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The Sugar Industry

The Sugar Industry

Where is sugar grown?

Around 94 per cent of Australia's sugar output comes from Queensland and about five per cent from northern New South Wales, along 2,100 km of coastline between Mossman in far north Queensland and Grafton in northern New South Wales, with a small quantity produced in Western Australia.

The majority of Australia's cane farms are owned and operated by families. Most farms range in size from 30 to 250 hectares, but with a growing trend towards much larger farms in some areas.

How much sugar cane is produced in Australia?

The Australian sugar industry produces raw and refined sugar from sugarcane grown by over 6,500 farmers. Australia is unusual among sugar producing countries in exporting the majority of its sugar production.

Australian cane growers produced 4.6 million tonnes of sugar in 2001-02, worth about \$1.2 billion.

How is sugar marketed?

The bulk of Australian production is marketed through the Queensland Sugar Ltd (QSL) which acquires all raw sugar produced in Queensland under State legislation. The sugar is marketed on behalf of the state's cane growers and mill owners through a single desk selling structure, with all net revenues being returned to producers.

QSL also manages and operates the industry's seven bulk sugar terminals. With the small New South Wales industry being largely dependent on the domestic white sugar market for its sales, and the WA industry in its infancy, QSL is responsible for almost all Australian raw sugar exports.

Operations of QSL are funded entirely by the state's raw sugar producers through a charge against proceeds from sales. The Corporation does not receive any government funding.

Proceeds from the sale of Queensland raw sugar are pooled for payment purposes. QSL acquires all raw sugar produced in the state and sells it to domestic refineries and to export markets. The Corporation is required to sell to domestic refiners at export parity prices.

The revenue from these marketing arrangements is distributed back to mills and growers after being adjusted for marketing costs incurred by QSL. With the pooling of sales proceeds, producers receive an average of prices received from sales during the course of the year.

Asian markets have become a major focus for exports with the industry building strong ties with refiners in Japan, South Korea, Malaysia and Taiwan. Exports to these countries have provided an important cornerstone to its strong overseas marketing performance. These four markets and

Canada are the principal export destinations.

What is the outlook for the sugar industry?

Australian production is forecast by ABARE to improve from 4.6 million tonnes in 2002-03 to 4.9 million tonnes in 2002/03. Improved seasonal conditions and a rise in the area of disease resistant areas are the main reasons for the expected increase.

In line with the rise in production, it is expected that for the year 2002-03 around 78 per cent of raw sugar produced in Australia will be exported, with exports valued at \$1.4 billion. Key markets are Malaysia, Canada, Korea and Japan.

Despite the anticipated lift in production, grower incomes and average returns per hectare are forecast to fall in 2002-03 because of lower world prices and an assumed small appreciation of the Australian dollar. Returns to Australian farmers are expected to moderately improve after 2002-03 reflecting an expected further improvement in cane yields and slightly higher world prices.

Page last reviewed on 2 November 2005

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