil specific nutrient management guidelines for cane farmers in the Johnstone River Basin to improve the sustainability of cane farming by targeting soil resources and improving the quality of water that leaves sugar farms by changing the way fertilisers are applied.

* \$37,200 for Fostering agricultural best practice for sustainability, efficiency amongst Far North Queensland primary industries.

* \$300,000 for the Sustainable Landscape Program 2005-06. This project aims to accelerate the use of sustainable management practices throughout the Mackay Whitsunday region and will focus on sugar cane growing, grazing, native vegetation, fish habitats and stormwater management.

More information on Landcare is available at www.daff.gov.au/landcare

Small success at WTO talks in Hong Kong

Last month *The Australian CaneFarmer* reported that WTO trade talks were being held in Hong Kong.

After two all night negotiating sessions, an agreement was finally reached by WTO members.

Rich nations will have to eliminate their farm export subsidies by 2013 while the world's poorest nations will get duty-free and quota-free access to developed world markets within 3 years.

A blueprint of the agreement is to be drafted within the next 6 months with all final details to be settled by late 2006.

The agreement means that there is still a chance that the Doha negotiations could be completed by its December 2006 deadline.

Australian Trade Minister Mark Vaile said the agreement was a significant step in the right direction.

"Given the lack of progress over recent months our expectations coming into this meeting were not high, so to negotiate these commitments is certainly a step in the right direction. These deadlines must be met," he said.

"We came here with 55 per cent of the round. We're leaving with 60 per cent."

Success at the Hong Kong meeting was considered doubtful due to the failure of the European Union to make an offer of tariff cuts that was accepted by other nations.

After the agreement was reached, Peter Mandelson, EU Trade Commissioner said that, "Europe has gone further in its existing commitment to eliminate its export subsidies by setting a clear end date in 2013. I said we came to Hong Kong to do business and this shows we meant it."

The EU insisted that it could not

curtail its export subsidies program until 2013 when its Common Agricultural Policy budget ends.

The agreement has, however, been met with disappointment from some organisations including Oxfam.

Oxfam Australia Chief Executive Andrew Hewett said export subsidies accounted for just 3.6 per cent of the protection faced by developing countries. He also said the duty-free and quota-free deal was a particular disappointment because it allowed rich nations to exclude 3 per cent of tariff lines.

WTO Director General Pascal Lamy appeared to be happy with the progress made at the meeting and said he believed it was possible that a blueprint could be agreed to by April 2006.

"We came here with 55 per cent of the round. We're leaving with 60 per cent. There remains quite a lot to do," he said.

November monthly trade deficit fourth highest on record

Australia's exports remain on track to reach a record high for 2005, Minister for Trade Mark Vaile said following the release of the ABS November International Trade in Goods and Services figures.

Mr Vaile said exports for the 11 months to November were 14 per cent higher than a year earlier.

"Australia's exports in November 2005 reached \$15.1 billion, the second highest level on record and the highest for November," he said.

While non-rural and other goods exports rose 2 per cent in November, rural goods exports fell three per cent to \$2 billion in November. This was

mainly due to a decline in exports of cereal grains and preparations, while wool and sheepskin exports also moderated, Mr Vaile said.

Imports also rose by 7 per cent to 17.6 billion which led to the trade deficit increasing to \$2.5 billion in November – the fourth highest on record.

Based on these figures, some economists have warned that Australia's exports are globally uncompetitive while others predict that the trade deficit will trend lower to a \$1 billion to \$1.5 billion range as 2006 unfolds.

Recent statistics have also revealed that China has overtaken the US as

Australia's second biggest export market and source of imports.

China's share of our exports was 9.4 per cent, below Japan (17.3 per cent) but overtaking the US with 8.5 per cent of exports.

However, China remains our third largest trade partner with total trade – imports and exports – between the two countries valued at \$36.3 billion; behind Japan (\$47.3 billion) and the US (\$41.5 billion).

The figures show that China has doubled its share of Australia exports in the past five years.

Sources: www.theage.com.au

Biofuels target to be met: Howard

Prime Minister John Howard has released a Biofuels Action Plan which shows that the industry expects to not only meet but exceed the Government's biofuels target of 350 megalitres by 2010.

