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Global sugar to 2021 – Rabobank identifies long-term prospects for industry production, consumption and trade

The Australian sugar industry is well placed to capitalise on its geographical proximity to the growing consumption markets throughout East Asia, according to a recently-released Rabobank report that identifies significant trends that will shape the development of the global sugar industry over the coming decade.

In the report, '**Global sugar to 2021 – long-term prospects for production, consumption and trade in key markets**', Rabobank sugar analyst Tracey Allen says the Australian cane industry is currently experiencing a period of 'rejuvenation' with an injection of offshore investment and consolidation across milling assets and cane supply.

"Looking ahead, the increasing integration of East Asian sugar companies in the Australian milling industry provides opportunities to build on the current strength of Australia as a supplier to the region," Ms Allen says.

"The challenges for the Australian industry will be to maintain the status of being a high-quality, reliable sugar exporter to the East Asian region and to ensure that export volumes grow to match the rising demand."

Ms Allen says that despite the Australian sugar industry commencing the 2013 cut and crush in challenging circumstances, it is important to remember the long-term opportunities for the sector.

Outlook for Australian sugar production and consumption

Australian cane area is in the midst of a rebound, reversing the downward trend set over the past 10 years and returning to normal planting levels of above 0.40 million hectares, the Rabobank report says.

Ms Allen says the area of cane harvested in Australia peaked in the 2002/03 season at the 0.45 million hectares and declined for the remainder of the decade, falling 17 per cent in 2000/01 to 2010/11.

"However, elevated sugar prices over the past couple of seasons and a wave of foreign investment have provided incentives to lift and maintain Australian cane area at 'normal' levels," she says.

Australian milling capacity has been under-utilised over the past 10 years, the report says. In an effort to maximise cane throughput and reduce idle capacity, millers have provided growers with a range of incentives to replant cane and bring 'new' area into cane.

"Cane produced on miller-owned land currently constitutes only a small proportion of overall cane supply, however we expect miller-owned and leased farms to be more of a prominent feature in the future," Ms Allen says.



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Looking to 2020/21, Rabobank expects Australian cane area to grow by around 25 per cent from current levels of 0.4 million hectares. Cane area is expected to be reclaimed in all growing regions, but particularly in the Burdekin, one of the most productive growing regions in the country.

Ms Allen acknowledges a number of cane projects are also under discussion outside of the traditional cane-growing areas of the country, including near the Ord River of Western Australia.

“In our view, any additional growth beyond the 0.46 million hectares would require substantial public and private sector investment to develop new growing areas, extend existing water infrastructure and bring additional crushing capacity online,” she says.

“This possibility should not be ruled out, but would require a robust price outlook and is in any case a longer-term play.”

Over the next 10 years, Rabobank expects Australian domestic sugar consumption to rise to an estimated 1.7 million tonnes raw value in 2020/21. Most of the additional growth in production projected for the coming 10 years is expected to contribute to the expansion of Australia’s exportable sugar surplus. This is because domestic consumption growth is likely to be limited by flat population growth and the health conscious consumer.

Global outlook

The Rabobank report identifies 10 countries or regions that are considered major players in sugar – Brazil, India, China, Thailand, Indonesia, Australia, Africa, the European Union, Russia and NAFTA (i.e the United States and Mexico).

Brazil, Thailand and Australia are ranked as the world’s first, second and third largest sugar exporters, respectively.

Ms Allen says the development of the industry in all three countries is likely to have a material impact on the evolution of global sugar export availability.

Asia is expected to remain the “powerhouse” of global consumption and imports, but local production in all key countries (China, Indonesia, Thailand and India) is projected to rise strongly.

Ms Allen says Asia is projected to maintain its dominant share in global imports, while South America’s share of global imports is also expected to rise, driven by continued growth in key countries where local production growth is not expected to be as robust, such as in Chile and Venezuela.



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“Of particular concern is whether Brazil will continue to exhibit vigorous growth in global sugar exports over the next 10 years or grow at a pace that is more in line with the overall growth in international trade,” she says.

The report says China and India are the “giants” of the sugar industry – both have enormous sugar markets with considerable potential for future growth.

“Both countries also boast large domestic sugar industries, however it is far from clear whether Indian and Chinese production will keep pace with domestic consumption in the future, or whether gains in productivity can to some extent offset the limited availability of domestic agricultural land,” Ms Allen says.

“Looking ahead, there are significant regional changes in the projected evolution of global sugar imports over the forecast period.”

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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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