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**Country:** Australia

**Post:** Canberra

**Report Category:** Sugar

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**Report Highlights:**

FAS/Canberra's sugar cane production estimate for Australia is revised down slightly for marketing year (MY) 2021/22 to 31 million metric tons (MMT). This is due to some production areas having had less rainfall in the growing period for this harvest. However, this has mostly been compensated by higher rainfalls in the northern tropics of Queensland and sub-topics of northern New South Wales. With a similar sugar cane yield and sugar content to the prior year, the sugar production estimate for MY 2021/22 remains unchanged at 4.4 MMT. The raw sugar export estimate has been upward revised by 100,000 MT to 3.5 MMT, driven by strong world sugar prices.

## **Executive Summary**

FAS/Canberra's sugar cane production estimate for Australia is revised down for marketing year (MY) 2021/22 to 31 million metric tons (MMT), from 31.5 MMT previously, as some production areas have had less rainfall in the growing period for this harvest. However, this has mostly been compensated for by higher rainfalls in the northern tropics of Queensland and sub-topics of northern New South Wales. At around 60 percent of overall harvest having been completed, the sugar content of the sugar cane is on average slightly higher than the same time in the prior year. With a similar sugar cane yield and sugar content to the prior year, the sugar production estimate for MY 2021/22 of 4.4 MMT remains unchanged from the previous forecast but an increase from 4.335 MMT in MY 2020/21. Despite static domestic consumption and sugar production, because of strong world sugar prices FAS/Canberra has upward revised raw sugar exports for MY 2021/22 to 3.5 MMT, compared to 3.3 MMT in MY 2020/21.

## **SUGAR CANE**

### **Production**

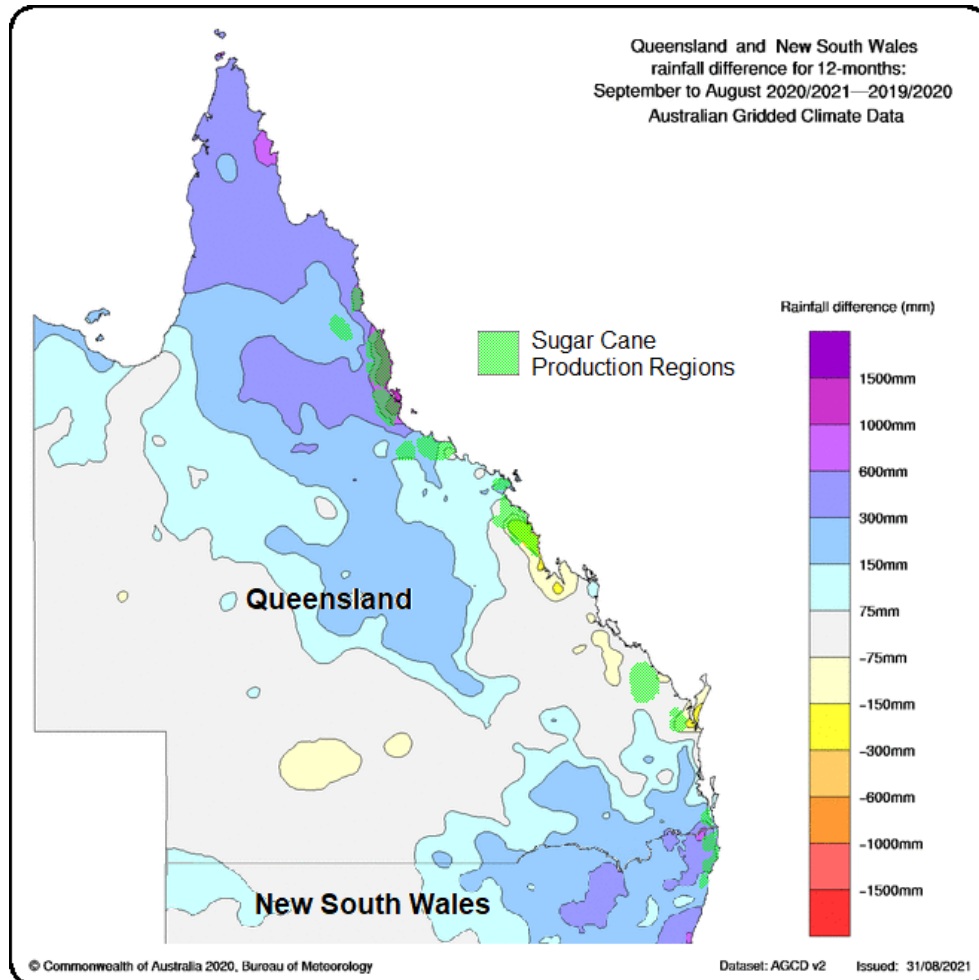
The FAS/Canberra estimate for sugar cane production in MY 2021/22 is revised down slightly to 31 MMT, from 31.5 MMT previously. If realized, MY 2021/22 production would be almost five percent below the 10-year production average. This new estimate for MY 2021/22 is in line with the Australian Sugar Milling Council (ASMC) revised estimate of 30.7 MMT as at late-September 2021, which was made at around 60 percent of the way through the crushing season.

