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Australia

Sugar Semi-annual

2013

Approved By:

Hugh Maginnis, Agricultural Counselor

Prepared By:

Rebecca Gowen, Agricultural Specialist

Report Highlights:

Sugar production for 2013-14 has been revised down to 4.3MMT due to poor seasonal conditions. In line with this sugar exports for 2013-14 have also been revised down by six percent to 3.2MMT. Australia used only 76 percent of allowable U.S. sugar import quota in the 2012-13 trade year. This is the first time Australia has not filled the quota.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Seasonal conditions

In January 2013 the Bundaberg region in Central Queensland was hit by major floods which destroyed large areas of sugarcane. Since then however, seasonal conditions have been drier than normal. The dry conditions have impacted final yield for the 2013-14 crop and planting has been affected in some dry-land production areas. Rainfall over the next four to six weeks will be critical in determining area harvested and yield for the 2014-15 crop.

Production

Sugar production for 2013-14 has been revised down to 4.3MMT due to the seasonal conditions described above and the impact of ‘Yellow canopy syndrome’ which has severely affected yields in northern production areas. Previous forecasts had also been made based on the expectation of an increase in area harvested from new land brought into production. However, this was negated by the effects of flooding which destroyed some crops entirely.

Area harvested and total cane production for 2011-12 was revised down based on the release of official data.

Trade

Sugar exports for 2013-14 have also been revised down to reflect the reduction in the expected forecast. At a total of 3.2MMT, the revised estimate is nearly six percent lower than the previous estimate but still three percent higher than estimated exports in 2012-13. Trade data for Australia is extremely limited due to confidentiality issues associated with the single exporter however general trends for 2013-14 appear to be following historical patterns with the exception of exports to the United States. Total Australian quota to the U.S. for the 2012-13 tariff year (October – September) was 85,353MT however a total of only 65,241MT will be shipped. This is the first time the quota will not be filled.

The total amount of refined sugar imported into Australia for 2012-13 was only 59,000MT, nearly 40 percent lower than previous estimates. This figure is in line with the 2011-12 figure of 54,000MT. Given the reduction in per-capita consumption which has been observed in Australia combined with an increase in domestic production, forecast imports for 2013-14 have been revised down to 60,000MT.

Consumption

A reduction of approximately three percent has been forecast across the three reporting years to reflect the reduction in production and imports explained in the previous sections.

Sugar marketing arrangements

The formal ‘single-desk’ for exports of Queensland sugar ended in 2006 and since then the industry has undergone a significant restructure including a sharp increase in foreign ownership of sugar mills. Queensland Sugar Limited (QSL) still markets the majority of sugar produced in Queensland however the industry has recognized that this is not sustainable. The peak body for the Australian sugar industry is Canegrowers, which recently released a report which outlines six possible alternatives. The most likely alternative is that milling companies will be allowed to market their ‘economic interest’ while QSL will continue to market growers’ economic interest as well as continuing to provide handling, storage and logistics services. The concept of economic interest means that the miller is entitled to the first four units of commercial cane sugar (CCS) and the grower is entitled to the balance. Currently only one Queensland mill, Wilmar, has been given the right to market their own sugar. Before the marketing arrangements can be finalized the industry also needs to create a system to recognize clear

legal title to sugar between the miller and the grower. A further round of industry consultation will be held over the next few months before a final decision is made.

Sugar in the TPP

Sugar has become a sticking point for the continuation of negotiations for the Trans-Pacific Partnership (TPP). Australia's peak grower body Canegrowers is strongly advocating for the TPP to include new market access opportunities and the reduction of trade quotas and tariffs.

Production, Supply and Demand Statistics

Sugarcane

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