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Report Highlights:

FAS/Canberra's sugar cane production estimate for Australia is revised downward for marketing year (MY) 2023/24 to 31.0 million metric tons (MMT). A very late finish to the MY 2023/24 harvest combined with a bigger-than-usual tropical wet season has significantly impacted overall production. The sugar content of the sugar cane harvested so far (nearly half the estimated crop) is a little below average and shows signs that it may fall further behind the average by the end of the season. With these combined impacts, the sugar production estimate for MY 2023/24 has been reduced by seven percent to 4.1 MMT. Raw sugar exports for MY 2023/24 are also downward revised to 3.2 MMT from 3.5 MMT, mainly due to the smaller raw sugar production estimate. Domestic consumption is anticipated to increase from the prior year mainly due to a higher-than-usual rate of migration to Australia, which is driving population growth.

EXECUTIVE SMMARY

FAS/Canberra's sugar cane production estimate for Australia is reduced for marketing year (MY) 2023/24 to 31.0 million metric tons (MMT), from 33.5 MMT. A very late finish to the MY 2023/24 harvest and a bigger-than-usual tropical wet season had a significant effect on late-cut sugar cane areas. The higher-than-usual tropical rainfall in the in the major production areas, and a higher degree of cloud cover during the wet season, resulted in saturated soils. The saturated soils also prevented growers' capacity to manage insect and weed pressure, reducing yields. The sugar content of the sugar cane harvested so far (nearly half the estimated crop) is a little below average, showing signs that it may fall further behind the average by the end of the season. With this, the sugar production estimate for MY 2023/24 has been reduced to 4.1 MMT from the previous forecast of 4.4 MMT.

Raw sugar exports for MY 2023/24 are also downward revised to 3.2 MMT from 3.5 MMT, mainly due to the smaller raw sugar production estimate. Domestic consumption is anticipated to increase from the prior year mainly due to a higher-than-usual migration rate to Australia, driving population growth. The combination of exports, encouraged by very high world prices and a weaker Australian currency so far in the first half of the marketing year, and increased consumption is expected to reduce ending stocks of sugar for MY 2023/24.

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Production

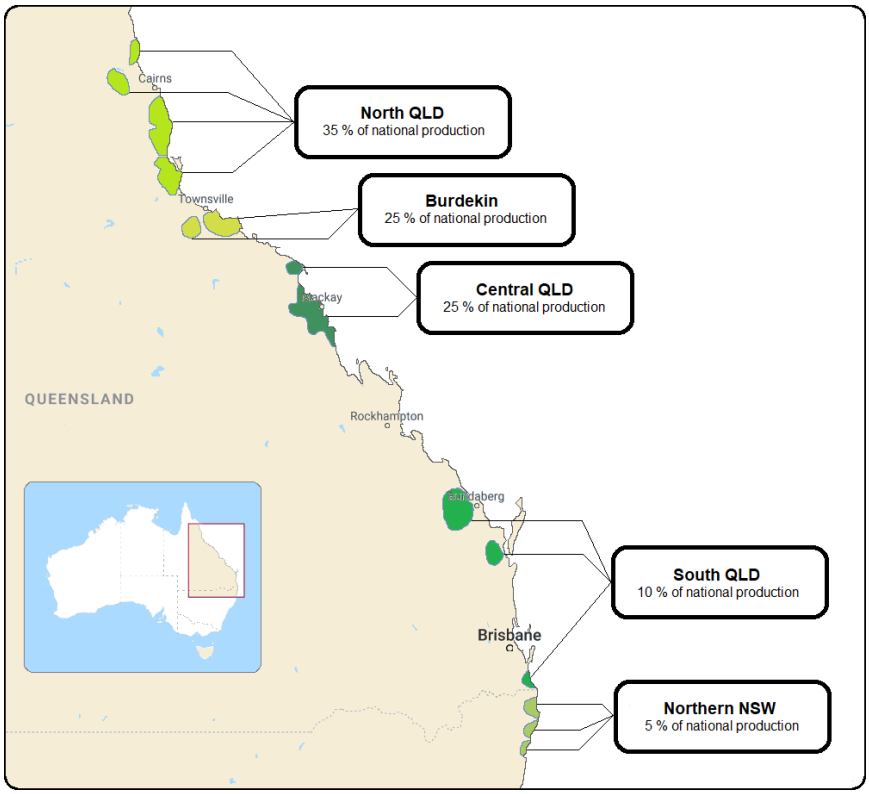
The FAS/Canberra estimate for sugar cane production in MY 2023/24 is revised to 31 MMT, from 33.5 MMT. This new estimate for MY 2023/24 is in line with the Australian Sugar Milling Council (ASMC) revised estimate of 31 MMT as of mid-September 2023. The ASMC estimates that as of mid-September it is around 46 percent of the way through the crushing season, a little behind typical levels of just over halfway.

