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Report Highlights:

FAS/Canberra's sugar cane production estimate for Australia is downward revised for marketing year (MY) 2024/25 to 29.5 million metric tons (MMT), from the previous forecast of 31.5 MMT. This adjustment is due to heavy rainfall across all production regions in August 2024, which delayed harvest and resulted in an estimated 1 MMT of cane unharvested and stood over for harvest in the following season. Sugar production has also been revised down to 4.0 MMT from 4.2 MMT due to the expected lower sugar cane harvest and the negative impact of the August rainfalls on the sugar content of the cane. Raw sugar exports are estimated at 3.25 MMT, down from the earlier forecast of 3.45 MMT, reflecting the lower production estimate.

EXECUTIVE SUMMARY

FAS/Canberra has revised Australia's sugar cane production estimate for marketing year (MY) 2024/25 downward to 29.5 million metric tons (MMT), a reduction from the previous estimate of 30.5 MMT. This revision is due to heavy rainfall in August 2024, which is the dry season in tropical areas. The delay is expected to result in an estimated 1 MMT of sugar cane remaining unharvested waiting to be harvested in the following season, leading to the lowered production estimate.

The sugar production estimate for MY 2024/25 has been reduced to 4.0 MMT, down from the earlier forecast of 4.2 MMT. This is due to the lowering of the sugar cane crop and the impact of the big August 2024 rains on the sugar content of the sugar cane. The August rains are expected to cause sugar cane plants to tiller, which diverts sugar from the cane. Additionally, the August rains, which delayed the harvest, will stretch the harvest season out beyond an optimal situation to a period when sugar content declines significantly. Sugar mills are expected to balance processing low-sugar-content cane with the need to harvest as much as possible to avoid negatively impacting the following season's crop.

Raw sugar exports for MY 2024/25 are also revised down to 3.25 MMT from the previous forecast of 3.45 MMT, reflecting the expected reduced sugar production. Domestic consumption, however, is anticipated to increase due to higher-than-usual migration rates, which are driving population growth. The combination of lower sugar production, firm global demand, and increased domestic consumption is expected to result in reduced ending stocks of sugar for MY 2024/25.

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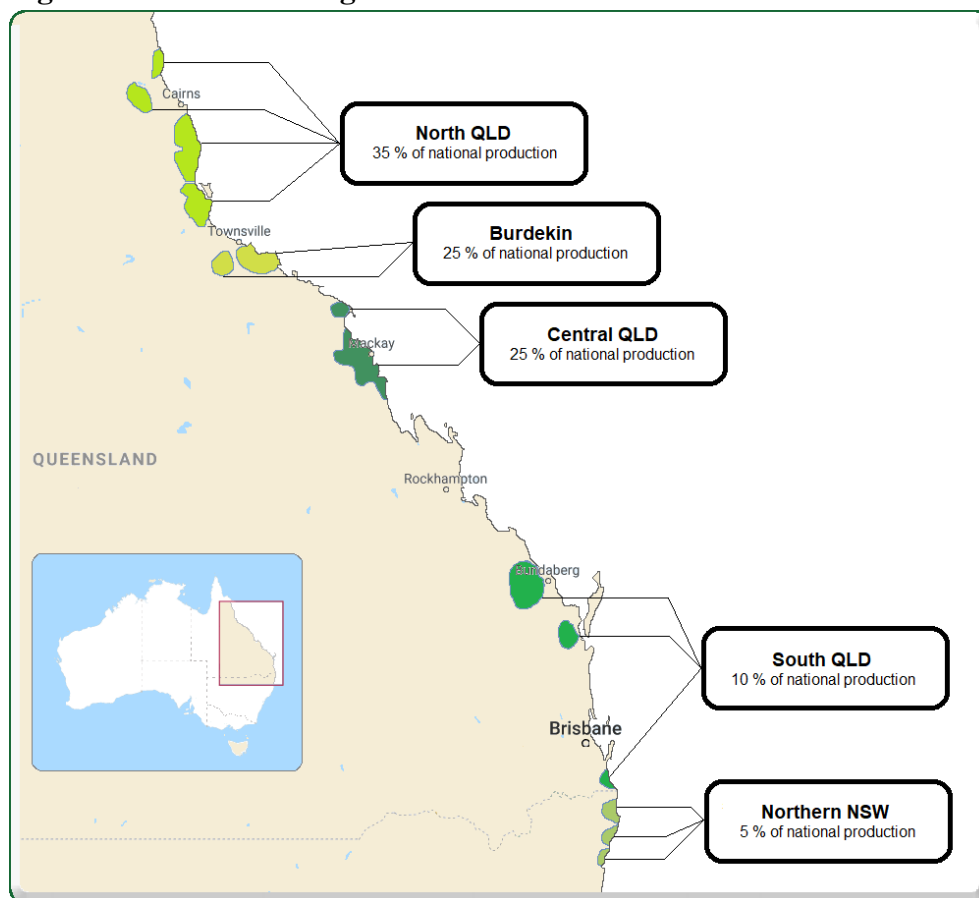
Production

FAS/Canberra has revised its sugar cane production estimate for MY 2024/25 downward from 30.5 MMT to 29.5 MMT. The previous forecast (30.5 MMT) was closely aligned with the Australian Sugar Milling Council (ASMC) estimate of 30.3 MMT as of mid-September 2024. However, production in the North Queensland region has been hampered by unseasonably heavy rainfall, 35% above the long-term average, during what is typically the dry season in tropical regions. But more so, impacting the MY 2024/25 production is the wet harvest conditions across all sugar cane production regions.

