

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 4/17/2013

GAIN Report Number: AS1311

Australia

Sugar Annual

2013

Approved By:

Hugh Maginnis, Agricultural Counselor

Prepared By:

Rebecca Gowen, Agricultural Specialist

Report Highlights:

Total sugar production in Australia for 2012/13 Australian sugar crop was 4.25 million MT. In 2013/14 total production is expected to increase by 5 percent to 4.54 million MT of sugar. Total exports for 2011/13 are expected to be 3.1 million MT, increasing to 3.4 million MT in 2013/14. High sugar prices in Asia mean that for the first time Australia is unlikely to fill its tariff-free quota of sugar to the United States. New data estimates that per capita sugar consumption is falling steadily and is now estimated at 42 kilograms per person per year.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Summary

Total sugar production in Australia for 2012/13 Australian sugar crop was 4.25 million MT. In 2013/14 total production is expected to increase by 5 percent to 4.54 million MT of sugar. Total exports for 2011/13 are expected to be 3.1 million MT, increasing to 3.4 million MT in 2013/14. High sugar prices in Asia mean that for the first time Australia is unlikely to fill its tariff-free quota of sugar to the United States. New data estimates that per capita sugar consumption is falling steadily and is now estimated at 42 kilograms per person per year.

Production

Total sugar production for the 2012/13 Australian sugar cane crop was just below average at an estimated 4.25million MT of sugar. High rainfall and good growing conditions combined to increase average yields to 85 tons per hectare across the 360,000 hectares of cane cut for crushing. These estimates are nearly 14 percent higher than the 2011/12 crop which was severely affected by Cyclone Yasi.

The area of cane cut for crushing in 2013/14 is expected to increase to 364,000 hectares. This is slightly less than originally expected due to flood damage which was not initially visible from the field edges. Yields in 2012/13 were still affected by residual impacts of Cyclone Yasi but full recovery is expected for the 2013/14 crushing season which would increase total production by 5 percent to 4.54MMT.

However, an as yet undiagnosed syndrome has been identified in parts of the northern sugarcane area. The syndrome causes yellowing of the leaves and is believed to be related to poor root structure in the plant. Early estimates indicate that up to 28,000 hectares of sugarcane in the Burdekin region could be affected. The syndrome may cause some yield decline.

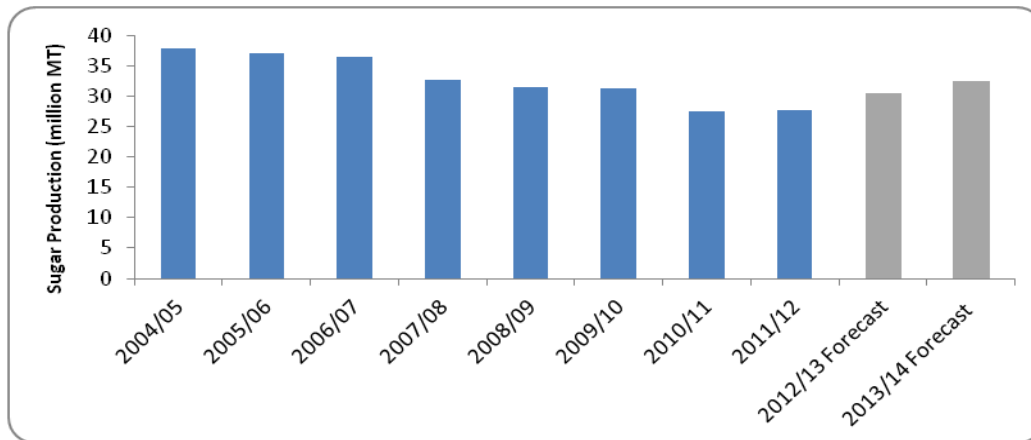


Figure 1 Australian sugar production

World demand for sugar is expected to continue to increase which is expected to increase demand for Australian exports. However, industry sources estimate that the maximum potential sugar production for Australia is 6 MMT. This does not include the potential for sugarcane production in the Ord River Irrigation Area (ORIA) of Western Australia. Up to 4,000 hectares of sugarcane has previously been grown in the ORIA but ceased in 2007 when the world sugar price fell. However, the irrigated area has recently been expanded which has renewed interest in sugar production. A Chinese company has leased 13,400 hectares of land in the ORIA which under the terms of the lease must be developed for sugarcane production, including the construction of a sugar mill.

