Sugar prices to come off high levels in 2009–10

The world sugar indicator price (International Commodities Exchange, No. 11 spot, fob Caribbean) is forecast to average US12.9 cents a pound in 2009–10 (October to September), compared with US13.8 cents a pound in 2008–09. This easing in world sugar prices reflects that world production and consumption of sugar is forecast to return to surplus in 2009–10, after the large sugar production shortfall in 2008–09.

Most countries to increase sugar production in 2009–10

World production of sugar is forecast to be 167.5 million tonnes in 2009–10, nearly eight million tonnes higher than in 2008–09. Increases in production are forecast for most major producing countries, but the increases are likely to be particularly large in Brazil and India.

The level of sugar production in Brazil depends on the extent to which cane production is diverted to ethanol production. Brazilian cane production is forecast to increase by a further eight per cent in 2009–10.

Brazilian sugar production in 2009–10 is forecast to increase by 10 per cent, to a record 42.7 million tonnes. This forecast increase in sugar production also reflects that the proportion of sugar cane used for sugar production is expected to rise to 42 per cent in 2009–10, the first increase since 2002–03.

Lower world oil prices have been causing weaker demand for Brazilian ethanol, both domestically and in export markets. In Brazil, there has been a rapidly growing fleet of flexifuel cars that can run on any mix between ethanol and petrol, leading to an increased substitution between ethanol and petrol. As well, the global economic downturn has caused a marked slowdown in new investments in ethanol production capacity in Brazil.

An increase in Indian sugar production to 23 million tonnes is forecast for 2009–10, as land is returned to sugar production because of high domestic sugar prices and the expectation of lower returns for alternative land uses (mainly cereals and pulses). India has shifted from being a subsidiser of its sugar exports in 2007–08, to being a large importer of sugar in 2008–09 and is expected to continue importing sugar in 2009–10, albeit at a lower volume than the previous year.

Reform of sugar arrangements in the European Union under the Common Agricultural Policy is now largely complete. EU sugar production is forecast to decline only slightly in 2009–10, following the large declines in each of the previous three years. With the decline in domestic production, the European Union has shifted to being a substantial net importer of sugar since 2006–07.

Growth in world sugar consumption in 2009–10

World consumption of sugar is forecast to grow by 1.3 per cent in 2009–10, a slightly faster rate than in 2008–09, because of expected increased sugar demand as a result of a recovery in the world economy.

World sugar exports are forecast to be 49 million tonnes in 2009–10, down from the record 50.1 million tonnes in 2008–09. The current high level of world sugar trade reflects the domestic production shortfall in India in 2008–09 and increasing dependence by the European Union on sugar imports. The increases in import requirements will be met by increased exports from Brazil.

World sugar stocks to increase in 2009–10

There were substantial draw-downs in world sugar stocks in 2008–09, because of lower world production and a steady increase in world sugar consumption. But large sugar stocks were carried into 2008–09, because of two years of bumper world sugar production. Given current expectations...
tions of world sugar production, world carryover stocks are expected to grow to around 68.2 million tonnes in 2009–10, two million tonnes higher than in 2008–09. There is likely to be some rebuilding of sugar stocks in India in 2009–10.

Higher sugar returns in Australia

Higher world sugar prices and the relatively low Australian dollar mean favorable prices for Australian cane growers and sugar marketers for the 2008–09 and 2009–10 harvests.

Indications at 15 June 2009 for Queensland Sugar Limited’s seasonal pool were $332 to $338 a tonne, IPS (International Polarity Scale) for 2008–09 production (harvested in the second half of 2008), rising to $421 to $461 a tonne IPS, for 2009–10 production.

This compares with a realised return for 2007–08 of $275.80 a tonne IPS. The average return to Australian growers for cane in 2009–10 is forecast to be $40 a tonne, compared with $29.87 a tonne in 2008–09 and $27.50 in 2007–08.