The industry looked forward to improving MY 2024/25 production after being hampered in the previous season by a big wet season (typically December to April). This heavy rainfall and overcast conditions limited sunlight for crop growth and left the soils overly saturated for longer than usual. The situation for the most northern sugar cane-producing area of North Queensland (see Figure 1) has been even further exacerbated than the prior season with rainfall for the MY 2024/25 production season at greater than one third above the long-term average and among the highest on record (see Figure 2). The weather recording station at the Tully Sugar Mill, located in this region, recorded nearly 5.5 meters (215 inches) of rain from September 2023 to August 2024, compared to an average annual rainfall of just under 4 meters (155 inches).

The North Queensland region (see Figure 1) typically accounts for around 35 percent of Australia’s sugar cane harvest, so production disruptions in this region significantly influence national output. Excessive rainfall, particularly during the wet season (typically December to April), is also generally coupled with greater than usual cloud cover, resulting in the ground being over-saturated, and receiving less sunlight. This combination substantially hinders crop development. These conditions also impact the farmers’ capacity to manage the crop. According to industry reports, the wet season has impeded farmers in these northern production regions from applying pest and weed management for extended periods, negatively impacting yields.

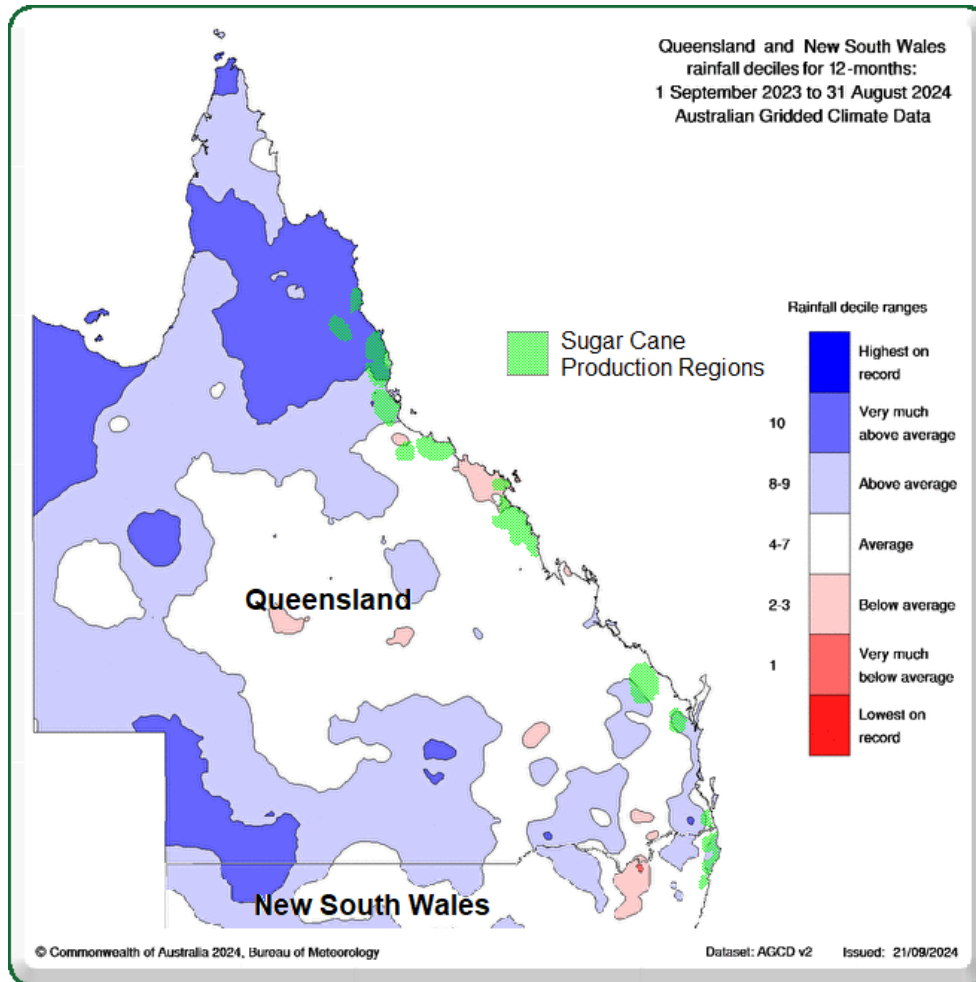
Figure 1 - Australian Sugarcane Production Areas



Source: FAS/Canberra

The ASMC’s current estimate for MY 2024/25 stands at 30.3 MMT, but the harvest is behind schedule. Industry estimates suggest that up to 1 MMT of sugar cane could remain unharvested, assuming no further delays due to rain. As of mid-September 2024, only 44 percent of the sugar cane crop had been harvested, compared to the usual 55–60 percent at this point in the season. Currently, 13.2 MMT of sugar cane has been crushed, more than 2 MMT below industry expectations based on recent years’ harvest programs (see Figure 3).

