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Copersucar proposes an ethanol defense agenda

A positive agenda advocating the increased supply of ethanol in the Brazilian market was proposed by the chairman of the Copersucar S/A Board of Directors, Luís Roberto Pogetti, during the 13th International Forum on the Future of Ethanol at the opening of 2011 Fenasucro e Agrocana Fair in Sertãozinho, São Paulo, this Monday (August 29th). "The sugar-ethanol sector needs to work together to promote public policy that reestablishes the competitiveness of ethanol as a strategic component of the Brazilian energy matrix, ensuring it is attractive both to producers and consumers", Pogetti declared.

He claimed that the country has the potential to double ethanol supply in the medium term (by 2016) by utilizing existing installed capacity based on the recuperation and marginal amplification of sugarcane production and the optimization of investments already undertaken in industrial infrastructure, together with the corresponding expansion in planted area. Pogetti cited a number of initiatives that could leverage ethanol production capacity, such as investments in technology, parity tax treatment in the different states in Brazil and recognition of the positive effects of using ethanol as a fuel on the environment and public health. "Brazil is at the forefront of the mobility energy matrix, with flexible fuel car technology offering an incomparable advantage in the reduction of atmospheric emission", he declared. "Moreover, the sugar energy sector makes a very significant contribution to GDP (US\$ 48 billion) and employment (1.3 million jobs in the 2010/11 crop year).

Investments

The largest Brazilian sugar and ethanol commercialization operation with integrated production, Copersucar has exclusive responsibility for commercializing the sugar and ethanol produced by its 48 partner mills. On a non-exclusive basis, it also commercializes the sugar and ethanol production of around 50 non-partner mills.

Another competitive differential is the operation's logistics infrastructure for both the domestic and overseas markets. Combining large production volumes with a large-scale integrated logistics and commercialization system gives Copersucar a unique, highly efficient business model. "This model means we have global scale, with direct access to customers worldwide, supported by complete, integrated infrastructure", Pogetti states.

Currently, Copersucar has the largest sugar (2.5 million metric tons) and ethanol (3 billion liters) storage capacity in the world, with BRL 2 billion earmarked for investment to drive increases in efficiency and the expansion of sugar and ethanol transportation and storage capacity by 2015.

One of the main investments scheduled is the expansion of the Copersucar Sugar Terminal – TAC in the Portuguese acronym – in Santos, São Paulo, one of the largest and most modern terminals in the sector. BRL 200 million will be invested in expanding sugar export shipping capacity from 5.5 million to 10 million metric tons per year. Other investments are also planned to expand the company's port infrastructure.

BRL 30 million in investment has also been approved for the company's multimodal terminals in Ribeirão Preto and São José do Rio Preto in the state of São Paulo, which have a joint throughput of 2 million metric tons of sugar per year.

The company is also investing in strategic partnerships. Last November, Copersucar formed a joint venture with the Jamal Al-Ghurair Group for the creation of the Copa Shipping Company Limited, dedicated to chartering and managing ethanol and sugar maritime transportation. This partnership strengthens the company's involvement in maritime freight, resulting in greater planning capacity, higher quality, reduced costs and guaranteed product delivery to customers, further boosting its competitiveness.

In March 2011, Copersucar and other fuel and sugar energy companies formed Logum Logística S.A, to build a multiple pipeline system for the integrated distribution of ethanol. The improvements planned throughout the ethanol logistics chain will boost the product's competitiveness in the domestic and overseas markets.

Results

In the 2010/2011 Crop Year (ended in March 2011), Copersucar's financial performance consolidated its position as the largest sugar and ethanol commercialization operation, with revenues of BRL 8.3 billion, EBITDA of BRL 407 million and a net profit of BRL 355.5 million.

The evolution of its business model has enabled a 60% increase in the volumes commercialized over the last three years. In the 2010/2011 Crop Year, sales to Latin America, including Brazil, totaled 610 thousand metric tons of sugar, with domestic ethanol sales reaching 2.91 billion liters. Copersucar's overseas sales totaled 4.63 million metric tons of sugar, approximately 10% of the sugar traded freely worldwide, and 640.5 million liters of ethanol.

The crushing capacity of the partner mills and non-partner mills totals 115 million metric tons of sugarcane. The 48 partner mills, belonging to 26 business groups, are located in the states of São Paulo, Paraná, Minas Gerais and Goiás.

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