The downward revised estimate for MY 2021/22 is due to drier conditions experienced over the crop growing period in the Proserpine and Mackay areas on the central coast of Queensland and in the Bundaberg and Maryborough areas of the southern Queensland coast (see Figure 1). These drier areas are partially compensated by higher rainfalls in the tropical northern Queensland area and the sub-tropical northern New South Wales areas. The downward revised estimate for MY 2021/22 brings the production back to a very similar level to that of the prior year result. Earlier in the season the overall conditions across the sugar cane producing regions showed promise of an increase in production and edging back towards the long-term average, but with some areas experiencing drier than expected conditions in the mid-to-late part of the growing season, production is expected to fall to nearly five percent below the 10-year average.

Sugar mills in Australia have relatively sophisticated methods of forecasting sugar cane crop yields that are completed prior to harvest, which typically commences in June and ends in early December, for the scheduling of their harvest programs. These forecasts are updated as the harvest season progresses, taking into account actual paddock by paddock results year to date and prevailing seasonal conditions. The ASMC estimates are considered relatively accurate from this point of the harvest season, heading into warmer spring temperatures and still in the tropical dry season. However, timely above average rainfall events during harvest can spur on some additional sugar cane growth and the opposite can also occur. This can still result in some variance between the ASMC estimates and the final result. Rainfall events are less likely to be major disruptors to the harvest as the mills incorporate these in their harvest

scheduling, although large rain events can cause significant issues. Critical breakdowns at sugar mills are a significant risk, which has in the past resulted in some standover sugar cane being left in the paddock and harvested the following season.