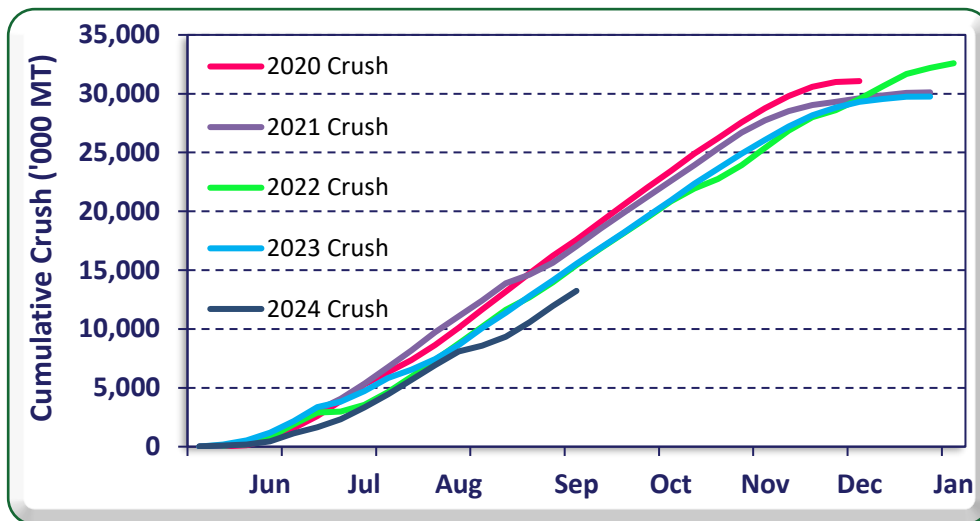
Figure 2 – Rainfall Deciles - September 2023 to August 2024



Source: Bureau of Meteorology, FAS/Canberra

This has turned the industry’s attention to stretching out the harvest period as long as practical before the sugar content of the cane drops off to the point of being unviable for processing. It is highly likely that some sugar cane will remain unharvested and stand to be harvested in the following year. Sugar content typically begins to decline around the start of November, and by late December, it may become uneconomical for mills to process the cane. However, the later harvested sugar cane also has less time to regrow to a point where it can better cope with tropical wet season conditions. So, production of late harvested areas is negatively impacted for the subsequent season’s crop. Many sugar mills face the challenge of balancing the processing of low-sugar-content cane with the need to harvest as much as possible at the tail end of the harvest season to minimize the negative impact on the subsequent season’s crop.

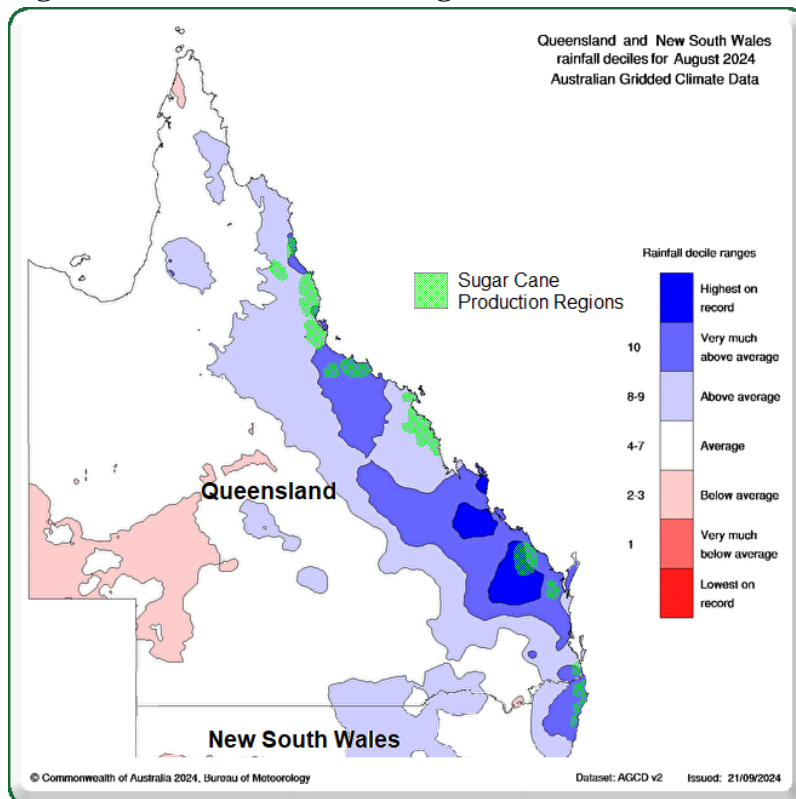
Figure 3 – Cumulative Sugar Cane Crush Progress – 2020 to 2024



Source: Australian Sugar Milling Council

The slow start to the current harvest season was initially caused by rain delays, but the greatest disruption occurred in August 2024, when all major producing regions experienced significantly above-average rainfall (see Figure 4).