Trade

One company, Queensland Sugar Limited (QSL), accounts for over 90 percent of Australian sugar exports. QSL owns six bulk export terminals and the structure of the handling and marketing system is highly efficient which contributes to keeping costs low. The storage facilities owned and operated by QSL also allow sugar to be supplied to customers throughout the year.

However, due to the confidential nature of export data it is difficult to get accurate export statistics. Official statistics are only available after a nine month lag and publically available statistics are not always updated. The best estimate is that 2.8 million MT were exported in 2011/12 with 3.1 million MT expected to be exported in 2012/13. With the increase in sugar cane area in 2013/14, total exports are expected to increase to 3.4 million MT.

Over 90 percent of Australian sugar exports go to Asian markets where Australia has a competitive advantage over other large sugar producers such as Brazil due to lower freight costs. Key destinations include South Korea, Malaysia and Japan.

Australia has tariff free access for sugar to the United States for a specific quota. The quota for the 2012/13 year is 85,353MT of which approximately 35,241MT has been shipped to date. However, due to the higher price available in Asian markets it is unlikely that Australia will fill the US quota this year. This will not affect the quota allocated for 2013/14.

Consumption

Official government statistics on sugar consumption in Australia have not been available since 1998/99. The lack of data has caused problems for both industry and policymakers who have been concerned that sugar consumption per capita has been rising but have been unable to track it accurately. To address this deficiency the Australian Sugar Refiners and the lobby group Canegrowers Australia, commissioned an independent analysis in 2012 to update the data. The analysis used the same methodology as the previous government data which allows the dataset to be extended up to 2011. Results of the analysis indicate that annual sugar consumption fell from 47.5kilograms (104.5lb) per capita in 1998 to 42kilograms (92lb) in 2011. This figure includes all domestically produced and consumed sugar, imported sugar and the sugar content of manufactured goods. Based on these revised estimates of per capita consumption, total human consumption for 2011/12 and 2012/13 have been revised downwards to 1.2 and 1.25 million MT respectively.

The decline in per capita sugar consumption in Australia has been attributed to both increasing global sugar prices and dietary changes. The Australian National Health and Medical Research Council released new dietary guidelines in February 2013 which recommend limiting consumption of food containing added sugars. The recommended sugar intake for Australian adults is 90 grams per day, almost 30 percent lower than current consumption.

The majority of sugar consumed in Australia is in the form of sucrose. Some reports had suggested that consumption of fructose (powdered or as high fructose corn syrup) was increasing however there is no confirmed production of fructose in Australia and only 3,000 tons per year is imported, some of which is re-exported to Japan in manufactured products. Based on the available data, fructose represents less than 0.3 percent of total sugar consumption in Australia.

Sugar Milling and Marketing

In late 2011 the Singaporean based company Wilmar International Ltd acquired the Proserpine Sugar Mill and in February 2012 the Thai company Mitr Phol purchased the remaining Maryborough Sugar shares. These acquisitions mean that 75 percent of Australian sugar milling capacity is now foreign owned compared to just 16 percent in 2010. Industry perception is that these purchases represent a vote of confidence in the industry as technical advances and efficiency improvements have made Australia a low cost sugar producer in global terms.

Production Supply and Demand Statistics

Sugar, Centrifugal Australia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	193	193	73	64		86
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	3,900	3,733	4,300	4,247		4,540
Total Sugar Production	3,900	3,733	4,300	4,247		4,540
Raw Imports	40	50	25	25		30
Refined Imp.(Raw Val)	140	88	140	100		100
Total Imports	180	138	165	125		130
Total Supply	4,273	4,064	4,538	4,436		4,756
Raw Exports	2,650	2,600	2,900	2,900		3,200
Refined Exp.(Raw Val)	200	200	200	200		200
Total Exports	2,850	2,800	3,100	3,100		3,400
Human Dom. Consumption	1,350	1,200	1,375	1,250		1,250
Other Disappearance	0	0	0	0		0
Total Use	1,350	1,200	1,375	1,250		1,250
Ending Stocks	73	64	63	86		106
Total Distribution	4,273	4,064	4,538	4,436		4,756