Mr Howard said the release of the Plan followed a meeting with the major oil companies in September 2005.

"Much progress has already been made," Mr Howard said.

"For example, there are now over 400 service stations Australia-wide selling ethanol and biodiesel blends thanks to rollouts by BP, Caltex, Shell, Coles Express, United, Australian Farmers Fuel, Neumann Petroleum and Freedom Fuels."

The Government has received Action Plans from the oil majors which clearly set out volumetric goals and business plans, including marketing and retail strategies for both ethanol and biodiesel blended fuels.

Based on the aggregation of each company's projections, biofuels use will increase annually from a base of 28ML in 2005 and will exceed the biofuels target of 350 ML in 2010.

The Biofuels Action Plan mentions that:

* BP supplies E10 in many parts of Queensland including Brisbane, and has opened three sites in Canberra to provide E10 to that market and to service the government fleet. BP will be commissioning an E10 blend plant early in 2006 in Mackay.

* Caltex has sites selling E10 in Far North Queensland, south-east Queensland and northern New South Wales. Caltex also supplies B5 and B20 blends in New South Wales and South Australia, including a trial of

B5 at three NSW service stations.

* Shell markets Shell Optimax Extreme, a sugar-high octane fuel formulated with 5 per cent ethanol, through Coles Express. Shell Optimax Extreme will be the official fuel of the V8 Supercars Championship for 2006.

* Independents including United,

IFS, Australian Farmers Fuel and Neumann Petroleum sell biofuels across Australia. United sells Plus ULP and Boost 98, both formulated with ethanol at over 90 locations Australia, Australian Farmers Fuel sells biofuels at more than 50 outlets across Australia, and Neumann Petroleum and Freedom Fuels each retail biofuels at 25 service stations.

US demand for ethanol grows

The Federal Government's announcement that its ethanol targets are likely to be reached prior to the assigned deadline is hopefully a sign that the industry is taking off in Australia.

Evidently, with Brazil announcing recently that it will use more of its crop for ethanol production, the industry is booming in that country.

But the demand for ethanol in the US is also growing at a rate that has industry-watchers wondering if producers will be able to keep up.

Following are some recent ethanol announcements which demonstrate how widely the acceptance and demand for ethanol has grown in the US:

Illinois: Twenty-three senators, both Republicans and Democrats, have signed up as sponsors of legislation that would boost ethanol production in Illinois. The legislation sets aside up to \$25 million to create a fund for construction of new ethanol plants and upgrades for existing plants. It also sets aside \$3 million for research projects.

Iowa: The Iowa Corn Growers Association has called for all supporters of an Iowa Renewable Fuels Standard to board a bus headed for the state legislature on February 13th. Buses will leave from every

ethanol plant in the state that morning, as well as from areas that don't have plants. The Renewable Fuels Standard calls for Iowa law to require 25 per cent total renewable fuel use by 2015.

Georgia: A proposed ethanol plant in Savannah has received funding commitments and is likely to be the first of several planned ethanol facilities for the state. The plant would produce 15 million to 25 million gallons per year, initially employing between 40 and 45 people. It is hoped the plant will be producing alternative fuel from biomass by 2007.

New York: New York Governor George Pataki has proposed to offer tax incentives for biofuel production and use. Currently there are two biofuel production facilities in various stages of development in upstate New York, one of which is being funded by central New York farmers.

Hawaii: On April 2nd, the state will require all gas stations to pump an E10 blend. The hope is that the move will make Hawaii less dependent on imported oil, help local sugar producers and offer tax credits for local ethanol producers. However, the mandate has been criticised as, due to problems with financing, land acquisition and engineering issues ethanol production companies have had to push back their plans to 2007, meaning that ethanol will have to be imported for the time being.

Rural property values increase 44%

The value of the rural property market increased by 34 per cent in total sales value in 2004-05.

According to the latest Elders Rural Property Index report, the number of properties sold had decreased by 7 per cent, but the actual sale prices themselves had increased on the 2003-04 prices by 44 percent (\$536,000 to \$770,000).

The report said that the figures were surprising given that much of the eastern side of the country is in drought.

Elders general manager for real estate Brian Reid said the statistics reflected the ongoing rationalisation taking place in the rural sector.

