

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Australia

Sugar Annual

2014

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Report Highlights:

Australian sugar production is projected to grow slightly to 4.4 million tons in 2014/15 assuming that normal seasonal conditions persist. Access to Korea, Australia's largest market, was increased under a free trade agreement in April 2014. Australian sugar exporters did not fully meet the U.S. raw sugar quota allocated to them in 2012/13 but are on target for 2013/14.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Overview

The Australian sugar industry produces raw and refined sugar from sugarcane. Over 80 per cent of production is exported as bulk raw sugar and Australia ranks as the fourth largest raw sugar exporter in the world. The sugar cane crushing season usually commences in June and ends in mid-December. Season length can be affected by climatic conditions and crop rotation practices. Sugar cane usually grows for 9-16 months before being harvested. In recent years, output has been affected by drought and floods, but is forecast to rebound in 2014/15.

Production

The Australian sugar industry has over **4,000** cane farm businesses, 24 sugar mills and six bulk storage ports. The average farm size of around **100 hectares** has been gradually increasing due to the benefits of greater scale from mechanization and the growth of corporate farming. There are four growing regions in Queensland, with around 1,700 growers and an average farm size of 77 hectares. New South Wales (NSW) has 600 growers with an average farm size of 33 hectares.

Australia's sugar cane is grown in high-rainfall and irrigated districts areas along coastal plains and river valleys over 2100 kilometers of the eastern coastline. Ninety per cent of sugar is grown in Queensland and the remainder in northern NSW. The industry is fully mechanized and is implementing initiatives to save energy and improve farm management. Cane growers across Queensland use the 'Q' variety of cane which was developed in Australia for local conditions.

The area planted to sugar cane in 2014/15 is expected to reach 390,000 hectares, assuming that normal seasonal conditions prevail. Category one Cyclone Ita struck Queensland in mid-April 2014, but its impact is still unknown. Australian sugar production is forecast to expand to around 4.4 million tons in 2014/15 due to improved yields, better rainfall, higher dam storage levels in sugar cane regions and an easing of drought conditions.

Consumption

Around 80 per cent of Australian sugar is exported and 20 per cent is consumed domestically. Domestic sugar consumption has been static over the last decade. At the retail level, sugar competes with a range of other natural and artificial sweeteners and its market share is determined by price competition as well as consumer preferences for either sugar or artificial sweeteners. The majority of sugar consumed in Australia is in the form of sucrose. There is no apparent production or imports of fructose in Australia.

Official statistics on domestic per capita consumption of sugar have been unavailable since the Australian Bureau of Statistics discontinued its survey in 1999. The Australian Sugar Refiners Group and Canegrowers Australia commissioned an analysis in 2012 which found that annual sugar consumption fell from 47.5 kg per capita in 1998 to 42 kg over the previous year. The apparent decline in per capita sugar consumption was disputed by consumer health groups because a number of foods and beverages were not included in the survey.

Marketing and Distribution

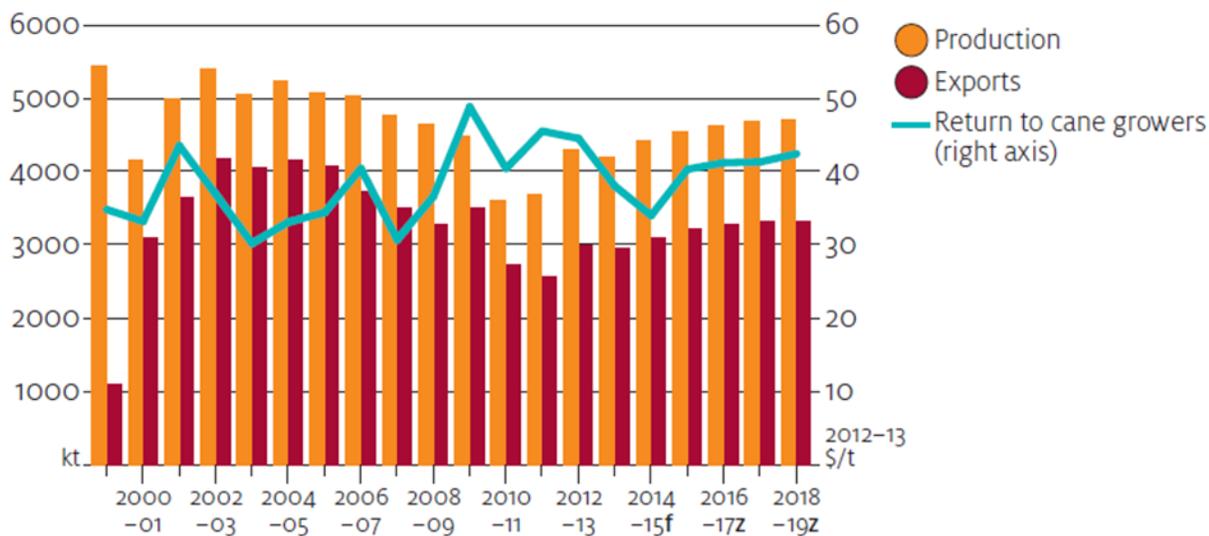
The Australian sugar industry was deregulated in 2006 with the abolition of the 'single desk' arrangement under which sugar was compulsorily acquired and sold by Queensland Sugar (QSL). Subsequently, most growers retained marketing links with QSL in order to reduce unit costs through pooling sugar production for export. In 2013, twenty-one of the 26 sugar mills in Queensland marketed their sugar through the grower-owned company. QSL has an established network of six bulk export terminals with a combined storage capacity of 2.5 million tons as well as an extensive distribution and marketing system.

