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Australia

Sugar Semi-annual

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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 10 percent to 5 MMT in 2018/19, due to better seasonal conditions and improved yields. Sugar exports are forecast to increase to 3.9 MMT in 2018/19 due to higher domestic production.

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 10 percent to 5 MMT in 2018/19 as a result of better yields and favorable seasonal conditions. Australian sugar exports are forecast to be increase to 3.9 MMT in 2018/19 due to higher domestic production.

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. However, in the current season, rainfall is expected to be adequate for increased yields while adverse seasonal events such as cyclones and flooding have not occurred.

Production

Post forecasts Australian sugar production to increase by 10 percent to 5 MMT due to favorable seasonal conditions. The harvested area is expected to be stable at 400,000 hectares, the same as the previous year, but yields are expected to increase as a result of better seasonal conditions and the likelihood of adequate rainfall. 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.

The sugar cane “crushing” season in northern Queensland and northern New South Wales (NSW) takes place between June and November. Harvesting is undertaken by cane harvesters that cut the cane into smaller stalks. In a process called co-generation, bagasse (the fibrous residue left after the sugar juice has been removed), is used as boiler fuel in sugar mills. The bagasse is burnt to produce steam, which provides heat for the milling process and drives turbines to generate renewable electricity for export to the national grid.

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 consumer 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.

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. To address this concern, the Australian Parliament passed the Sugar Industry Act of Queensland, which provides that sugarcane growers can exercise "Grower Choice" in marketing sugar to a mill operator. The objective of the Act is to balance the market power of cane growers and millers. In 2018, the Australian Competition and Consumer Commission (ACCC) initiated an inquiry on the role of competition in the industry.

Trade

Post forecasts sugar exports at 3.9 MMT in 2018/19, a gradual increase on the previous year. Australia is one of the five largest sugar exporters 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.

Chart 3: Trends in international sugar prices (A$/MT), 2018

Source: Industry sources.

Australia and Peru concluded the Peru–Australia Free Trade Agreement (PAFTA) in November 2017, which is likely to increase market access for Australian sugar exporters. The agreement will enter into force when both countries complete their domestic treaty-legislative 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 another 60,000 metric tons (MT) after five years and 90,000 MT after 18 years.

Australia and Indonesia signed a bilateral free trade agreement in September 2018, which could benefit the Australian sugar industry. Under the proposed FTA provisions, there will be a reduction in the tariff from 8 percent to 5 percent. Currently, Australia exports around 350,000 MT of sugar to Indonesia.

Production, Supply and Demand

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	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	2016/2017		2017/2018		2018/2019	
Market Begin Year	July 2016		July 2017		July 2018	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	230	230	220	220	110	110
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	5,100	5,100	4,800	4,800	4,800	5,000
Total Sugar Production	5,100	5,100	4,800	4,800	4,800	5,000
Raw Imports	30	30	30	30	30	30
Refined Imports (Raw Value)	60	60	60	60	60	60
Total Imports	90	90	90	90	90	90
Total Supply	5,420	5,420	5,110	5,110	5,000	5,200
Raw Exports	3,800	3,800	3,500	3,600	3,500	3,700
Refined Exp.(Raw Val)	200	200	200	200	200	200
Total Exports	4,000	4,000	3,700	3,800	3,700	3,900
Human Domestic 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	220	220	210	110	100	100
Total Distribution	5,420	5,420	5,110	5,110	5,000	5,200
(1000 MT)						

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