Mr Reid said that amalgamations and consolidations were driving the demand for broadacre property.

Responding to the report, Natural Resources and Mines Minister Henry Palaszczuk noted that the record rural property sales in Queensland has been a major contributor to the halving of the area of the State owned by foreign interests over the last five years.

According to the Foreign Ownership of Land Register maintained by the Queensland Government's Department of Natural Resources and Mines (NR&M), the total area of the State owned by foreign interests decreased from 2.08 million hectares (or approximately 1.5% of Queensland's land area) in 1999-2000 to 1.04 million hectares in 2004-05.

"Nevertheless, foreign investment in Queensland property remains strong with \$671 million in acquisitions reported last financial year compared with \$597 million in 2003-04," Mr Palaszczuk said.

Decadal rainfall research moves forward

A recent survey conducted by the Managing Climate Variability Program revealed that cane growers regularly use climate forecasts to increase preparedness to swings in climate patterns.

Many cane farmers have been exposed to the Five Phase SOI climate forecasting system. The SOI phase system can provide clues if the coming months are likely to be wetter or drier than normal. For example, a consistently negative SOI Phase at the end of Autumn favours a drier harvest season. Conversely, a consistently positive SOI phase favours a wetter harvest season.

This information can help industry decision makers make better, more informed choices about the kinds of strategies they will implement during the harvest season.

In recent years climate scientists have gained a greater understanding and appreciation that climate signals vary on many different timescales.

There is a cycle which reflects swings between La Niña and El Niño years. This cycle is called the El Niño Southern Oscillation (ENSO) cycle and operates at time spans of approximately 2 to 5 years.

Climate signals however, can vary across much longer time scales such as decadal and multi-decadal time frames. A better understanding about how these slower oscillating decadal and multi-decadal signals impact on decadal rainfall (ten-yearly rainfall) could advance planning impacted by long term rainfall.

For example, knowledge about if the coming decade is likely to be wetter could influence decisions about the variety to plant, investments in

equipment such as irrigation equipment and choice of wet versus dry weather harvesting machinery.

Jaffrés and Everingham (2004, ASSCT) performed an exploratory investigation on the relationship between these slow oscillating climate signals and decadal rainfall for Tully, Plane Creek and Harwood.

This investigation revealed a strong link between decadal rainfall and an index called the IPO (interdecadal Pacific oscillation) in Plane Creek and Harwood, but the relationship was not evident for Tully. Whilst there exists some evidence of a relationship in Plane Creek and Harwood, one must remain cautious in the interpretation since there are relatively few data points in the analysis when talking on decadal time scales.

Funding for this research was provided by the MCVP, SRDC, JCU, the Qld Government and the Queensland Smart State Initiative, and the ARC ESS network for Ms Kathryn Jones (JCU) and Dr Yvette Everingham (JCU, CSIRO, ARC ESS) to visit and seek the opinions of leading international researchers on the topic of decadal to multidecadal climate variability.

It was encouraging to meet with other researchers from climate organisations around the world who are investigating the potential to forecast decadal rainfall.

There is still a long time to go before an operational decadal forecasting system will be available but it is encouraging however that researchers are considering the merits of this research.

Report provided by Yvette Everingham, CSIRO. For the latest Climate Update, see opposite page.

Some Optimism for Late Summer Rains

by Yvette Everingham (JCU) and Roger Stone (DPI&F)

DECEMBER SOI Phase: Near Zero

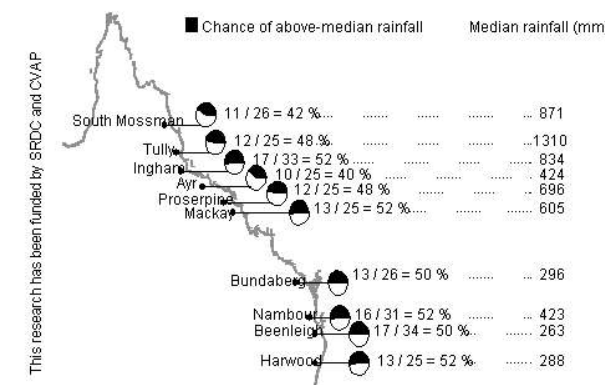
* The monthly average SOI for December was minus 1.4 (-1.4) compared to minus 2.22 (-2.22) in November. Therefore the SOI phase for December came out as "Near Zero".

