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Australia

Sugar Annual

Australia Sugar Annual 2018

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Report Highlights:

Australian sugar cane production is forecast to be stable at 34 million metric tons (MMT) in 2018/19, similar to last year. The harvest area is expected to be unchanged at 400,000 hectares. Post forecasts production of centrifugal sugar to increase by 2 percent to 4.8 MMT in 2018/19, after declining in the previous year due to dry seasonal conditions and lower yields. Exports of sugar are forecast as unchanged in 2018/19 at 3.7 MMT.

Commodities:

Sugar Cane for Centrifugal
Sugar, Centrifugal

Executive Summary

Post expects the Australian sugar cane crush in 2018/19 to remain at 34 million metric tons (MMT) from a harvested area of 400,000 hectares. Centrifugal sugar production is forecast to increase by 2 percent to 4.8 MMT in 2018/19 due to a recovery in yields and favorable seasonal conditions. Australian sugar exports are forecast to be steady at 3.7 MMT in 2018/19, the same as the previous year.

Seasonal Conditions

The seasonal outlook is important as the Australian sugar industry is vulnerable to severe weather events such as cyclones, drought, and flooding. In recent years, hot and dry seasonal conditions in Queensland have adversely affected sugar cane area and production. Over the three months to June 2018, the Australian Bureau of Meteorology has forecast average rainfall in most cane-growing areas, while temperatures are expected to be warmer than average (see charts 1 and 2). Overall, these trends are likely to be moderately positive for sugar cane growth. In April 2018, tropical cyclone Iris hit the north Queensland coast where a significant part of Australia's sugar cane crop is grown, but its impact is not expected to be significant.

Production

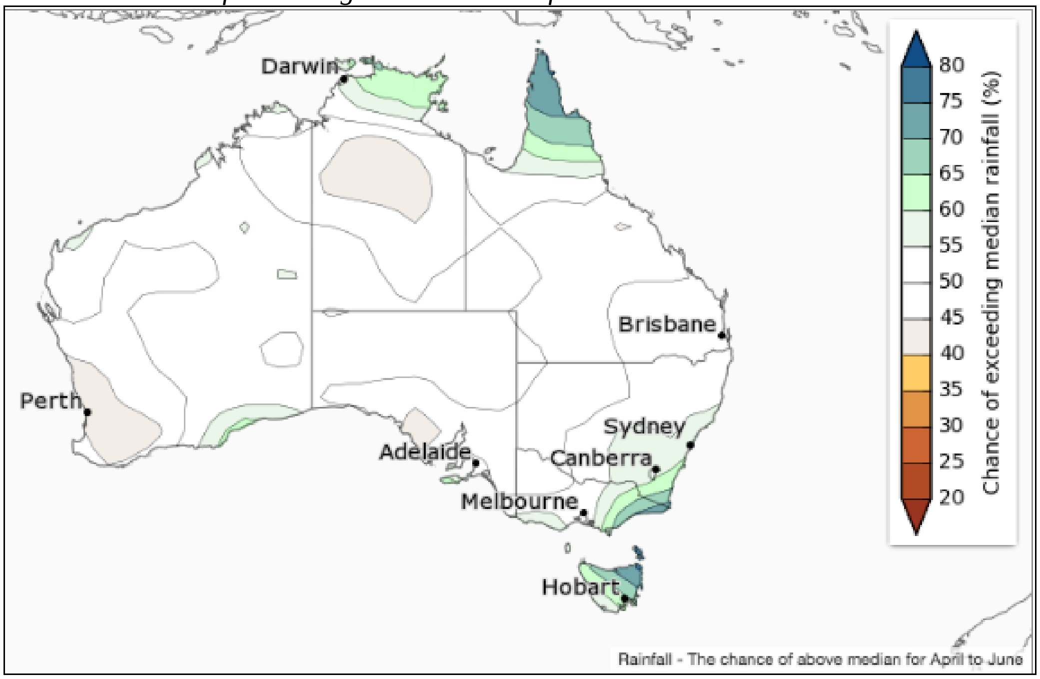
Post forecasts Australian sugar production to increase by 2 percent to 4.8 MMT due to favorable seasonal conditions. The harvested area is expected to be stable at 400,000 hectares, the same as the previous year. Expansion of the Australian sugar industry is inhibited by low world prices and the lack of suitable land close to sugar mills. Increasingly, farmers in Queensland are exploring other crops such as horticulture and rice, thus, increasing competition for land use.

In recent years, Australian sugar cane production has been affected by the Yellow Canopy Syndrome (YCS), which causes leaves to turn yellow and reduce the sugar content in cane. The disease, however, is not expected to significantly constrain 2018/19 production. Some sugar cane farmers have introduced break crops to re-introduce nitrogen into the soil and improve yields over the longer term. In addition, the rice industry has encouraged cane farmers to plant rice as a supplementary crop in irrigated fields, although this development is at an early stage.

