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Australia

Sugar Annual

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Report Highlights:

Australian sugar cane production is forecast to be stable at 34 million metric tons (MMT) in 2019/20. The harvest area is expected to be unchanged at 400,000 hectares. Post forecasts 2019/20 centrifugal sugar production to be stable at 4.9 MMT while sugar exports are expected to be 3.8 MMT.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Executive Summary

Post expects the Australian sugar cane crush in 2019/20 to remain at 34 million metric tons (MMT) from a harvested area of 400,000 hectares. Centrifugal sugar production is forecast at 4.9 MMT in 2019/20, the same as the previous year. Australian sugar exports are forecast to be stable at 3.8 MMT in 2019/20 or almost 78 percent of production.

Seasonal Conditions

Australia's sugar industry is vulnerable to severe weather events such as cyclones, drought, and flooding. In February 2019, an intense monsoonal trough resulted in heavy rainfall and flooding across north Queensland, with approximately two years of rain falling in two weeks. The monsoon adversely affected some coastal sugar cane farms, but the overall impact on the industry is not expected to be significant.

Production

Australian sugar production is forecast to be steady at 4.9 MMT in 2019/20 and the harvested area is expected to remain at 400,000 hectares. Expansion of Australia's sugar production is constrained by low world prices, lack of suitable and affordable land close to sugar mills, and competition for suitable agricultural land from the horticulture sector.

Approximately 95 percent of Australia's raw sugar is produced in Queensland, with the remainder in northern New South Wales (NSW). Sugar mills are located along Australia's eastern coastline from Mossman in far north Queensland to Grafton in NSW. There are 24 sugar manufacturing mills, owned by eight separate companies, which purchase sugarcane from an estimated 4,000 farms. The crushing season usually lasts more than 20 weeks, depending on seasonal conditions. A typical Queensland sugar mill can crush cane at a rate of 500 metric tons (MT) per hour or 1.4 MMT of cane per season.

Out of the 34 MMT of sugarcane harvested in an average season, sugar millers manufacture around 4.9 MMT of raw sugar and an array of co-products, including 1 MMT of molasses and 10 MMT of bagasse. Australian sugar mills use bagasse to generate electricity and steam to power its machines. It is estimated that 50 percent of the power generated by the sugar mills is exported to the nation's electricity grid.

Consumption

Per capita sugar consumption is forecast to remain unchanged at 1.2 MMT in 2019/20. Consumption is expected to decline over the medium term as a result of changing consumer diets and greater concern over health issues. Sugar consumption per person is expected remain the same in 2019/20 at 54 kilograms. The Australian government has thwarted repeated attempts to introduce a sugar tax.