* Probabilities much greater than 50% highlight that there is a moderately high chance of experiencing above median rainfall. No Locations in this table satisfy this condition for Jan-Feb

* Probabilities much less than 50% highlight that there is a moderately high chance of experiencing below median rainfall. No Locations in this table satisfy this condition for Jan-Feb.

* Chances close to 50% (say, between 40 and 60%) indicate that climate forecasting tools are unable to improve upon what you already know about above median rainfall. That is, with no knowledge of climate forecasts above median rainfall is expected 50 % of the time e.g. South Mossman, Tully, Ingham, Ayr, Proserpine, Mackay, Bundaberg, Nambour, Beenleigh, Harwood, Plane Creek.

Sugarcane Wheel Map: Jan-Feb



* Chances are based on a Near Zero SOI phase during December

Latest Developments:

Whilst the SOI has maintained a near zero status during December, the Pacific Ocean shows some resemblance to a "weak" La Niña.

That is the central Pacific Ocean near the equator is displaying cooler than average temperatures during December.

The cool Pacific together with warmer than average ocean temperatures over northern Australia might shed greater optimism to late summer rainfall conditions.

For more information about sea surface temperatures and general climate information see

<http://www.dnr.qld.gov.au/longpdk/latest/latest.htm> and <http://www.bom.gov.au/climate/ahead>.

Disclaimer:

The seasonal climate forecasting information provided in this document is presented for the purposes of raising awareness of the potential value of seasonal climate forecasting information and should be considered as a guideline only.

The user assumes all risk for any liabilities, expenses, losses, damages and costs resulting directly or indirectly from the use of the climatic forecast information.

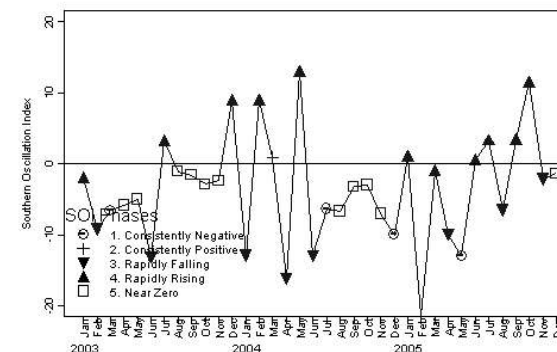


Table 1

Month	SOI Value	SOI Phase
End of January 2005	+1	"Rapidly Rising"
End of February 2005	-23	"Rapidly Falling"
End of March 2005	-1	"Rapidly Rising"
End of April 2005	-10	"Rapidly Falling"
End of May 2005	-13	"Consistently Negative"
End of June 2005	+0.5	"Rapidly Rising"
End of July 2005	+3.3	"Rapidly Rising"
End of August 2005	-6.5	"Rapidly Falling"
End of September 2005	+3.4	"Rapidly Rising"
End of October 2005	+11.5	"Rapidly Rising"
End of November 2005	-2.2	"Rapidly Falling"
End of December 2005	-1.4	"Near Zero"

DArT performs well in sugarcane tests

Diversity Arrays Technology (DArT), a DNA mapping tool used in wheat and barley research, has been validated as a viable research tool for Australian sugarcane according to the CRC for Sugar Industry Innovation through biotechnology.

CRC SIIB Project Manager and R&D Manager for BSES Limited, Dr Ross Gilmour, said the outcomes were very positive for sugarcane research.

He said sugarcane has a complex genetic structure and the crop has lagged behind the development and application of genetic marker technologies compared to other major agricultural crops such as wheat and barley.

Dr Gilmour believes that lost ground will be at least partially made up using DArT which researchers have shown is fast and cost effective and enables researchers to select for several traits at one time.

"We envisage applying the technology on a commercial scale in the BSES-CSIRO sugarcane breeding program commencing early in 2007 following further development and testing", Dr Gilmour said.