After looking forward to reaching almost three percent above the 10-year production average and the highest since 2018, the estimate for MY 2023/24 has been lowered due to two key factors. The northern producing regions, which produce the bulk of the national sugar cane, had experienced a strong wet season which created greater than usual overcast conditions, reducing sunlight for growth. And causing the soil to remain overly saturated for an extended period. The second key factor is the very late finish to the previous season's harvest, resulted in some regions having standover sugar cane, which rats damaged. But more so, the sugar cane harvested in the later part of last season was less mature and did not cope well with the saturated soils and overcast wet season period.

In the main sugar cane production regions of North Queensland, Burdekin, and Central Queensland (see Figure 1), which generate around 85 percent of overall production, have had average to above-average rainfall across the previous 12-month growing period from September 2022 to August 2023 (see Figure 2). However, industry reports that in these regions, the wet season period (typically December to April)

had greater than usual cloud cover resulting in the ground remaining over-saturated, but there was also less sunlight, which substantially hindered crop development. These conditions were challenging for the sugar cane crops but they also impacted on 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. The latter situation is also expected to have some impact on yields this season.

Figure 1 - Australian Sugarcane Production Areas

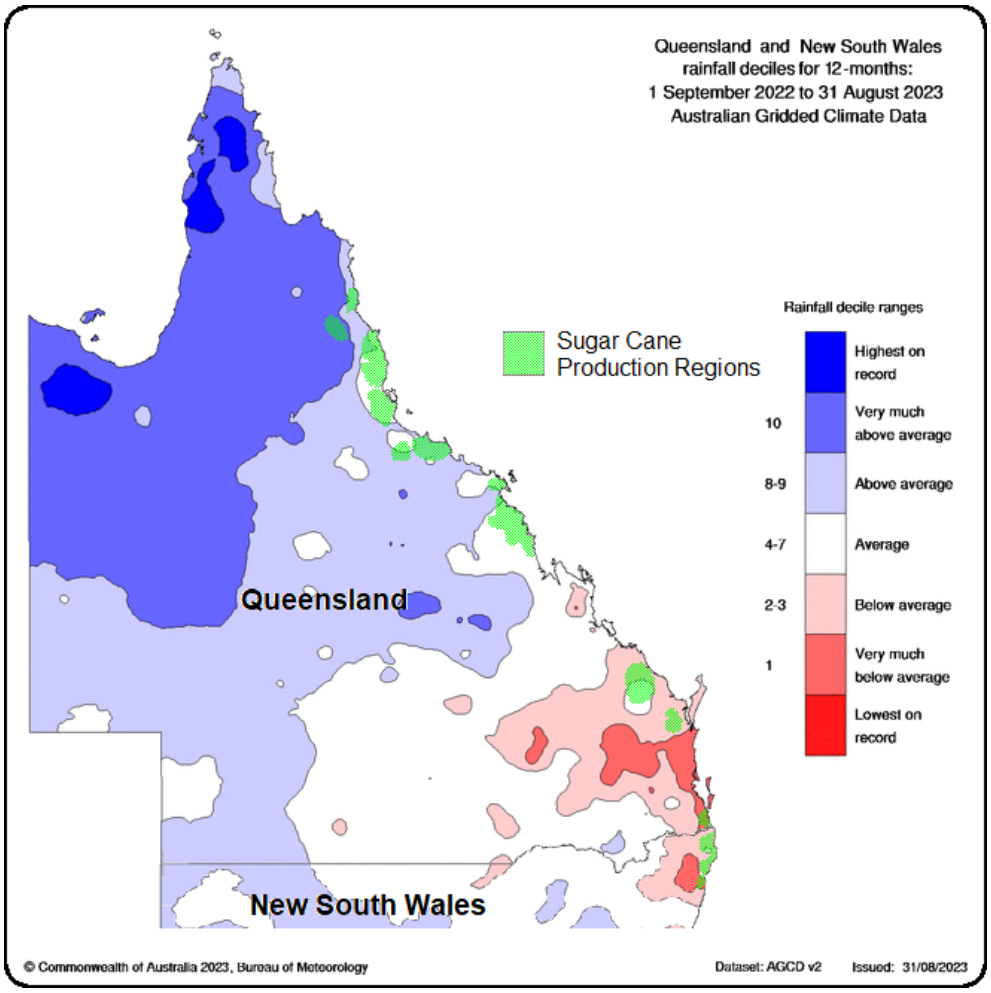


Source: *FAS/Canberra*

One of the most significant concerns of growers is that the sugar cane mill performance is well managed – to help harvest crops as quickly as possible. This situation supports optimizing the sugar content of the cane as the concentration of sugar in the cane begins to deteriorate around the start of November. Towards the end of December, it can reach a point whereby it is uneconomic for the mill to process the sugar cane. But the later harvested sugar cane also has less time to regrow to a point where it can better cope with tropical wet season conditions particularly in a stronger than usual wet season. The current MY 2023/24 sugar cane crop has been adversely affected by both issues. Firstly, the MY 2022/23 crop harvest was severely disrupted by multiple rainfall events during the harvest period and in some regions, rainfall extended harvest well into January. Even then, there was some unharvested sugar cane that was stood over to be harvested in the current season. Most mills end their harvest by the end of November or the start of December. Despite the uneconomic sugar content in the sugar cane, for the MY 2022/23

harvest, some mills offered financial incentives for growers to continue into a very late harvest to support the current MY 2023/24 crop.

Figure 2 – Rainfall Deciles September 2022 to August 2023



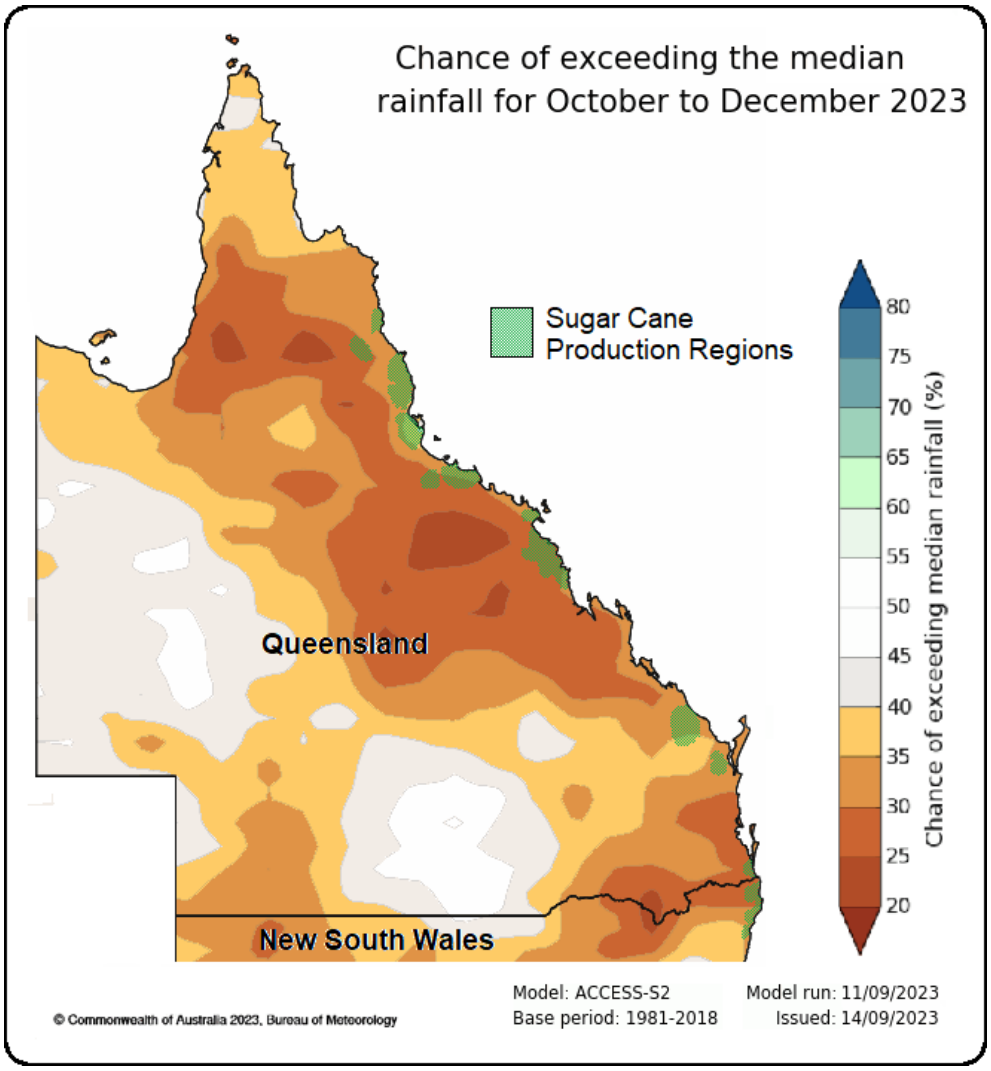
Source: Bureau of Meteorology, FAS/Canberra