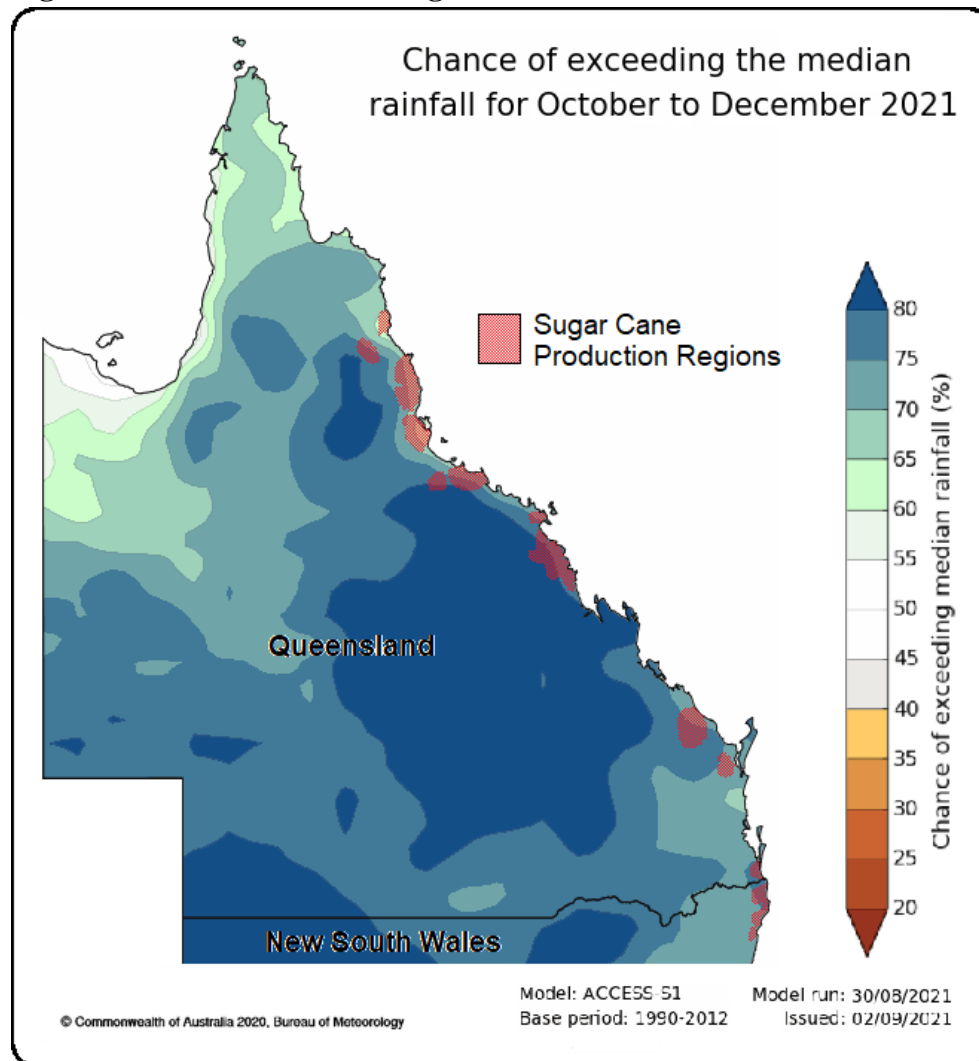
**Figure 1 – Rainfall Comparison September 2020 to August 2021 v Prior Year**



Source: Bureau of Meteorology, FAS/Canberra

The Bureau of Meteorology forecasts a higher-than-average chance of achieving above-average rainfall across the eastern states of Australia for the October to December period (see Figure 2). This may contribute to a small upside in yield of the late harvested sugar cane for MY 2021/22. However, if the rain forecast materializes this will have a greater positive impact on MY 2022/23 sugar cane production.

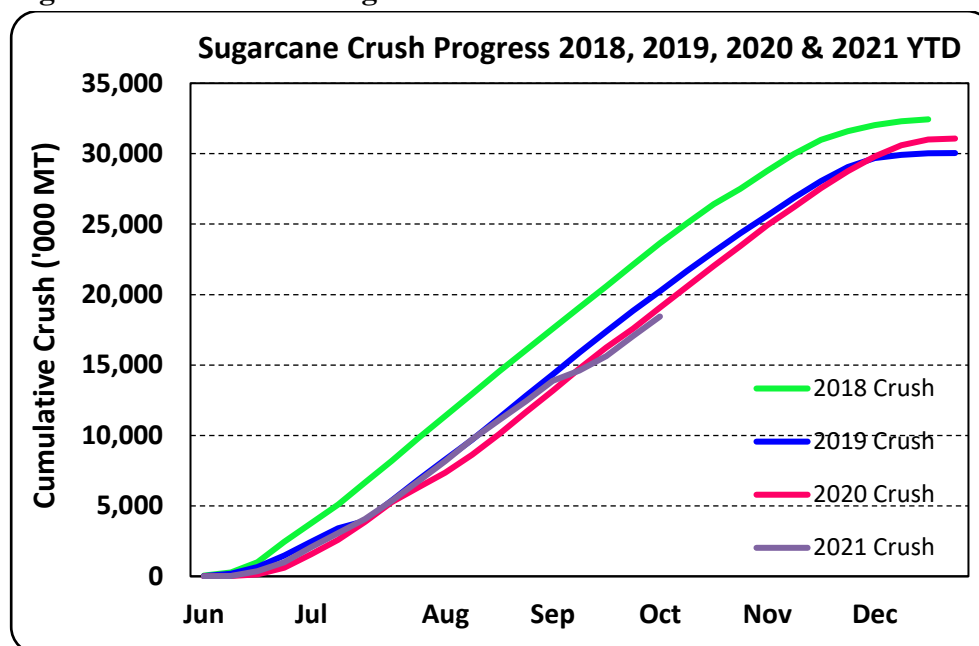
**Figure 2 – Chance of Exceeding Median Rainfall in October to December 2021**