The CRC project is linked closely with the BSES-CSIRO breeding program to discover how to enhance and significantly 'speed up' the development of genetically improved varieties with specific, sought-after traits, such as resistance to diseases, or high sugar content.

CRC SIIB researchers are working with sugarcane growers to enhance the future of their businesses through improving the efficiency of the sugarcane breeding program and by developing new technologies that add value to sugar and sugarcane.

FutureCane legume demonstrations in Far North Queensland

Trial legume plantings in Queensland's far north are being conducted under the Department of Primary Industries and Fisheries FutureCane program, with the aim of demonstrating the financial and environmental benefits of fallow legume crops on farm systems.

FutureCane senior agronomist Derek Sparkes said that the plantings were being carried out on six sites - 4 in Tully and one each in Innisfail and Gordonvale.

"Growing legume fallow crops improves soil quality and provides a healthier environment for the next crop of cane.

"At the same time, the ability to

reduce tillage and fertiliser costs and minimise legume-growing costs helps to maximise the profitability of cane farms," Mr Sparkes said.

Mr Sparkes said the trials would demonstrate four planting techniques - zero-tillage, zonal-tillage, planting on hills and broadcasting - with two legume species. Each method would be assessed for cost of establishment and impact on soil erosion.

"As the trials progress this year, DPI&F FutureCane and participating cane farmers will conduct field walks to give farmers the opportunity to see the results of the different techniques," he said.



Cane Expo for Burdekin

Cane farmers from throughout Queensland and northern New South Wales will have the opportunity to share their innovative trials, research projects and success stories at a Grower Innovation Virtual Expo day to be held at the Australian Agricultural College Corporation-Burdekin campus on February 13.

The GIVE day is an initiative of Advance Burdekin Collective Research Inc (ABC Group) and is being facilitated through the FutureCane project.

DPI&F FutureCane business development officer David Brown said that the event would also highly regarded keynote speakers to set the theme for the day.

One of the keynote speakers on the day, Victorian grain grower Andrew Weidemann, a member of the innovative Birchip Cropping Group, will discuss the on-farm technologies

he has adopted to improve the effectiveness and efficiency of his farm management, including GPS guidance, yield monitoring and variable rate fertiliser technology.

The other guest speaker, Rick Llewellyn, is a farming systems scientist with CSIRO Sustainable Ecosystems based in Adelaide who is working with grower groups across the Mallee region to develop profitable uses for precision agriculture technology and using a grower group approach to developing sustainable weed management strategies for direct-seeded rice systems in the Philippines.

Those wishing to attend are advised to register by February 7th for catering purposes. A cost of \$20 covers lunch and morning and afternoon teas. Contact the Australian Agriculture College Corporation (Burdekin) to register on 4790 6222

SRDC Regional Awards for excellence for sugarcane growers groups

SRDC Executive Director, Dr Russell Muchow has announced that SRDC will provide nine regional awards for excellence in grower groups, each of \$12,000, in 2006.

The regions are Far North Queensland, Tully, Herbert, Burdekin, Proserpine, Central Queensland, Bundaberg, Southern Queensland and New South Wales/ Ord.

Nominations are now being sought and winners will be announced in late March and early April 2006, at the SRDC Regional Workshops.

"Through their activities, some grower groups are significantly improving the well-being of the sugar industry" said Dr Muchow. "SRDC is keen to recognise the contribution of these grower groups, both to the sugar industry and their local communities, by providing an award to these groups in each region".

"The awards will recognise innovative grower groups that are actively demonstrating better ways of farming that have economic, environmental and social benefits", he stated.

"More Australian sugarcane growers are working together in specific interest groups to explore new and better ways of doing things. The process of growers leading the on-farm research is a powerful way to get improvements", said Dr Muchow.

"Members of these groups often state that they are getting significant benefits from the sharing of ideas, from

developing better ways of farming and from adopting improved practices on their own farms", Dr Muchow added.

These awards highlight examples of innovation by grower groups and stimulate even greater participation by growers in improving their farm practices. Regional winners of the SRDC awards last year included the "Grain-in-Cane" group in southern Queensland and the "Babinda Future Farmers" group in far north Queensland.

Nomination forms are available from www.srdc.gov.au or by contacting SRDC on (07) 3210 0495 and completed nominations must be received at SRDC by 21 February 2006.