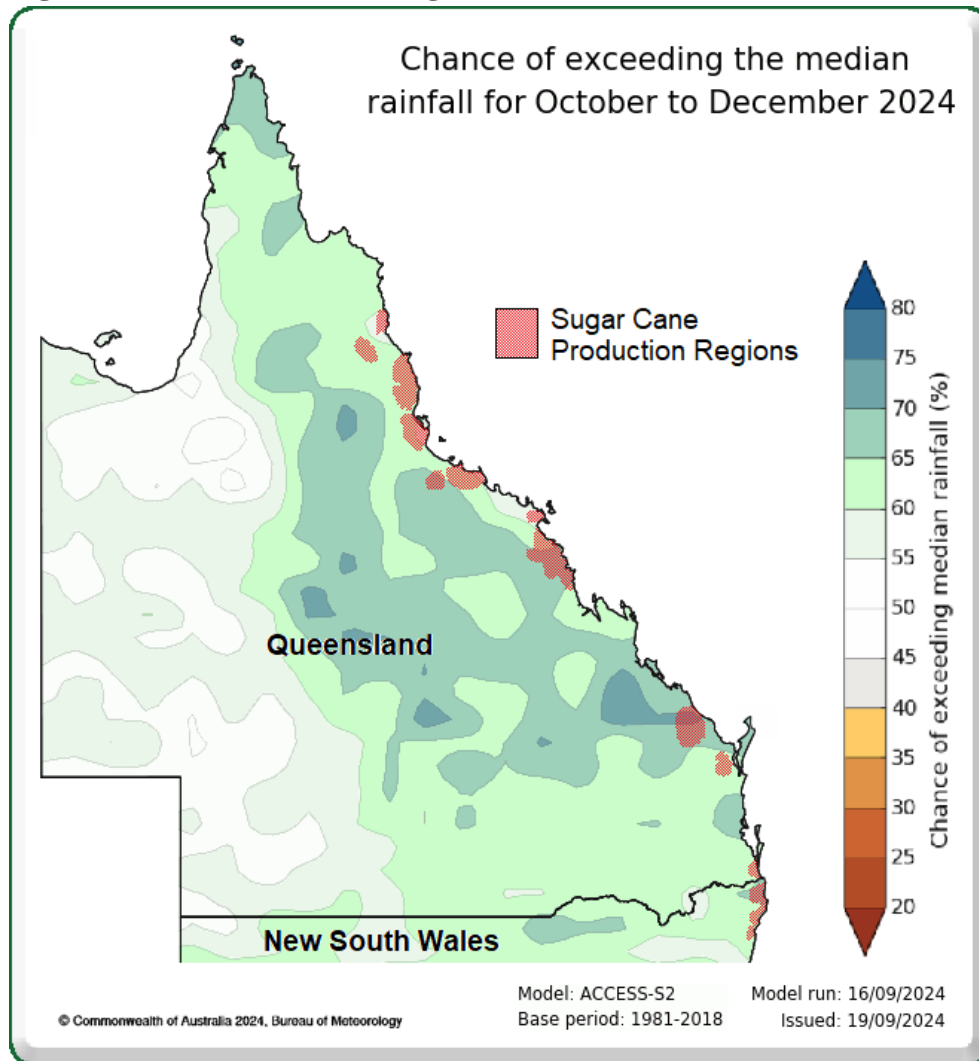
Figure 4 – Rainfall Deciles - August 2024



Source: Bureau of Meteorology, FAS/Canberra

The Australian Bureau of Meteorology (BOM) forecasts a higher-than-average chance of exceeding median rainfall across the eastern states of Australia from October to December 2024 (see Figure 5). If this forecast materializes, additional harvest delays are expected, which could increase the amount of unharvested sugar cane beyond the current estimate of 1 MMT, further lowering the MY 2024/25 production estimate below 29.5 MMT.

Figure 5 – Chance of Exceeding Median Rainfall for October to December 2024



Source: Australian Bureau of Meteorology, FAS/Canberra

SUGAR Production

FAS/Canberra has revised its sugar production estimate for MY 2024/25 down to 4.0 MMT, compared to the previous forecast of 4.2 MMT. If this estimate is realized, it would represent a 10 percent decrease from the 10-year average of 4.46 MMT and mark the lowest sugar production level in over a decade.

This reduction is primarily due to a smaller sugar cane harvested area and a lower-than-expected sugar content in the current crop.