Source: Bureau of Meteorology

As of the end of September 2021 there was a total of 18.44 MMT of the MY 2021/22 sugar cane harvest crushed (see Figure 3). The harvest is tracking at a similar rate to the prior year in 2020 with a similar expected final harvest result. The rate had slowed due to delays in harvest in early September caused by large rainfalls in tropical Queensland regions. But it is marginally behind the 2019 year which had overall production 1 MMT lower than the estimated result for this season. These results highlight that variables during the harvest season do impact the final result, and the year to date harvest result, although a good guide, is unable to accurately predict the outcome.

**Figure 3 – Cumulative Sugar Cane Crush**



Source: Australian Sugar Milling Council

## **Industry Issues Impacting on Production**

### UK-AU FTA

After a relatively short 12-month period of negotiations between the United Kingdom (UK) and Australia the two nations signed an in-principle Free Trade Agreement (FTA) on June 15, 2021 during the G7 summit held in the UK which Australia was invited to attend. Once the FTA is finalized and implemented, the reduced barriers to trade predominantly from the UK is anticipated to improve trade between the two nations.

After the FTA is formalized the Australian sugar industry is expected to receive immediate access to 80,000 MT of tariff-free quota to the UK with annual increases leading to full access after eight years. This is a marked improvement with recent access of merely 9,925 MT. Although is welcomed by the Australian sugar industry providing a further significant market access option, it is anticipated that Australia will continue to focus its trade to nearby Asian markets.

## **SUGAR**

### **Production**

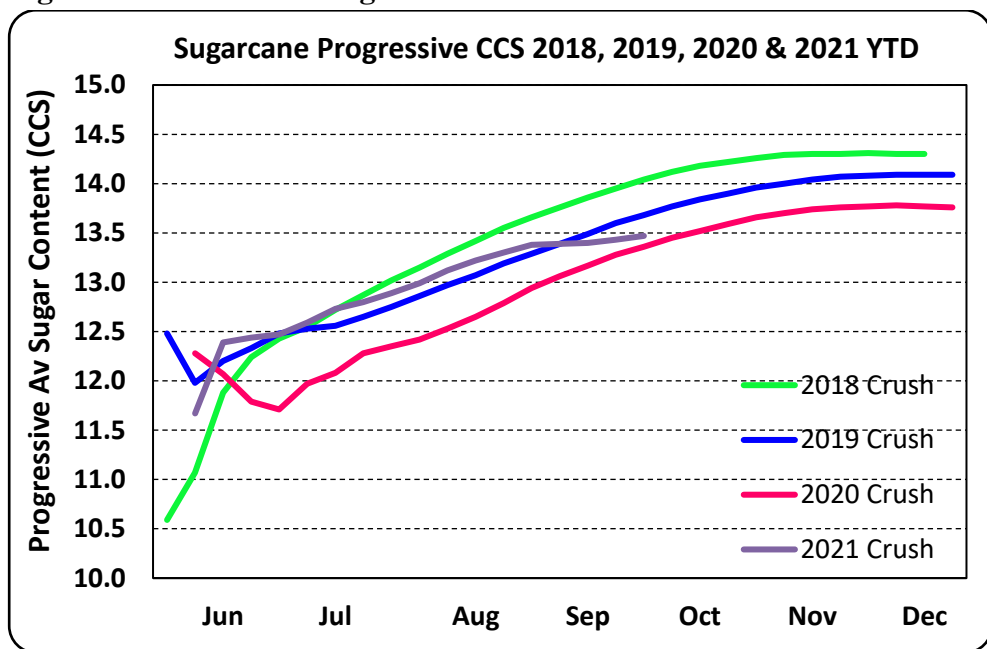
Estimated sugar production for MY 2021/22 has remained unchanged from the previous forecast of 4.4 MMT. If realized this would be merely three percent below the long-term average of 4.55 MMT.