SRDC Regional Workshops 2006

The following dates have been confirmed for the 2006 Regional workshops:

Date	Mill areas/Regions covered
28th March	Mourilyan, Tablelands, Mulgrave, Babinda, Innisfail and Mourilyan.
29th March	Tully
30th March	Herbert
4th April	Mackay/Place Creek
5th April	Proserpine
6th April	Burdekin
10th April	Bundaberg
11th April	Isis, Maryborough, Rocky Point
12th April	NSW
14th June	Ord



CN | agribusiness

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CN|agribusiness, a specialised division of Carter Newell Lawyers together with AON Rural are working with the ACFA to provide tailored legal and commercial advice and risk management advice to the food and agribusiness sector. To assist members in obtaining advice on these issues a toll free line has been set up. This line is manned by Daniel Best, Associate of Carter Newell Lawyers and team leader of CN|agribusiness. Should you require assistance please contact Daniel.

Toll Free Line: 1800 000 198



Raw sugar futures market rallies to 11 year highs

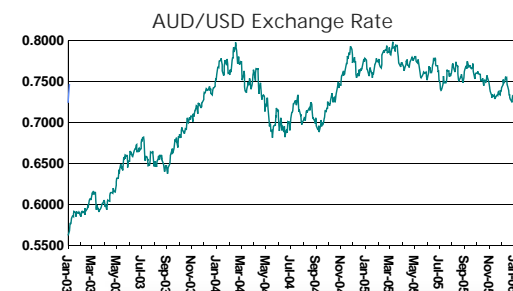
The New York No.11 Raw Sugar Futures Market has reached 11-year highs since our last report (December 7), thanks largely to data released substantiating expectations of a raw sugar deficit this year.

Trade buying and producer buy-backs added support to the market during December in the absence of fund buying. However, the fund buying has recently returned to the market, assisting the prompt Mar'06 contract on its way up to a high of US 15.76 c/lb on January 18. The May'06 position reached a high of US 15.72 c/lb. In total, the Mar'06 and May'06 contracts have gained a staggering US 2.31 c/lb and US 2.30 c/lb respectively in the weeks since our last report.

In summary, there are a number of fundamental, or physical, factors contributing to the strength of the raw sugar futures market including:

- * Drought reducing production in Centre South and North East Brazil;
- * A low crop forecast for Thailand;
- * Supply shortages in Pakistan, China, Vietnam; and
- * Damage to crops in Florida and Louisiana causing supply shortages in the US.

The conclusion of the 2005/06 Centre South Brazil harvest marks the market's transition into the much anticipated deficit period, which is



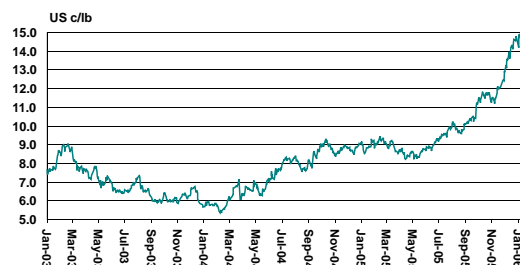
expected to peak in the second quarter of this year.

There has been a disappointing end to the Centre South Brazil harvest, with the final estimate issued by the Sao Paulo Sugarcane Agroindustry Union (UNICA) showing only moderate growth. Cane production is estimated at 336 million tonnes, which is only 2.2% higher than last season. Sugar production is virtually stagnant at 22 million tonnes, and ethanol production has increased by around 3.5 percent to 14.46 billion litres. Sugar and ethanol exports are estimated at 14.5 million tonnes and 1.85 billion litres respectively.

Higher demand for ethanol, thanks to record world oil prices, and the increasing popularity of flex-fuel cars, prompted Centre South producers to devote 52.5 percent of cane to ethanol production during the 2005 Season, compared with 51 percent last year. The commencement of the 2006/07 harvest, expected around early April, should see this trend continue as it is anticipated that domestic ethanol stores will have reached very low levels by this stage.