Industry reports that rats damaged the standover sugar cane in some more northern areas, negatively affecting yields. However, early to mid-season harvested sugar cane areas have performed very well and are reported to be achieving good yields in the current harvest. Meanwhile, the late harvested crops did not cope well with the excessive wet season period and yields for the current harvest will be below expectation. Mills expect to complete the harvest in the usual time frame or slightly later, which should support the sugar cane areas harvested at the back end of the current harvest period to perform better for MY 2024/25.

The Bureau of Meteorology (BOM) forecasts a lower-than-average chance of exceeding median rainfall across the eastern states of Australia for the October to December 2023 period (see Figure 3). After above-average rainfall at the start of harvest in July 2023, the BOM expects below-average rainfall for

the back end of the harvest period – the former is not expected to have much impact on sugar cane yields for this season. But if this forecast is realized and the situation persists into the wet season period, it will have a substantial production impact for the following season (MY 2024/25).

Figure 3 – Chance of Exceeding Median Rainfall for October to December 2023



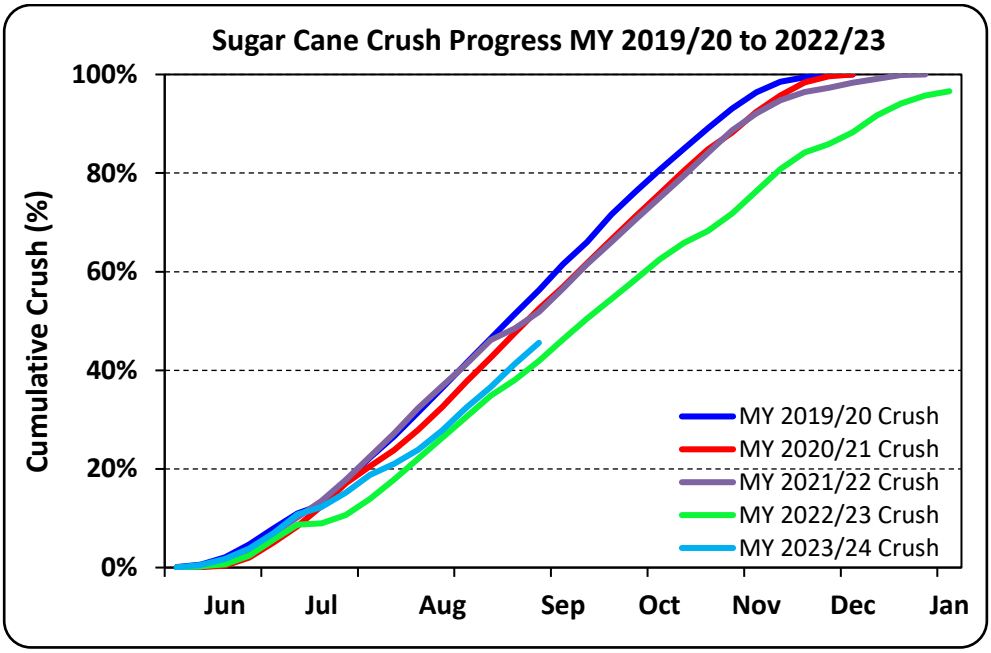
Source: *Bureau of Meteorology, FAS/Canberra*

Sugar mills in Australia have advanced methods of forecasting sugar cane crop yields, incorporating satellite imagery, to schedule their harvest programs, which typically commence in late June and end in early December. These forecasts are updated as the harvest season progresses, considering actual paddock-by-paddock results for the season to date, and prevailing seasonal conditions. The ASMC estimates are considered relatively accurate from this point of the harvest season.