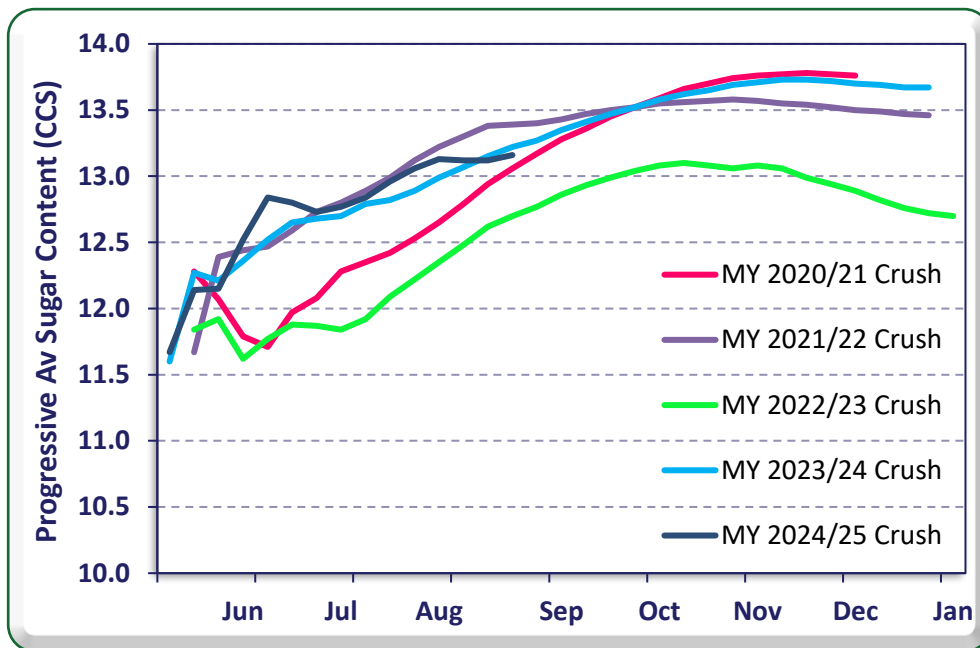
The sugar content for the first two months of the harvest season was strong initially, but it has stagnated in recent weeks due to unseasonably high rainfall in August 2024. While some recovery in sugar content is expected, the overall trend is projected to flatten earlier than usual, leading to a lower final outcome than previously forecast.

By mid-September 2024, the cumulative average sugar content of the harvested sugar cane stood at 13.24 Commercial Cane Sugar (CCS), a standard measure used by millers, compared to the previous five-year average of 13.30 CCS average for the same period.

In typical seasons, such as MY 2020/21 and MY 2023/24, sugar content gradually rises and peaks in mid-October before declining slightly and affecting the cumulative average CCS (see Figure 6). The MY 2021/22 harvest was affected by well above-average rainfalls in late August and early September in the tropical Queensland production regions. The same regions were also particularly affected by well above average rainfalls early in the MY 2022/23 harvest period. The current MY 2024/25 harvest season has seen similar weather patterns to MY 2021/22, with rainfall impacting August. Based on this similarity, a partial recovery in cumulative CCS is expected in the coming weeks, but it is likely to level off and decline earlier, much like in MY 2021/22. As a result, cumulative CCS for MY 2024/25 is expected to fall below the level seen in MY 2023/24, which followed a more typical seasonal pattern.

Typically, the higher the rainfall during harvest and the longer the harvest delay, the greater the impact on the plant sugar content. This effect is compounded when warm weather (typically later in the harvest period) triggers plant sucker growth, which draws on the plant's energy reserves and leads to an even further decline in sugar content.

Figure 6 – Progressive Cumulative Sugar Content Trends - MY 2020/21 to 2024/25



Source: Australian Sugar Milling Council

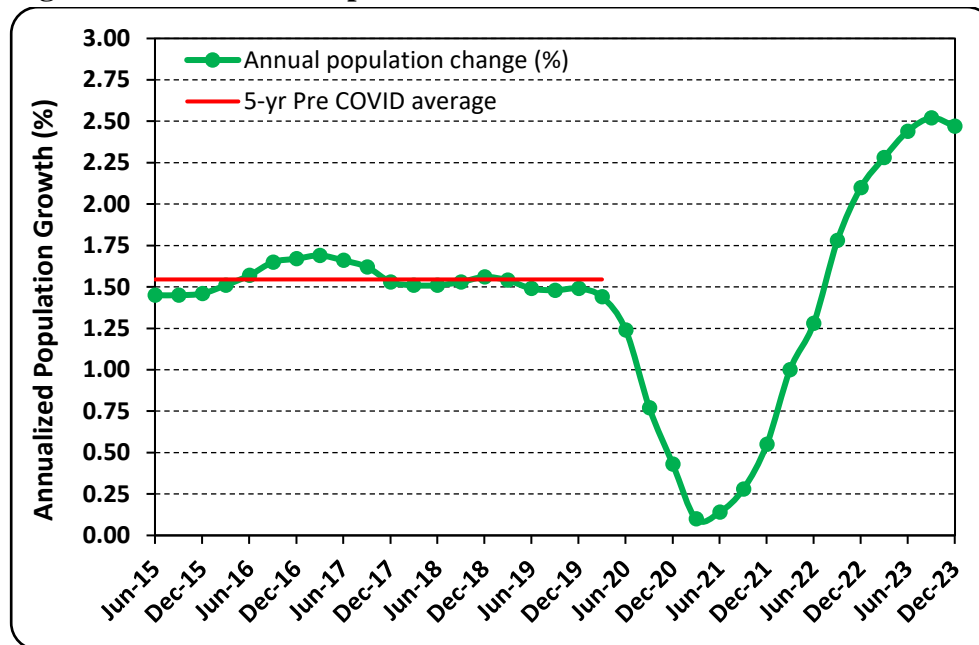
Note: CCS = Commercial Cane Sugar (a measure of sugar content of sugar cane used by millers)

Consumption

Domestic sugar consumption for MY 2024/25 is estimated to reach 920,000 metric tons (MT), a 2.2 percent increase from the previous year. This growth is primarily driven by higher-than-usual population growth, largely due to elevated immigration levels into Australia.