There has been another revision to the US production estimate during the month. The United States Department of Agriculture (USDA) has forecast production at 7.593 million short tons raw value, of which 4.435 million tons raw value will be derived from beet and 3.158 million tons raw value will be produced from cane. There was no change to the volume of imports required. It is still anticipated that the USDA will have to increase the volume of imports if they wish to keep the stocks to use ratio at a reasonable level.

NY11 Raw Sugar Futures Prompt Contract Price



The end to China's beet campaign has given some indication as to the current state of the 2005/06 crop. Sugar analyst firm Societe J Kingsman has estimated that China will need at least 1.0-1.3 million tonnes of imports to bridge the supply shortfall. Final sugar production can be more adequately gauged when the cane harvest concludes around April.

Meanwhile, the president of the Vietnam Sugar Association (VSA) has voiced his concerns to Reuters with regards to expected supply shortfalls this year. The country is expected to need around 200,000-250,000 tonnes of imports to meet consumption. Some of this demand is expected to be met by Thai A Quota production. Thailand A Quota production is typically reserved for domestic consumption, however the higher domestic price available in Vietnam is currently increasing the attractiveness of this outlet for Thai sugar. There has been some speculation that the Thai government may increase the A Quota in order to guarantee supply to the domestic market.

In terms of the Australian Dollar, firm commodities prices, coupled with increased speculative interest, has seen the Dollar strengthen in the first part of January. The dollar was trading at AUD/USD 0.7472 at the time of writing.

Your Insurance What does it cover?

Cane farmers need to know how best to insure and the various limits in their policies.

ACFA has had a relationship of some 15 years with Aon Risk Services one of the largest insurance brokerages in the World. The ACFA insurance program is the largest scheme for sugar cane growers.

What you can insure under the scheme

The details below are only a brief description of the cover available and a policy wording should be referred to so you can see the full policy exclusions and cover.

Section 1a Domestic Building & Domestic Contents

Domestic Buildings; Domestic Contents (includes valuable items up to \$ 2,000 any one item, \$ 10,000 in total). Covered for accidental loss or damage for replacement value. Personal Liability \$ 20,000,000

Section 1b Landlords Residential Property

Rental properties. Covered for accidental loss or damage for replacement value. Cover for Loss of Rent and Theft by Tenants available. Property Owners Liability \$ 20,000,000

Section 2 Farm Property

Farm buildings, farm contents, above ground farm improvements and specified items against losses from such things as Accidental loss or damage which includes Fire, Lightning, Explosion, Earthquake, Impact by Aircraft, Malicious Damage, Storm, Rainwater and Water Damage.

Section 3 Farm Machinery & Working Dogs

Farm machinery means:

- * Any agricultural machinery or towed implements used in the business.
- * Any self propelled machinery used in the business.
- * Any motor cycles, mini bikes, trailers used in the business.

Covered for Fire or Explosion; Lightning or Thunderbolt; Earthquake; Malicious damage, Deliberate or intentional acts (does not include Theft); Riots, Civil Commotion, Impact by aircraft or falling tree; Storm, Rainwater or Wind.

Section 4 - Theft

Theft of your farm contents, farm machinery and specified items (excluding money).

Section 5 Hay, Fencing, Livestock and Farm Trees

Covered for Fire or Explosion; Lightning or Thunderbolt; Earthquake; Malicious damage, Deliberate or intentional acts (does not include Theft); Riots, Civil Commotion, Impact by aircraft or falling tree. Storm, Rainwater or Wind only available for Hay (subject to policy conditions).

Section 6 Business Interruption

Farming continuation expenses and agistment income following a claim under farm property or farm motor.

Section 7 Business Liability

Your legal liability in respect to the operations of your business.

Business means farming, grazing, cropping, harvesting, or other like primary producing activities.

Section 8 Machinery Breakdown

Breakdown of electrical machinery, mechanical machinery and specified items.

Section 9 Personal Income

Covering Insured person for accidental injury, illness or accidental death.

Section 10 Road Transit

Livestock, farm produce, general farm goods and farm machinery whilst being carried on your vehicle and damaged or lost by Fire, Flood, Collision, Overturning and Theft.

Section 11 Boat Insurance

Loss or damage to your boat including liability cover \$ 5,000,000.

Section 12 Farm Motor

Loss or damage to your vehicles including liability cover \$ 10,000,000.