As of mid-September 2023, there was a total of 14.15 MMT of the MY 2023/24 sugar cane harvest crushed equivalent to 46 percent of the season estimate (see Figure 4). Although this is ahead of the

badly disrupted previous season, it is still behind typical levels of 52-56 percent achieved in recent past seasons. This harvest is behind those of 2019 to 2021, which produced 30.0 to 31.1 MMT (similar to this season's estimate), as previously mentioned, due to the above-average rainfalls at the start of harvest. However, with the expectation of below-average rainfalls for the remainder of the harvest period, there is scope to catch up to some degree and finish this harvest around or slightly later than usual.

Figure 4 – Cumulative Sugar Cane Crush Progress



Source: Australian Sugar Milling Council

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Production

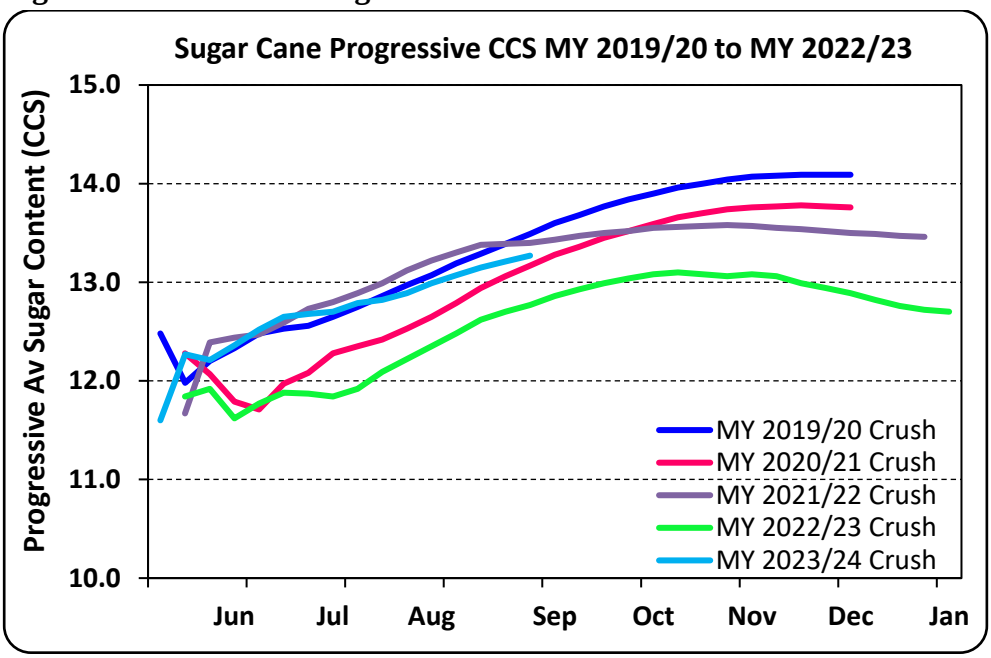
FAS/Canberra sugar production estimate for MY 2023/24 is downward revised to 4.10 MMT from the previous forecast of 4.40 MMT. If realized this situation would be eight percent below the 10-year average of 4.47 MMT. This lower estimated sugar production for MY 2022/23 mainly relates to the downward revised sugar cane production. Still the sugar content so far this season also remains a little below the long-term average, influencing the estimate.

As of the middle of September 2023, the cumulative average sugar content of the sugar cane harvested was at 13.27 Commercial Cane Sugar (CCS), a standard measure used by millers, compared to 13.34 CCS average at the same time over the previous five seasons. However, the sugar content of the harvest is tracking below trend, and the final average CCS is anticipated to fall further behind the last five-year average, impacting the overall sugar production result for MY 2023/24.