Until the end of August the cumulative average sugar content of the sugar cane harvested was at 13.30 Commercial Cane Sugar (CCS), a standard measure used by millers, compared to 12.79 CCS at the same time last season. With such a significant differential at that point, sugar production was expected

to achieve a higher result in MY 2021/22 than the prior year. However, well above average rainfalls in late August and early September in the tropical Queensland production regions, which represent around 85 percent of national production, had caused harvest delays and negatively impacted the CCS levels of sugarcane harvested throughout September. After being well ahead in late August, cumulative CCS at the end of September was only slightly ahead of the same time the previous year (see Figure 4).

The Burdekin region (Ayr area) in particular was most affected with harvest delayed by almost two weeks. The Central Queensland region (Proserpine, Mackay and Sarina areas) had a harvest delay of almost one week whereas the Far North Queensland region was least impacted with delays of around four days. The higher the rainfall and the longer the harvest delay impacts the plant sugar content. In addition, warm weather can initiate sucker growth, drawing on energy reserves from the plant, causing sugar content to decline further.

**Figure 4 – Cumulative Sugar Content Trends**



Source: Australian Sugar Milling Council

Note: CCS = Commercial Cane Sugar (a measure of sugar content of sugar cane used by millers)

### Consumption

Domestic sugar consumption for MY 2021/22 has been revised down to 0.85 MMT from the previously forecast 0.9 MMT. If realized this would be in line with the MY 2020/21 estimate. One of the drivers for lowering the consumption estimate is related to the impact of COVID-19 on the food service sector demand in Australia associated with extended lockdowns in the second half of 2021 in New South Wales and Victoria, the two major states of Australia. A second factor is the much-improved world

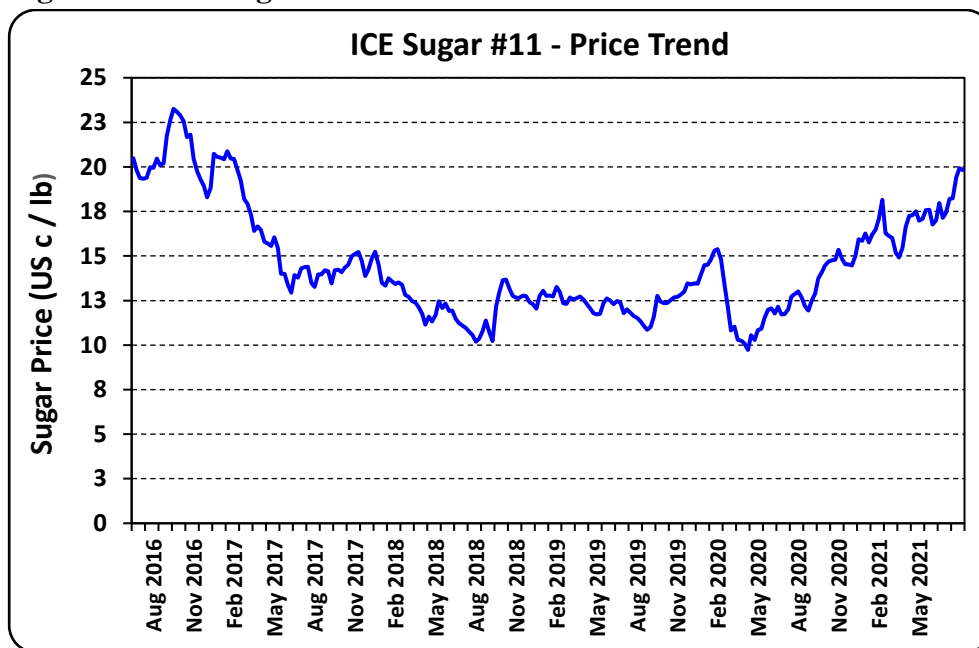
sugar prices which is expected to direct some sugar towards the export market which would otherwise be sold on the domestic market.

