



Rabobank

**Media Release
April 4, 2013**

Australian cane production 'on track' – Rabobank quarterly sugar report

The Australian cane crop is in the middle of the peak growing season and is on track to yield higher national cane and sugar volumes year-on-year, according to a recently-released report by agricultural lender, Rabobank.

The **Rabobank Sugar Quarterly** report says recent cyclone activity has brought much needed rainfall to boost yields in the Northern, Herbert/Burdekin and Central cane growing regions, however multiple flood events during the quarter have caused up to a 10 per cent reduction in cane area in the southern region around Maryborough and Bundaberg. The New South Wales crop is expected to experience an estimated 10 per cent reduction in both cane yields and sugar content.

Rabobank maintains its Australian cane production forecast of 32.8 million tonnes in 2013, up eight per cent year-on-year, while raw sugar production is expected to reach 4.68 million tonnes, up nine per cent year-on-year.

Rabobank sugar analyst Tracey Allen says the ongoing tropical cyclone season, although expected to be more 'normal' than the previous two years, poses the greatest risk to the size of the Australian crop at this stage of the season.

"The tropical north is transitioning from the wet to the dry season and while cyclones still pose a risk to the size of the crop, it is less so than in previous years. Thankfully this year's cyclone season has been quite moderate, which bodes well for cane yields in 2013," Ms Allen says.

Australian sugar exports are winding down for the 2012/13 season and are expected to exceed 3.0 million tonnes raw value.

Cane area retention and expansion remain a priority for the Australian industry in an effort to increase crushing volumes, Ms Allen says.

"Australian cane area harvested has declined 11 per cent over the past decade but is now beginning to increase," she says.

"Surplus national crushing capacity stands at around five million tonnes on current cane volumes and milling capacity. Millers have been acquiring new and existing cane land for some time however, this has accelerated over the last 18 months following injections of foreign investment."

Growers have also accepted incentives from the mills to bring new area in to cane, Ms Allen says.



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Australian cane yields remain low by historical standards, averaging an estimated 80 tonnes/ha in the 2012 season, down from the 10-year average of 87 tonnes/ha. on seasonal conditions and low cane vigour. Cane yields trended upwards in the 2012 season and are expected to rise further in 2013.

In the coming months, and in the absence of any major weather disruptions, Rabobank believes there is little room for prices to break out of the upside of their current range of 17- 19 USc/lb. The ample stock situation and large supplies projected for 2012/13, should restrict scope for gains price-wise.

With the Northern Hemisphere crops drawing to a close, Ms Allen says all eyes are turning to Brazil, where a sizeable increase in cane output is expected. While ethanol production is expected to increase significantly, only modest growth is anticipated for sugar production.

“Any factor that alters this outlook – either related to ethanol, economics or weather – is likely to have a direct impact on sugar prices,” she says.

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Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank has more than 110 years’ experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 47 countries, servicing the needs of approximately 10 million clients worldwide through a network of more than 1600 offices and branches. Rabobank Australia & New Zealand is one of Australasia’s leading rural lenders and a significant provider of business and corporate banking and financial services to the region’s food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.

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