In typical harvest seasons, such as MY 2019/20 and MY 2020/21, the CCS gradually rises and peaks in mid-October before slightly declining and affecting the cumulative average CCS (see Figure 5). 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 particularly affected by well above average rainfalls early in the MY 2022/23 harvest period. The current MY 2023/24 harvest season was similarly affected by rainfalls early in the harvest period, and although CCS early in the season started strongly, the rate of improvement as the season has progressed has been slower than usual.

Typically, the higher the rainfall during harvest and the longer the harvest delay, the greater the impact on the plant sugar content. Coupled with warm weather (typically later in the harvest period), plant sucker growth is usually initiated, which draws on energy reserves from the plant, causing sugar content to decline further than usual.

Figure 5 – 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 2023/24 is unchanged from the previously forecast 900,000 metric tons (MT).

The estimated MY 2023/24 consumption is around 12 percent lower than the previous ten-year average. The general decline in sugar consumption is due to changing dietary habits and increasing government focus on food labelling standards, particularly regarding the sugar content of drinks and foods. The

government expects this broad trend to continue in the near term. However, Australia is experiencing a considerable boost in migration in 2023, government forecasts to continue into 2024 which is driving an associated increase in population. This situation is expected to boost the overall sugar consumption for the forecast year.

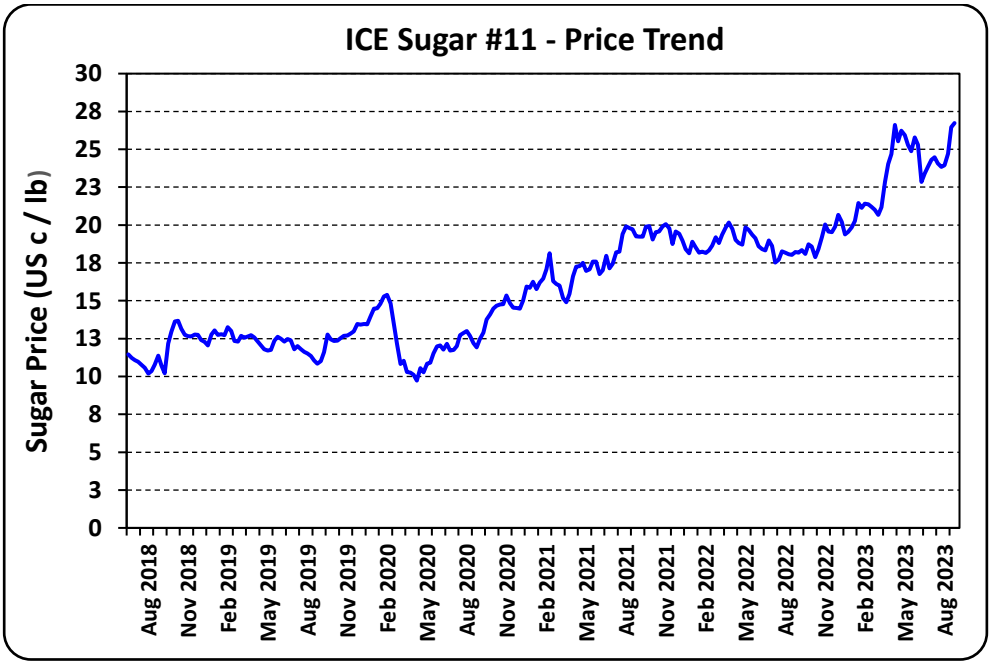
Due to the rapid migration to Australia in 2023, driving population growth, the FAS/Canberra consumption estimate for MY 2022/23 has been raised to 870,000 MT from the official USDA estimate of 850,000 MT.

Trade

FAS/Canberra estimates raw sugar exports for MY 2023/24 at 3.2 MMT, an 8.6 percent decline from the previous forecast and the official USDA estimate of 3.5 MMT. After looking forward to a boost in raw sugar exports the downward revised sugar cane and sugar production has brought the export estimate for MY 2023/24 back to the same level as for MY 2022/23. This situation is despite the two percent higher sugar production for MY 2022/23. The former is due to the strong world demand for sugar this marketing year, reflected in the international sugar price.

As of mid-September 2023, the Intercontinental Exchange (ICE) Sugar #11 price is at a historically solid level not seen for 11 years at a little over US 27 cents per pound. Prices have risen steadily over the last three years with a substantial spike in April 2023 and the price has remained high since then (see Figure 6). This situation and the prospect of a good production year for MY 2024/25, is giving processors confidence to trade and rundown stocks.