Contact your local Aon office:

QUEENSLAND (07)

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Cairns	40 510 688
Caloundra	54 914 455
Bundaberg	41 536 011
Mackay	49 446 400
Rockhampton	49 277 411
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Accordingly, you should take into account the appropriateness of any general advice or information we have given having regard to your own objectives, financial situation and needs before acting on it. Where the information relates to a particular financial product, you should obtain and consider the relevant Product Disclosure Statement before making any decision to acquire that financial product. Please feel free to contact your nearest Aon branch for further information and assistance.

What's going on in the sugar regions?

North Queensland Regional Report

After a very dry Christmas and New Year period, farmers were looking for some decent rain falls to boost the crop.



Fortunately, most areas in the north have now had good recovery rain falls and the crop has responded well.

Of note was Jarra Creek (via Tully) which received 310mls in a 24 hour period.

There have been some reports of small flights of beetles in the Mulgrave and Innisfail areas, and many farmers are also spraying to combat vine at the moment.

The price of sugar has been a talking point throughout the district, with most farmers cautiously positive for the 2006 season.

Another point of contention has been the possibility of renegotiating the Free Trade Agreement with the US to have sugar included. This would certainly aid in the recovery of the Australian sugar industry.

John Blanckensee
ACFA Northern Queensland Director
18th January 2006.

Herbert Regional Report

The very welcome rain during January brought a very hot, dry spell back to more bearable weather. The

rain has been widespread, though patchy, with some areas having up to 10 inches over a few days.



January is normally a quiet month as far as meetings are concerned, as many people are away due to school holidays. However, there is a meeting on the 31st January at the Royal Hotel titled Maximising Profitability in the Herbert Sugar Industry.

Dawn Brown
ACFA Herbert Director
24th January 2006.

Burdekin Regional Report

The region welcomed 4 inches of rain during the first week of the New Year.



The end of the 2005 crush ended favourably. The dry weather continued right up to the end of the crush allowing for a higher CCS than had been anticipated.

The \$4/megalitre hike in water charges for water pumped from regulated streams has raised concerns in the district. This translates to about a 33 per cent increase for farmers.

Another issue that will affect farmers this year will be the importance of supply contract negotiations. It is going to be necessary for farmers to negotiate a price on the current crop that reflects the NY No.11.

Adrian Ivory

ACFA Burdekin Director
12th January 2006.

Central Queensland Regional Report

2006 has started with some useful rain in the central region with falls from 100mm up to 250mm plus.



It was badly needed as plant cane ratoons were very severely stressed.

Much more rain will be needed to improve the levels (that are at an all time low) in the local dams.

Kevin Jones
ACFA Central Queensland Director
18th January 2006.

Southern Queensland Regional Report

The crushing finished on the 16th December due to continuing rain. Maryborough Mill crushed 772,882 tonnes of cane including 68,000 tonnes from Nambour.

The CCS for the 2005 season was 12.84 units.

Once the crushing had wound up, the district didn't receive any more rain up until the weekend of the 6th January when we received around 90mm.

Maryborough Sugar Factory lost 20 per cent of crushing time due to rain

Continued on page 15...

What's going on in the sugar regions?

Continued from page 14

and 73 per cent of cane in the area was cut green.



The variety Q205 is shaping up to be the major variety for Maryborough.

Some growers have planted soya beans in their fallow ground.

Graham Parker
ACFA Southern Queensland Director
19th January 2006.

New South Wales Regional

Report.

Growing conditions in NSW have been favourably for the establishment of the 2006 crop.



While Broadwater and Harwood mills were able to finish the season before Christmas unfortunately Condong did not complete its season until Thursday 29th December.

Most growers are very optimistic about the continual rise in sugar prices and are expecting a much greater return for the 2006 season.

Final figures for the three mill areas

for 2005 season are as follows:-

Harwood
Tonnes crushed - 751,602
CCS - 11.84

Broadwater
Tonnes crushed - 1,054,387 (a new record)
CCS - 11.02

Condong
Tonnes crushed - 613,728
CCS - 10.81

Wayne Rodgers
ACFA New South Wales Director
19th January 2006.

Your local ACFA

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The Australian CaneFarmer - Every month.
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