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## **Australia**

### **Sugar Semi-Annual**

#### **Australia Sugar Semi-Annual September 2016**

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**Report Highlights:**

Post forecasts Australian sugar production to increase to 5.1 million MT in 2016/17 assuming that improved seasonal conditions prevail. In recent years, the sugar industry has suffered from adverse weather events such as cyclones, flooding, drought, as well as cane disease – but this year the harvest area, production and exports are all expected to increase, as cane growers respond to significantly higher world sugar prices. Yields are expected to be stable.

**Executive Summary:**

Post forecasts the Australian sugar cane crush in 2016/17 to increase to 35 million MT with a harvested area of 400,000 hectares. This is slightly above the official estimate of 34 million MT due to more favorable seasonal conditions and the expanded harvested area, which was revised up in the official USDA forecast. Post forecasts sugar production to increase to 5.1 million MT in 2016/17. Post forecasts sugar exports to reach four million MT, slightly above the official estimate for exports of 3.9 million MT. Yields are expected to be stable.

The seasonal outlook is important as the Australian sugar industry is vulnerable to severe weather events such as cyclones, drought and flooding. More moderate seasonal conditions in recent years have contributed to an expansion in area and production. Over the three months from September to November, rainfall is forecast by the Australian Bureau of Meteorology to be above average across Queensland. The current outlook reflects a weakening negative Indian Ocean Dipole and tropical Pacific Ocean temperatures that may briefly approach La Niña thresholds. Over this period, days are likely to be warmer than average for most sugar growing regions, a trend which is positive for sugar cane growth.

**Commodities:**

Sugar, Centrifugal

Sugar Cane for Centrifugal

**Production:**

Post forecasts Australian sugar production to reach 5.1 million MT in 2016/17. This is slightly higher than the official estimate of five million MT due to improved seasonal conditions. The area of sugarcane harvested in Australia is forecast by Post to be 400,000 hectares in 2016/17 in line with the official forecast. Cane farmers have increased production areas in response to higher world sugar prices, which have risen over 40 percent since the beginning of 2016. The expanded harvest area is above the ten year average of 380,000 hectares. The current Australian Bureau of Meteorology outlook is for warmer and dryer weather to the end of 2016, which supports Post forecasts for higher production. While very high rainfall would slow the pace of sugar cane harvesting and mill processing, it is not expected to occur.

In recent years, Australian sugar cane production has been affected by Yellow Canopy Syndrome (YCS), which causes the leaves of the cane plant to turn yellow and also reduces the sugar content in cane. At some farms the disease is expected to reduce sugar yield by around 30 percent although overall yields are expected to be stable in 2016/17. Some sugar cane farmers have introduced break crops to re-introduce nitrogen into the soil to improve yields over the longer term. In addition, the rice industry has sought to encourage cane farmers to plant rice as a supplementary crop in irrigated fields, although this development is still at an early stage.

**Consumption:** Post expects domestic sugar consumption to be unchanged in 2016/17 at 1.2 million MT. There are no recent official statistics on consumption of sugar and private surveys are inconsistent. At the retail level, sugar competes with a range of other natural and artificial sweeteners and its market

share is determined by price competition, as well as consumer preferences for either sugar or artificial sweeteners. The introduction of a sugar tax to reduce average per capita sugar consumption in Australia was ruled out by the Deputy Prime Minister in September 2016.

**Trade:** Post forecasts that sugar exports will reach four million MT in 2016/17, slightly above the official estimate of 3.9 million MT due to the expected increase in production. Demand for Australian sugar has increased because of a slowdown in production in a number of countries, including Brazil. Australia is usually the third largest sugar exporter in the world and exports to East Asia, China, Indonesia, Japan, Korea, Malaysia, Taiwan, the United States and New Zealand. Australia has the capacity to store over two million tonnes of sugar in a network of bulk port terminals, which allows it to supply customers throughout the year. Official statistics on sugar exports by country are unavailable for six months due to confidentiality provisions.

#### **Marketing:**

In 2014, a number of major firms in the sugar milling industry announced that they would market their own sugar when their contracts with Queensland Sugar Limited expired in 2017. Since then, there has been an ongoing dispute between the cane growing industry and the sugar milling industry over marketing and distribution of sugar.