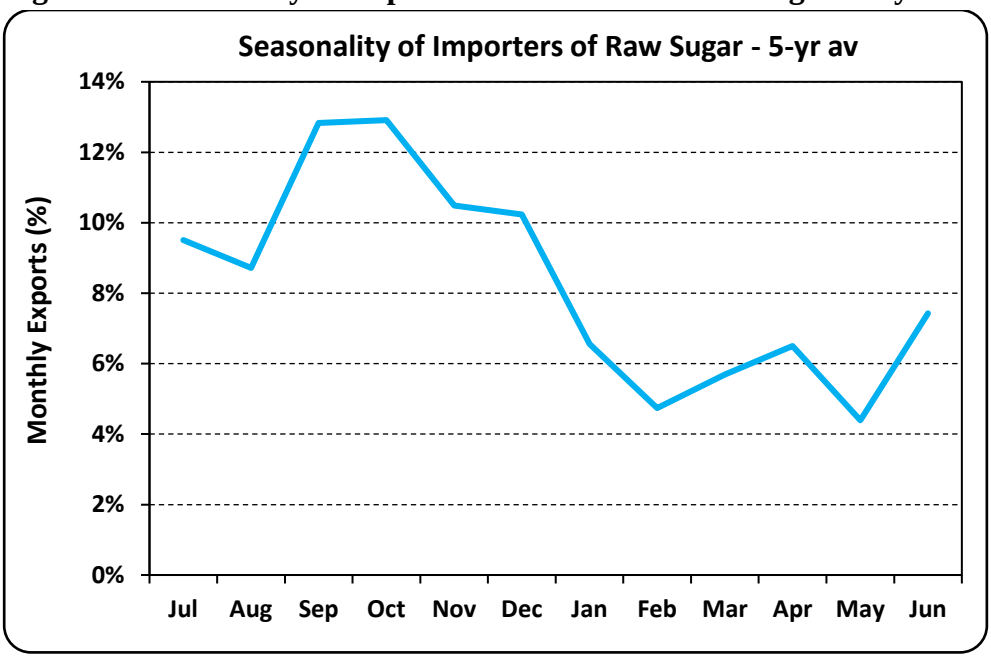
Figure 6 – ICE Sugar #11 – Price Trend



Notes: Chart data points are weekly averages

A further contributing factor supporting the volume of estimated sugar exports is the weakening of Australia's currency against the U.S. dollar. In January 2023, the Australian dollar exchange rate against the U.S. dollar had traded at around AU$1.40 to one U.S. dollar but has gradually weakened throughout 2023, and in mid-September 2023 is down to around AU$1.56. This easing in the Australian dollar's strength has improved the competitiveness of Australian sugar in the world market. This situation is particularly the case for the first half of MY 2023/24 (July to December 2023) during which around 65 percent of raw sugar is typically exported (see Figure 7).

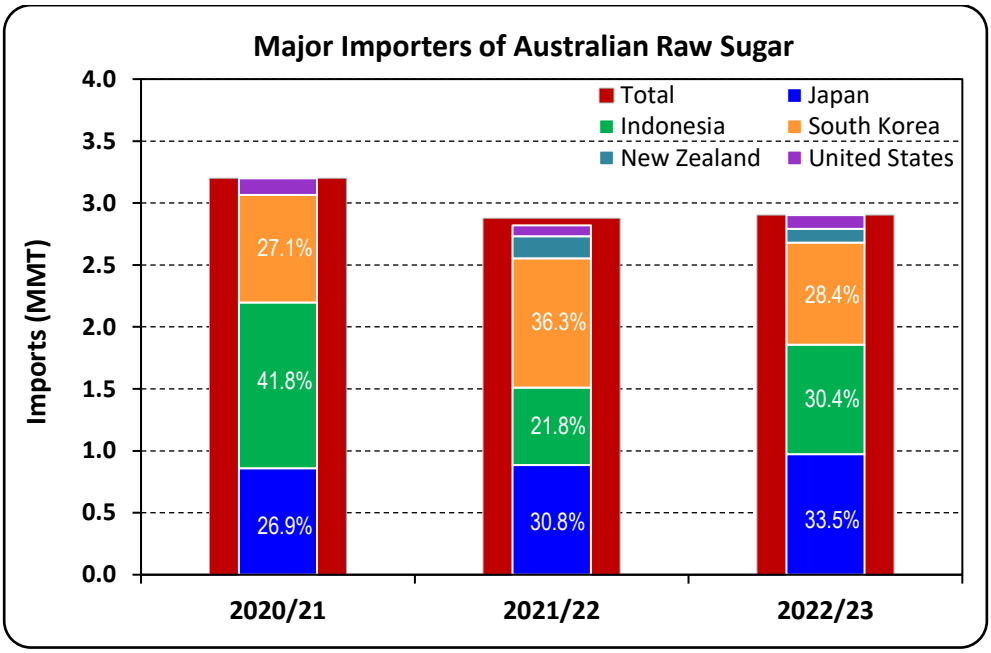
Figure 7 – Seasonality of Importers of Australian Raw Sugar – 5-year average