Significant changes to the traditional milling, marketing and pooling arrangements for Australian sugar may occur in the future. Global agribusiness company Wilmar acquired Sucrogen in 2010 (previously CSR) and announced in April 2014 that it would sever marketing links with QSL, when current contracts expire in 2017. Wilmar intends to establish its own marketing arm for the two million tons of sugar it mills, from around 3,000 cane farmers in the State. This could change marketing arrangements for almost half the total Australian sugar crop in several years.

Trade

Australian sugar exports are projected at 3.1 million tons in 2014/15, slightly greater than in the previous two years. There is some uncertainty in forecasting as sugar export data includes both raw and refined sugar without a breakdown by type. In addition, it is released with a six month delay due to its commercial sensitivity. Australia's duty free quota into the United States market of 85,000 tons was not filled for the first time in 2013/14 due to higher prices in Asian markets, but is expected to be filled in 2014/15.

Australian sugar production, exports and returns to cane growers



Source: ABARES

Impact of Free Trade Agreements

Australia exports around 350,000 tons of sugar to Japan a year, worth A\$226 million in 2013. This represents about one third of Japan's total sugar imports. In April 2014, Australia and Japan agreed to an Economic Partnership Agreement (EPA) but the 70 per cent tariff on 'J-Specific' sugar which Australia exports to Japan was unchanged. The EPA did cut the tariff on 'international standard raw sugar' from 184 per cent to 110 per cent, but this category is not traded between the two countries. Australian sugar producers described the agreement as offering no new market access and as 'a bitter pill' to swallow.

Korea is Australia's largest export market for raw sugar, with sales of about one million tons annually, valued at A\$500 million. Under the Australia-Korea Free Trade Agreement, signed in April 2014, Korea agreed to eliminate the existing three per cent tariff on raw sugar to put Australian producers on an equal footing with exporters in Thailand. Korea's existing 35 per cent tariff on refined sugar will be phased out over 18 years and an existing 3 per cent tariff on molasses is to be cut over five years. The Australia-Korea FTA was supported by Australian sugar producers.

Production, Supply and Distribution Data

Sugar Cane for Centrifugal	2012/2013		2013/2014		2014/2015	
Australia	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	380	380	388	388		390
Production	30,400	30,400	30,600	30,600		32,000
Total Supply	30,400	30,400	30,600	30,600		32,000
Utilization for Sugar	30,400	30,400	30,600	30,600		32,000
Utilization for Alcohol	0	0	0	0		0
Total Utilization	30,400	30,400	30,600	30,600		32,000

1000 HA, 1000 MT

Sugar, Centrifugal	2012/2013		2013/2014		2014/2015	
Australia	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	64	64	83	83		65
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	4,250	4,250	4,300	4,300		4,400
Total Sugar Production	4,250	4,250	4,300	4,300		4,400
Raw Imports	28	28	30	30		30
Refined Imp.(Raw Val)	59	59	60	60		60
Total Imports	87	87	90	90		90
Total Supply	4,401	4,401	4,473	4,473		4,555
Raw Exports	2,900	2,900	3,000	3,000		3,100
Refined Exp.(Raw Val)	200	200	190	190		200
Total Exports	3,100	3,100	3,190	3,190		3,300
Human Dom. Consumption	1,218	1,218	1,218	1,218		1,200
Other Disappearance	0	0	0	0		0
Total Use	1,218	1,218	1,218	1,218		1,200
Ending Stocks	83	83	65	65		55
Total Distribution	4,401	4,401	4,473	4,473		4,555

1000 MT