Excessive rain reduces Australian cane production in 2009–10

Australian cane production in 2009–10, the harvest of which commenced in June 2009, is forecast to be 31.3 million tonnes, down 0.4 million tonnes on 2008–09 and the smallest Australian crush since 2000–01.

Growing conditions for the 2009–10 Australian sugar cane crop were adversely affected by excessive rain, including floods in early 2009 in the Herbert, Burdekin and far north regions of Queensland and, more recently in northern New South Wales.

As a consequence, Australian cane yields are forecast to decline to 82.7 tonnes a hectare in 2009–10, compared with 83.5 tonnes a hectare in 2008–09 and the 10 year average of 83.6 tonnes.

Australian sugar production is forecast to decline to 4.4 million tonnes in 2009–10, down 0.2 million tonnes on 2008–09. This is expected to lead to a decline of 0.2 million tonnes in Australian sugar exports in 2009–10, to around 3.2 million tonnes.

Reflecting the effect of higher prices in Australian dollar terms, the value of Australian sugar exports is forecast to increase by $188 million, to be around $1.32 million in 2009–10.

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The 2009 harvest season is in full swing with crushing at the Tableland mill starting on May 27. The estimated crop of 650,000 tonnes is expected to take 24 weeks to crush. Sugar content is encouraging with ccs for the first four weeks averaging 13.02 units – up 0.2 units for same period last year.

The wet season saw Tinaroo dam refill to overflowing. But with no substantial rain since mid March, water use for irrigation and hydro electricity generation has seen levels drop to 92 per cent by mid June. With the highest demand period for irrigation water between now and Christmas, the dam level is likely to drop to 65 per cent.

With the best prices for 15 years forecast for this year and next, growers are optimistically if not cautiously planting next years crop. For many growers this is the best opportunity in quite a few years to get rid of older poor performing ratoons and replace them with newer varieties that are not only better performers but also have smut resistance. This time last year with grain prices skyrocketing, many growers were looking at planting winter crops of maize or wheat instead of sugarcane. Now, 12 months later the table has turned and those growers who stuck with sugarcane will now reap the rewards.

The frequency of grey back cane grub damage is increasing and is a sure sign that grub numbers are building again and growers need to take this warning seriously. A number of growers have sufficient damage on their farms this year to warrant re-treating their farms with Imidacloprid insecticide or else risk severe grub damage to their crop next year. With further price competition, treating with Imidacloprid products to prevent grub damage is now more economically viable than ever before and growers should not hesitate to treat.

Drewe Burgess, BSES Tablelands
June 23, 2009

It has not been a cold winter to date and crushing is off to a flying start with planting also proceeding at a steady pace. The various mills’ CCS statistics for the season to date include:

Tablelands Mill has crushed 28,315 tonnes for the week ended June 21 and 101,990 tonnes for the season to this date.

The CCS for the week ended was 13.54 while the CCS to date was 13.02.

South Johnstone Mill completed its first week of crushing at June 20 and crushed 44,859 tonnes at a CCS of 11.64.

Babinda Mill also completed the first week of crushing on the same date and crushed 22,947 tonnes at CCS of 11.4. Bundaberg Sugar’s coastal mills are expecting to crush 1.27 million tonnes. To date, Tully has crushed 70,000 tonnes.

Babinda is on a five-day week crush mode while South Johnstone has opted to crush seven days a week.

QSL has announced a high initial advance price of $250 per tonne of sugar.

Attendance was good at regional meetings which were held recently. Concern was raised by all farmers regarding the forthcoming reef legislation. There was general consensus that farmers were once again being made scapegoats for the environmentalist agenda.

John Blanckensee
ACFA Innisfail Director
July 1, 2009

Crushing in the Herbert commenced on Tuesday, June 16, 2009 with fine weather. Unfortunately, at the time of writing we now have light showers with some harvesters in the Macknade area calling a halt to cutting.

It appears that the rain is widespread with all areas being affected. 106,286 tonnes of cane have been crushed to date with an average district CCS of 12.59 and an average bin weight of 3.46 tonnes.