In December 2015, the Queensland Parliament passed legislation to re-regulate the industry through the *Sugar Industry (Real Choice in Marketing) Amendment Act 2005* which provides for binding pre-contract arbitration of disputes over marketing agreements. In response to this regulation, Singapore agribusiness Wilmar International (which accounts for eight sugar mills and 60 percent of the Australian sugar crush) reportedly deferred investment in a A\$75 million sugar storage facility; while Malaysian owned sugar miller MSF reportedly abandoned a planned A\$660 million harbor development and sugar mill expansion.

#### **Production, Supply and Demand Data Statistics:**

*Table 1: Production, Supply and Demand: Sugar Cane for Centrifugal Sugar  
(‘000 HA and ‘000 MT)*

| Sugar Cane for Centrifugal | 2014/2015     |          | 2015/2016     |          | 2016/2017     |          |
|----------------------------|---------------|----------|---------------|----------|---------------|----------|
| Market Begin Year          | Jul 2014      |          | Jul 2015      |          | Jul 2016      |          |
| Australia                  | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted               | 0             | 0        | 0             | 0        | 0             | 0        |
| Area Harvested             | 381           | 381      | 390           | 390      | 400           | 400      |
| Production                 | 32,000        | 32,000   | 33,000        | 34,000   | 34,000        | 35,000   |
| Total Supply               | 32,000        | 32,000   | 33,000        | 34,000   | 34,000        | 35,000   |
| Utilization for Sugar      | 32,000        | 32,000   | 33,000        | 34,000   | 34,000        | 35,000   |
| Utilization for Alcohol    | 0             | 0        | 0             | 0        | 0             | 0        |
| Total Utilization          | 32,000        | 32,000   | 33,000        | 34,000   | 34,000        | 35,000   |

*Note:* ‘New Post’ data reflect author’s assessments and are not official data.

*Table 2: Production, Supply and Demand: Centrifugal Sugar*

| Sugar, | 2014/2015 | 2015/2016 | 2016/2017 |
|--------|-----------|-----------|-----------|
|--------|-----------|-----------|-----------|

| Centrifugal                    |                  |             |                  |             |                  |             |
|--------------------------------|------------------|-------------|------------------|-------------|------------------|-------------|
| Market Begin Year              | Jul 2014         |             | Jul 2015         |             | Jul 2016         |             |
| Australia                      | USDA<br>Official | New<br>Post | USDA<br>Official | New<br>Post | USDA<br>Official | New<br>Post |
| Beginning Stocks               | 111              | 111         | 140              | 140         | 380              | 230         |
| Beet Sugar Production          | 0                | 0           | 0                | 0           | 0                | 0           |
| Cane Sugar Production          | 4,700            | 4,700       | 5,000            | 4,900       | 5,000            | 5,100       |
| Total Sugar Production         | 4,700            | 4,700       | 5,000            | 4,900       | 5,000            | 5,100       |
| Raw Imports                    | 30               | 30          | 30               | 30          | 30               | 30          |
| Refined Imports<br>(Raw Value) | 60               | 60          | 60               | 60          | 60               | 60          |
| Total Imports                  | 90               | 90          | 90               | 90          | 90               | 90          |
| Total Supply                   | 4,901            | 4,901       | 5,230            | 5,130       | 5,470            | 5,420       |
| Raw Exports                    | 3,361            | 3,361       | 3,450            | 3,500       | 3,700            | 3,800       |
| Refined Exports<br>(Raw Value) | 200              | 200         | 200              | 200         | 200              | 200         |
| Total Exports                  | 3,561            | 3,561       | 3,650            | 3,700       | 3,900            | 4,000       |
| Human Domestic<br>Consumption  | 1,200            | 1,200       | 1,200            | 1,200       | 1,200            | 1,200       |
| Other Disappearance            | 0                | 0           | 0                | 0           | 0                | 0           |
| Total Use                      | 1,200            | 1,200       | 1,200            | 1,200       | 1,200            | 1,200       |
| Ending Stocks                  | 140              | 140         | 380              | 230         | 370              | 220         |
| Total Distribution             | 4,901            | 4,901       | 5,230            | 5,130       | 5,470            | 5,420       |

*Note:* ‘New Post’ data reflect author’s assessments and are not official data.