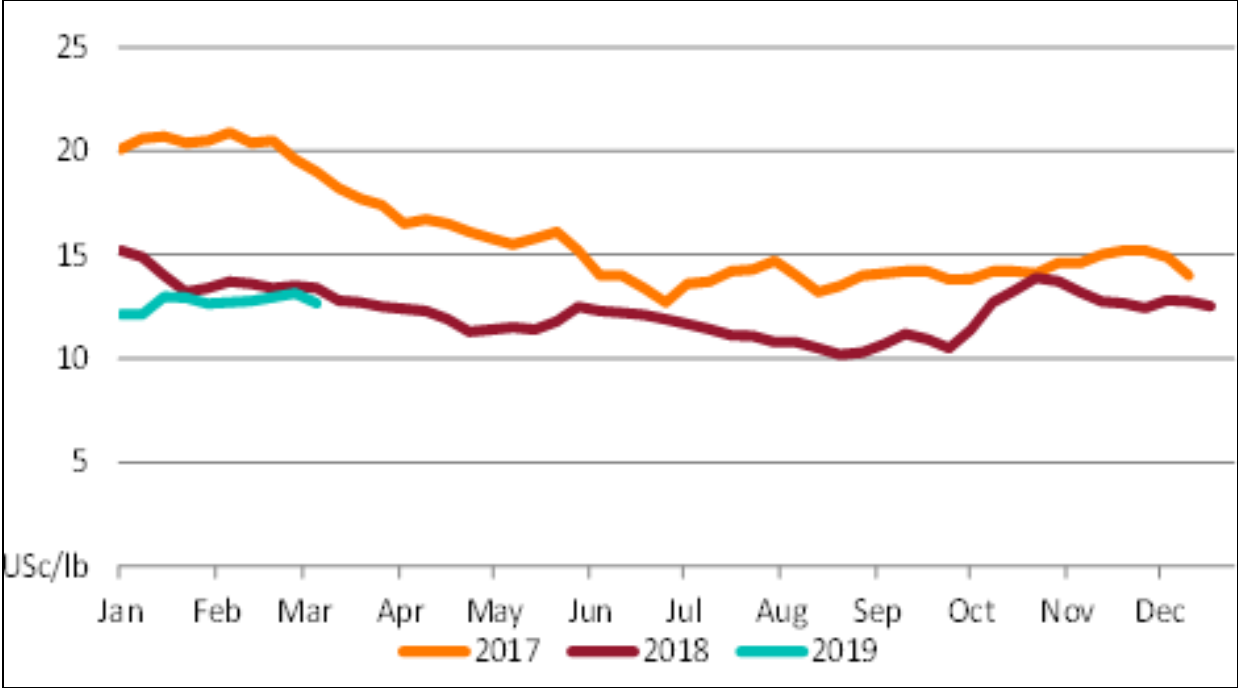
Marketing and Distribution

To resolve an ongoing dispute between cane growers and sugar mills over marketing and distribution of sugar, the Australian government passed the Sugar Industry Act and established a code of conduct for the sugar milling industry. The polices ensure sugar contracts will be based on competitive bids and provides that sugarcane growers can exercise “Grower Choice” in marketing sugar to a mill operator. In 2018, the Australian Competition and Consumer Commission (ACCC) initiated an inquiry on the role of competition in the industry and will release the results in late 2019.

Trade

Australian sugar exports are forecast to remain at 3.8 MMT in 2019/20. Australia is one of the five largest sugar exporters in the world with China, Indonesia, Japan, Korea, Malaysia, Taiwan, the United States, and New Zealand as its major markets. Australia has the capacity to store over 2 MMT of sugar in a network of bulk port terminals, which allows it to supply customers throughout the year. Up-to-date official statistics on sugar exports by country are unavailable due to confidentiality provisions. International sugar prices are shown in Chart 1.

Chart 1: Trends in international sugar prices (US cents/pound), 2017-19



Source: ABARES and industry sources.

In early 2019, the governments of Australia and Brazil jointly filed a World Trade Organization (WTO) complaint against the Indian government claiming that it unfairly supported its domestic sugar producers.

Production, Supply and Demand (PSD) Tables:

Table 1: Sugar Cane for Centrifugal Sugar ('000 HA and '000 MT)

Sugar Cane for Centrifugal	2017/2018		2018/2019		2019/2020	
Market Begin Year	July 2017		July 2018		July 2019	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	400	400	400	400	400	400
Production	34,000	34,000	34,000	34,000	34,000	34,000
Total Supply	34,000	34,000	34,000	34,000	34,000	34,000
Utilization for Sugar	34,000	34,000	34,000	34,000	34,000	34,000
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	34,000	34,000	34,000	34,000	34,000	34,000

(1000 HA), (1000 MT)

Note: 'New Post' assessments are not official data.

Table 2: Production, Supply and Demand: Centrifugal Sugar ('000 HA and '000 MT)

Sugar, Centrifugal	2017/2018		2018/2019		2019/2020	
Market Begin Year	July 2017		July 2018		July 2019	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	220	220	110	110	0	100
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	4,800	4,800	5,000	4,900	0	4,900
Total Sugar Production	4,800	4,800	5,000	4,900	0	4,900
Raw Imports	30	30	30	30	0	30
Refined Imports	60	60	60	60	0	60
(Raw Value)						
Total Imports	90	90	90	90	0	90
Total Supply	5,110	5,110	5,200	5,100	0	5,090
Raw Exports	3,600	3,600	3,700	3,600	0	3,600
Refined Exp.(Raw Val)	200	200	200	200	0	200
Total Exports	3,800	3,800	3,900	3,800	0	3,800
Human Domestic Consumption	1,200	1,200	1,200	1,200	0	1,200
Other Disappearance	0	0	0	0	0	0
Total Use	1,200	1,200	1,200	1,200	0	1,200
Ending Stocks	110	110	100	100	0	90
Total Distribution	5,110	5,110	5,200	5,100	0	5,090

(1000 MT)

Note: 'New Post' assessments are not official data.