

# Lower yields to cut sugar output

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AUSTRALIA, set to be the world's third-biggest sugar exporter, lowered its output forecast 7.1 per cent amid a decline in plantings and lower yields.

Raw-sugar production may total 3.9 million metric tons in the year to June 30 next year, the Australian Bureau of Agricultural and Resource Economics and Sciences said yesterday in a report that compares with 4.2 million tons forecast in September and an output of 3.6 million tons in 2010-11.

Production is set to be 8.3 per cent higher than last year's rain-affected harvest even after damage from Tropical Cyclone Yasi in February and lower sugar yields from so-called stand-over cane from the 2010-11 harvest.

Plantings may total 370,000ha, 1.6 per cent lower than the September estimate.

Cane output will likely be less than 30 million tons for a second season after the cyclone and wet weather, compared with typical production of 32 million to 35 million tons, according to industry group Canegrowers.

Constrained output from the nation may reduce world supplies and help ease a 27 per cent decline in sugar prices this year.

Exports of raw sugar may total 2.82 million tons, up 1.4 per cent from the bureau's September forecast, the report says.

Global raw sugar prices will likely decline to an average US20.9c a pound this year, as record production enables rebuilding of stocks despite an expected rise in consumption.

Prices hit multi-year highs in February on the back of concerns of a shortage after a powerful cyclone destroyed crops in Australia, the third-largest exporter, but they have slumped nearly 35 per cent after a recovery in supply.

The benchmark March contract on the InterContinental Exchange settled at US23.29c/lb on Monday.

Sugar production in the European Union is expected to increase 12 per cent this year to 17.4 million tons on the back of higher acreage and better yield, the ABARES report says.

Production in India, the second-largest producer, may rise by 2 million tons to 28.5 million tons in the marketing year to September 30.

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