Australia’s population has been rising rapidly since the start of 2023, with the growth rate surpassing the pre-COVID-19 pandemic average of just over 1.5 percent. In late 2022, the country’s population growth rate consistently exceeded the five-year pre-pandemic average. By the end of 2023, the annualized growth rate had climbed to approximately 2.5 percent (see Figure 7). This surge has been driven mainly by record immigration levels. While the federal government has signaled plans to moderate immigration, record numbers were reported in January and February 2024, suggesting that strong population growth will likely continue throughout the year. Although recent measures aimed at limiting university student migration could have an impact in 2025, population growth is expected to remain well above pre-pandemic levels.

Figure 7 – Australian Population Growth Trend



Source: Australian Bureau of Statistics

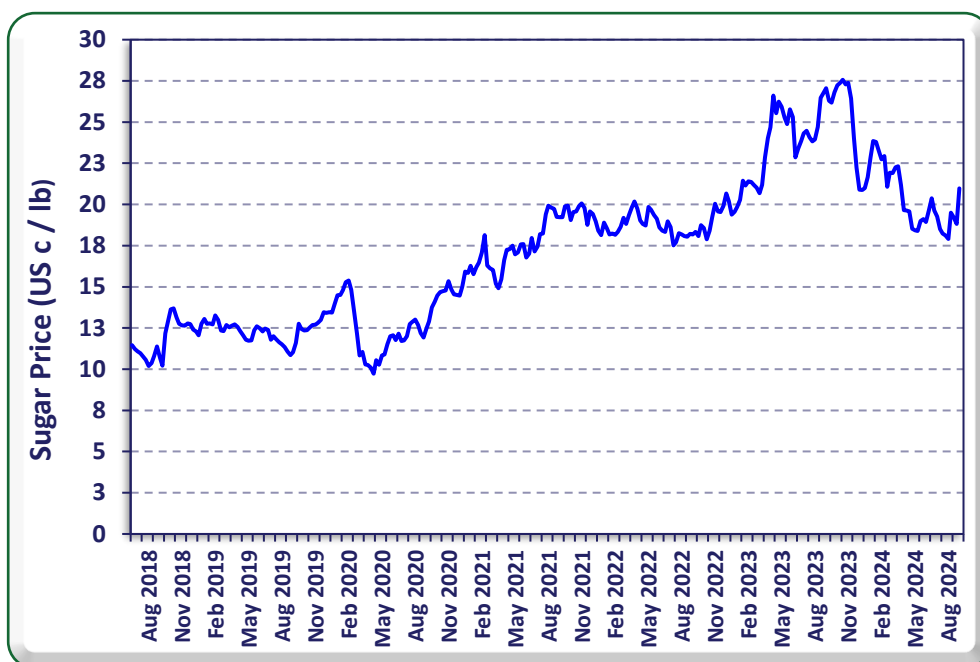
Given the rapid population growth experienced in 2023, which will likely extend into 2024, FAS/Canberra’s estimate for domestic sugar consumption in MY 2023/24 remains unchanged at 900,000 MT, from 870,000 MT for MY 2022/23.

Trade

FAS/Canberra estimates raw sugar exports for MY 2024/25 at 3.25 MMT, reflecting a 5.8 percent decline from the previous forecast and the official USDA estimate of 3.45 MMT. Despite this drop, this would still represent an increase from the result of 3.14 MMT for MY 2023/24. The 200,000 MT reduction for MY 2024/25 is entirely due to the downward revision in production. The current firm sugar price, in conjunction with a historically relatively weak Australian currency, albeit with expectations that it will firm, is likely to support raw sugar export prospects for MY 2024/25.

As of mid-September 2024, the Intercontinental Exchange (ICE) Sugar #11 price is at a historically good level of around US 20 cents per pound. Although this is below the recent US 28 cents per pound peak recorded in late 2023 (see Figure 8), the current price reflects firm global demand for sugar. This should give processors confidence that they can still sell the reduced supply of raw sugar while also running down existing stocks.