**Trade**

Raw sugar exports in MY 2021/22 are estimated to be 3.5 MMT, an upward revision of 100,000 MT from the previous forecast of 3.4 MMT. If realized, this would be up 200,000 MT from MY 2020/21 but in line with the export volume for MY 2019/20. The upward revision for the MY 2021/22 export estimate is related to the strong world sugar prices.

World sugar prices on the Intercontinental Exchange (ICE) Sugar #11 market hit a low of US 9.21 cents per pound in late April 2020 and has since strengthened strongly to reach a peak of US 20.22 cents per pound in late August 2021 (see Figure 5). These are the highest prices since February 2017 and is largely considered to be due to the lowering of world production expectations, in part as a result of dry conditions and frosts in Brazil. Production impacts in Brazil, which produces around one-fifth of world production and almost half of world sugar exports, understandably has a major influence on world sugar supply and prices.

**Figure 5 – ICE Sugar #11 Price Trend**



Source: [www.theice.com/publicdocs/futures\\_us\\_reports/sugar/Sugar%2011%20Historical%20Prices.xls](http://www.theice.com/publicdocs/futures_us_reports/sugar/Sugar%2011%20Historical%20Prices.xls)

Notes: Chart data points are weekly averages

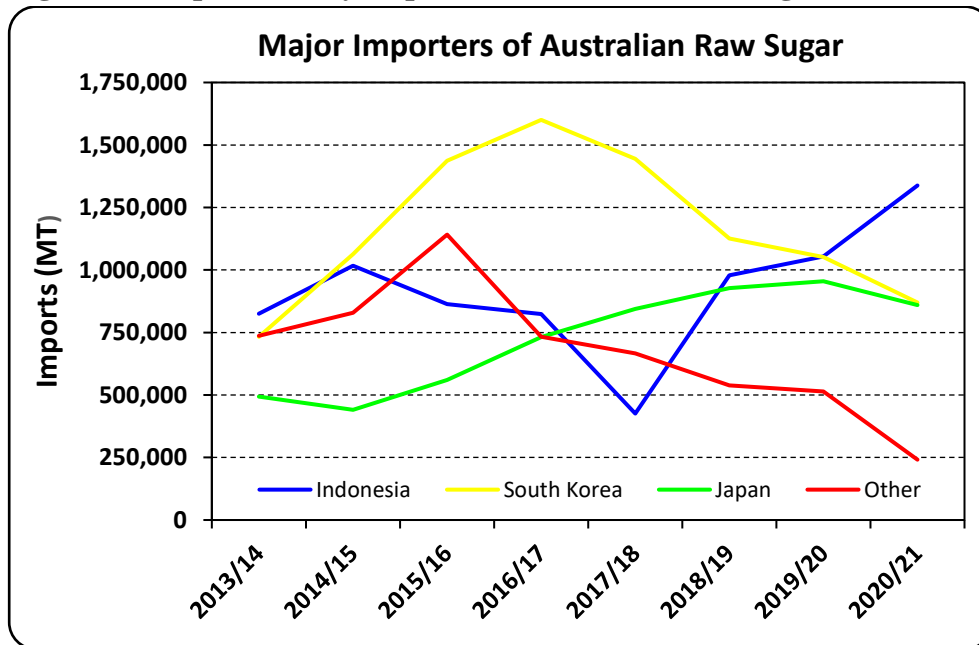
A further contributing factor to the increase in estimated sugar exports is the weakening of Australia’s currency against the U.S. dollar. In early 2021 the Australian dollar exchange rate against the U.S. dollar had traded as high as around AU\$1.29 to one U.S. dollar but in mid-September 2021 has

weakened to around AU\$1.35. This easing in the strength of the Australian dollar has improved the competitiveness of Australian sugar on the world market.