Source: *Trade Data Monitor*

The three major importers of Australian raw sugar are consistently Indonesia, South Korea, and Japan. Over recent years, these three nations have accounted for 90-95 percent of overall imports of Australian raw sugar (see Figure 8). New Zealand and the United States are two other much smaller but significant nations which virtually make up the balance. The other intermittent importer of any significance of Australian raw sugar is Taiwan. However, the volumes in recent years have been well below those of New Zealand and the United States. There is no indication that the trading pattern over recent years is likely to change for the current marketing year.

Figure 8 – Major Importers of Australian Raw Sugar



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

FAS/Canberra's estimate of refined sugar exports for MY 2023/24 at 100,000 MT is in line with the official USDA estimate. This assessment is double that achieved in MY 2022/23, an abnormally low result, not seen for over three decades. Refined sugar is a small export market for Australia, typically representing only around three percent of annual sugar exports. Of the refined sugar exports, over 80 percent have consistently been to Singapore over recent years. The balance is small trade volumes to a further 10 or more, mainly South Asian nations.

Australia imports a relatively small quantity of refined sugar, and the MY 2023/24 estimate is 8,000 MT, which aligns with the official USDA estimate. This trade has declined over the last five years and reached merely 6,000 MT in MY 2021/22 but this increased to 8,000 MT in MY 2022/23. With Australia being a net exporter of raw sugar, consuming merely around 20 percent of production, and having sugar refining facilities producing the full suite of refined sugar, Australia has relatively little demand to import refined sugar.

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 2023/24 are estimated to decline somewhat due to the current high world demand for sugar.

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

Sugar Cane for Centrifugal	2021/2022		2022/2023		2023/2024	
Market Year Begins	Jul 2021		Jul 2022		Jul 2023	
Australia	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)	343	343	344	344	350	350
Production (1000 MT)	30100	30100	32600	32600	33500	31000
Total Supply (1000 MT)	30100	30100	32600	32600	33500	31000
Utilization for Sugar (1000 MT)	30100	30100	32600	32600	33500	31000
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	30100	30100	32600	32600	33500	31000
(1000 HA) ,(1000 MT)						

Table 2 - Production, Supply, and Distribution of Sugar

Sugar, Centrifugal	2021/2022		2022/2023		2023/2024	
Market Year Begins	Jul 2021		Jul 2022		Jul 2023	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	135	135	294	294	384	384
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	4120	4120	4200	4200	4400	4100
Total Sugar Production (1000 MT)	4120	4120	4200	4200	4400	4100
Raw Imports (1000 MT)	3	3	2	2	2	2
Refined Imp.(Raw Val) (1000 MT)	6	6	8	8	8	8
Total Imports (1000 MT)	9	9	10	10	10	10
Total Supply (1000 MT)	4264	4264	4504	4504	4794	4494
Raw Exports (1000 MT)	3000	3000	3200	3200	3500	3200
Refined Exp.(Raw Val) (1000 MT)	120	120	70	50	100	100
Total Exports (1000 MT)	3120	3120	3270	3250	3600	3300
Human Dom. Consumption (1000 MT)	850	850	850	870	900	900
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	850	850	850	870	900	900
Ending Stocks (1000 MT)	294	294	384	384	294	294
Total Distribution (1000 MT)	4264	4264	4504	4504	4794	4494
(1000 MT)						

Attachments:

No Attachments