Figure 8 – ICE Sugar #11 – Price Trend



Source: *Investing.com*

Notes: *Chart data points are weekly averages*

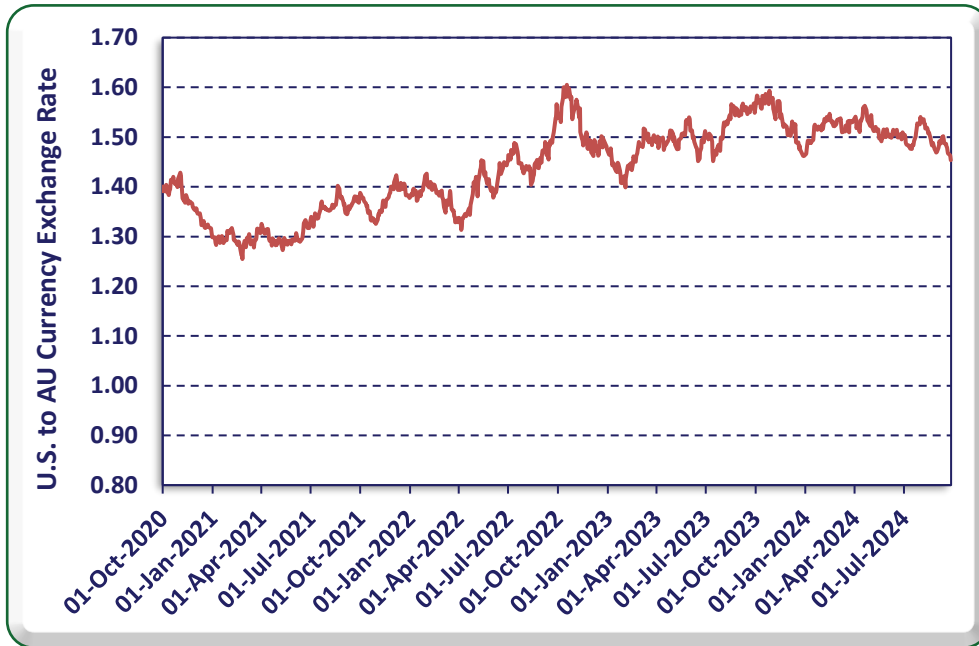
The domestic sugar price is expected to soften slightly in MY 2024/25 due to widespread expectations (by economists) of a stronger Australian dollar, which has remained relatively weak over the past year (see Figure 9). A stronger currency typically reduces the competitiveness of Australian exports. However, given the lower available volume for export and the expectation that global sugar prices will remain firm, the currency's appreciation is not expected to significantly impact the total volume of exports.

The anticipated strengthening of the Australian dollar during MY 2024/25 is largely attributed to expectations that the U.S. Federal Reserve will continue lowering interest rates. In September 2024, the Federal Reserve reduced its rate by 0.50 percent to 4.75 to 5.00 percent, which has already led to some strengthening of the Australian currency. Additionally, the Reserve Bank of Australia has indicated that inflation, though gradually decreasing, remains too high. Most market analysts do not expect any reduction from the current rate of 4.35 percent until early 2025.

The three largest importers of Australian raw sugar - Indonesia, South Korea, and Japan - have consistently accounted for 90-95 percent of overall exports in recent years (see Figure 10). Other significant but smaller markets include New Zealand and the United States. However, the United Kingdom was the sixth-largest export market for MY 2023/24 after trade commenced for the first time in September 2023. This is attributed to the Free Trade Agreement between the two nations that came into force on May 31, 2023. While the United Kingdom market may grow in the coming years, it is

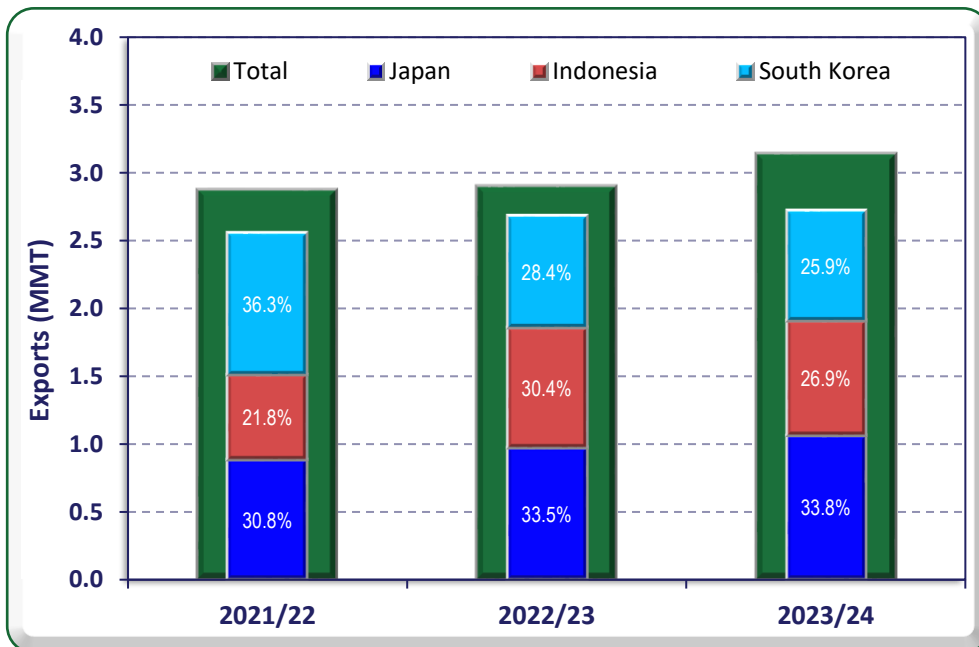
unlikely to match the scale of the top three markets. Taiwan and Malaysia remain intermittent destinations, but their import volumes have been significantly lower than those of New Zealand and the United States. No major changes in these trading patterns are expected for MY 2024/25.