Consumption

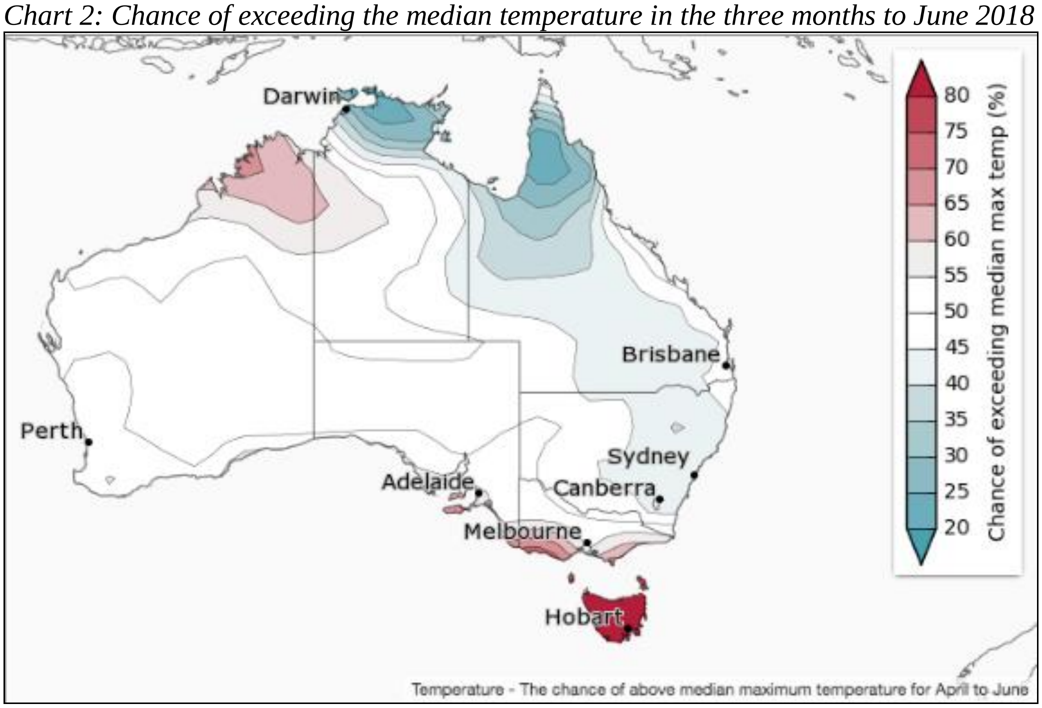
Per capita sugar consumption is forecast to remain unchanged at 1.2 MMT in 2018/19. Consumption is expected to decline over the medium term as a result of changing diets and greater concern over health issues. Sugar consumption averaged 54 kilograms per person in the decade to 2017 and is expected remain the same in 2018/19 as population growth offsets declining consumption. The introduction of a sugar tax to reduce average per capita sugar consumption has been repeatedly ruled out by the Australian government.

Chart 1: Chance of exceeding the median rainfall in the three months to June 2018



Source: Bureau of Meteorology (2018).

Chart 2: Chance of exceeding the median temperature in the three months to June 2018



Source: Bureau of Meteorology (2018).

Marketing and Distribution

An ongoing dispute between cane growers and sugar mills over marketing and distribution of sugar led the Australian government to establish a code of conduct for the sugar milling industry. The new policy ensures that sugar contracts will be based on competitive bids, not closed negotiations. As a result, a number of major sugar processors have severed ties with the traditional marketer, Queensland Sugar, and will market and export their production independently beginning at the end of the 2019 season.

Trade

Post forecasts sugar exports at 3.7 MMT in 2018/19, the same as last year. Australia is usually the third largest sugar exporter in the world and its major markets are China, Indonesia, Japan, Korea, Malaysia, Taiwan, the United States, and New Zealand. 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.

Australia and Peru concluded the Peru–Australia Free Trade Agreement (PAFTA) in November 2017, which is likely to increase market access for Australian sugar exports. The agreement will enter into force when both countries complete their domestic treaty-making processes. The free trade agreement provides guaranteed duty-free quotas for Australian sugar totaling 30,000 MMT per year. The duty-free quota is scheduled to increase to 60,000 MT after five years and 90,000 MT after 18 years.

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

Sugar Cane for Centrifugal	**2016/2017**		**2017/2018**		**2018/2019**	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
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	0	400
Production	34,000	34,000	34,000	34,000	0	34,000
Total Supply	34,000	34,000	34,000	34,000	0	34,000
Utilization for Sugar	34,000	34,000	34,000	34,000	0	34,000
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	34,000	34,000	34,000	34,000	0	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	**2016/2017**		**2017/2018**		**2018/2019**	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	230	230	220	220	0	110
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	5,100	5,100	4,800	4,700	0	4,800
Total Sugar Production	5,100	5,100	4,800	4,700	0	4,800
Raw Imports	30	30	30	30	0	30
Refined Imp.(Raw Val)	60	60	60	60	0	60
Total Imports	90	90	90	90	0	90
Total Supply	5,420	5,420	5,110	5,010	0	5,000
Raw Exports	3,800	3,800	3,500	3,500	0	3,500
Refined Exp.(Raw Val)	200	200	200	200	0	200
Total Exports	4,000	4,000	3,700	3,700	0	3,700
Human Dom. 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	220	220	210	110	0	100
Total Distribution	5,420	5,420	5,110	5,010	0	5,000
(1000 MT)						

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