In MY 2020/21 Indonesia became the largest importer of Australian raw sugar at around 40 percent of overall exports (see Figure 6), ahead of South Korea and Japan. These three nations now account for 93 percent of overall imports of Australian raw sugar after continued declines for other nations from 29 percent to merely seven percent over the last five years. Much of this decline was from four markets, New Zealand, Taiwan, China and Malaysia.

The remaining seven percent of imports of Australian raw sugar in MY 2020/21 is virtually all by the United States at four percent, which has marginally increased over the last five years, and Singapore which has been relatively stable over this period at three percent.

**Figure 6 – Top 3 Country Imports of Australian Raw Sugar**



Source: Trade Data Monitor (data as reported by importing countries)

The raw sugar export result for MY 2020/21 has been revised up to 3.3 MMT from the official USDA estimate of 3.2 MMT based on recently updated final trade data from key importers.

The refined sugar export estimate for MY 2021/22 remains unchanged at 135,000 MT from the official USDA estimate but is 35,000 MT higher than MY 2020/21 and 2019/20. Refined sugar is a small export market for Australia representing only around three percent of annual sugar exports. Of the refined sugar exports, over 80 percent has consistently been to Singapore over recent years. Exports to Papua New Guinea grew strongly in MY 2020/21 to 7,414 MT an increase of over 5,000 MT from the



prior year and now represents seven percent of overall exports, while exports to Bangladesh remain consistent at around six percent.

Australia imports a relatively small quantity of refined sugar and the MY 2021/2022 estimate remains at 10,000 MT and in line with the official USDA estimate. This is marginally higher than the 9,000 MT of imports in MY 2020/21. Although representing merely one and a half percent of domestic consumption, imports in MY 2021/22 are expected to edge closer to the pre-pandemic import level of 13,000 MT in MY 2019/20. MY 2021/22, as mentioned previously, is expected to continue to be affected by lengthy COVID-19 related lockdowns in the second half of 2021 in the two most populated states of Australia.

## Stocks

End of year stocks in Australia are typically low due to the close alignment of the sugar cane harvest season, starting in June, and the start of the marketing year in July. Stocks for MY 2021/22 are estimated to be in line with typical past levels.

Sugar Cane for Centrifugal Market Year Begins	2019/2020		2020/2021		2021/2022	
	Jul 2019		Jul 2021		Jul 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Area Planted (1000 HA)	0	0	0	0	0	0
Area Harvested (1000 HA)	364	364	355	355	355	355
Production (1000 MT)	30000	30000	31100	31100	31500	31000
Total Supply (1000 MT)	30000	30000	31100	31100	31500	31000
Utilization for Sugar (1000 MT)	30000	30000	31100	31100	31500	31000
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	30000	30000	31100	31100	31500	31000
(1000 HA) ,(1000 MT)						

Sugar, Centrifugal Market Year Begins	2019/2020		2020/2021		2021/2022	
	Jul 2019		Jul 2020		Jul 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Beginning Stocks (1000 MT)	137	137	38	38	196	135
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	4285	4285	4335	4335	4400	4400
Total Sugar Production (1000 MT)	4285	4285	4335	4335	4400	4400
Raw Imports (1000 MT)	3	3	1	3	1	3
Refined Imp.(Raw Val) (1000 MT)	13	13	7	9	10	10
Total Imports (1000 MT)	16	16	8	12	11	13
Total Supply (1000 MT)	4438	4438	4381	4385	4607	4548
Raw Exports (1000 MT)	3500	3500	3200	3300	3400	3500
Refined Exp.(Raw Val) (1000 MT)	100	100	135	100	135	135
Total Exports (1000 MT)	3600	3600	3335	3400	3535	3635
Human Dom. Consumption (1000 MT)	800	800	850	850	900	850
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	800	800	850	850	900	850
Ending Stocks (1000 MT)	38	38	196	135	172	63
Total Distribution (1000 MT)	4438	4438	4381	4385	4607	4548
(1000 MT)						

**Attachments:**

No Attachments