Figure 9 – U.S. to AU Currency Exchange Rate Trend



Source: Reserve Bank of Australia

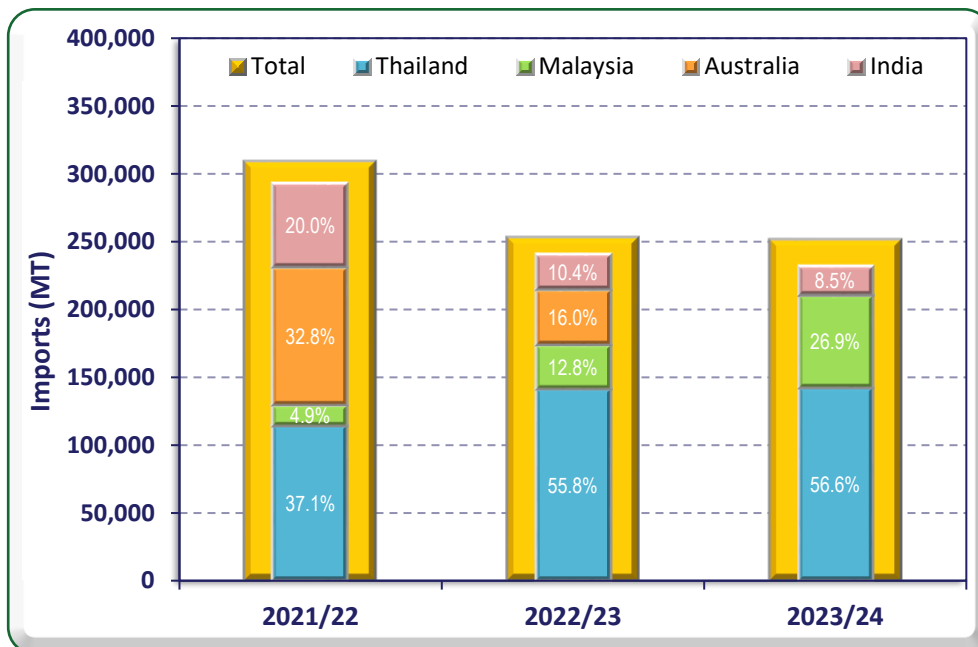
Figure 10 – Importers of Australian Raw Sugar – Jul-Jun MY 2021/22 to 2023/24



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

FAS/Canberra’s estimate for refined sugar exports in MY 2024/25 remains unchanged at 10,000 MT, similar to the 12,000 MT exported in MY 2023/24. This marks a significant drop from the 120,000 MT exported in MY 2021/22. Refined sugar now represents only a small portion of Australia’s sugar exports, accounting for roughly one-third of one percent. The sharp decline in exports has been driven by Singapore's increased imports from Thailand and Malaysia at the expense of Australia and India (see Figure 11).

Figure 11 – Singapore Raw Sugar Imports –MY 2021/22 to 2023/24



Source: Trade Data Monitor

Australia imports only a small volume of refined sugar, with the MY 2024/25 estimate at 2,000 MT, in line with the previous two years. This trade has significantly declined from around 90,000 MT a decade ago. As a net exporter of raw sugar - of which only 20-25 percent is consumed domestically - and with domestic refining facilities capable of producing the full range of refined sugar products, Australia has little need for refined sugar imports.

Stocks

Australia typically maintains low end-of-year sugar stocks due to the close alignment between the sugar cane harvest, which begins in June, and the start of the marketing year in July. For MY 2024/25, stocks are expected to decline slightly due to lower production estimates and firm global demand for sugar.

Table 1 - Production, Supply, and Distribution of Sugar Cane

Sugar Cane for Centrifugal Market Year Begins Australia	2022/2023		2023/2024		2024/2025	
	Jul 2022		Jul 2023		Jul 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	0	0	0	0	0
Area Harvested (1000 HA)	328	328	330	330	335	335
Production (1000 MT)	32600	32600	29800	29800	30500	29500
Total Supply (1000 MT)	32600	32600	29800	29800	30500	29500
Utilization for Sugar (1000 MT)	32600	32600	29800	29800	30500	29500
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	32600	32600	29800	29800	30500	29500
(1000 HA) ,(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Table 2 - Production, Supply, and Distribution of Sugar

Sugar, Centrifugal Market Year Begins Australia	2022/2023		2023/2024		2024/2025	
	Jul 2022		Jul 2023		Jul 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	294	294	784	784	634	848
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	4300	4300	4100	4100	4200	4000
Total Sugar Production (1000 MT)	4300	4300	4100	4100	4200	4000
Raw Imports (1000 MT)	2	2	2	3	2	2
Refined Imp.(Raw Val) (1000 MT)	8	8	8	13	8	10
Total Imports (1000 MT)	10	10	10	16	10	12
Total Supply (1000 MT)	4604	4604	4894	4900	4844	4860
Raw Exports (1000 MT)	2900	2900	3350	3140	3450	3250
Refined Exp.(Raw Val) (1000 MT)	50	50	10	12	10	10
Total Exports (1000 MT)	2950	2950	3360	3152	3460	3260
Human Dom. Consumption (1000 MT)	870	870	900	900	930	920
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	870	870	900	900	930	920
Ending Stocks (1000 MT)	784	784	634	848	454	680
Total Distribution (1000 MT)	4604	4604	4894	4900	4844	4860
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Attachments:

No Attachments