

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Peru

## Sugar Annual

## Annual

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**Report Highlights:**

Cane sugar production for MY (May/April) 2015 is forecast at 1.2 MMT, up from 1.15 MMT in MY2014. Sugar cane production is forecast at 11.6 MMT in MY 2015, increasing 5 percent from MY 2014. This increase is explained by private sector investments in renewing plantations and increasing harvested area. FAS/Lima believes that Peru's sugar production will continue to increase in the foreseeable future due to ongoing investment in both upgrading processing plants and improving fields.

**Executive Summary:**

Cane sugar production for MY (May/April) 2015 is forecast at 1.2 MMT, up from 1.15 MMT in MY2014. Sugar cane production is forecast at 11.6 MMT in MY 2015, increasing 5 percent from MY 2014. This increase is explained by private sector investments in renewing plantations and increasing harvested area. FAS/Lima believes that Peru's sugar production will continue to increase in the foreseeable future due to ongoing investment in both upgrading processing plants and improving fields.

Cane sugar consumption is forecast at 1.29 MMT in MY 2015, around 70 percent of which is for direct consumption and the remaining for industrial use.

Peruvian sugar exports in MY 2015 are forecast at 100,000 MT. In CY 2013 the Colombia was the largest market for Peruvian sugar with 31,313 MT, followed by the United States with 27,897 MT. The U.S. sugar tariff-rate quota (TRQ) is an important incentive for Peruvian exporters. The U.S. TRQ is distributed among the sugar mills by the Ministry of Agriculture, in coordination with the Peruvian sugar industry.

**Commodities:**

## Sugar, Centrifugal

### Production:

Cane sugar production for MY (May/April) 2015 is forecast at 1.2 MMT, up from 1.15 MMT in MY2014. This increase is explained by private sector investments in renewing plantations and increasing harvested area. FAS/Lima believes that Peru's sugar production will continue to increase in the foreseeable future due to ongoing investment in both upgrading processing plants and improving fields. Peru will probably become self-sufficient, and even have a sugar surplus, in the upcoming years.

Sugar, Centrifugal Peru	2012/2013		2013/2014		2014/2015	
	Market Year Begin: May 2012		Market Year Begin: May 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	112	112	109	109		89
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	1,080	1,080	1,100	1,150		1,200
Total Sugar Production	1,080	1,080	1,100	1,150		1,200
Raw Imports	42	10	10	5		10
Refined Imp.(Raw Val)	210	225	220	210		180
Total Imports	252	235	230	215		190
Total Supply	1,444	1,427	1,439	1,474		1,479
Raw Exports	70	54	80	100		100
Refined Exp.(Raw Val)	0	0	0	0		0
Total Exports	70	54	80	100		100
Human Dom. Consumption	1,265	1,264	1,239	1,285		1,290
Other Disappearance	0	0	0	0		0
Total Use	1,265	1,264	1,239	1,285		1,290
Ending Stocks	109	109	120	89		89
Total Distribution	1,444	1,427	1,439	1,474		1,479
1000 MT						

Sugar cane production is forecast at 11.6 MMT in MY 2015, increasing 5 percent from MY 2014. Sugar in Peru is produced in the rich northern valleys along the coast. The region of La Libertad produces 49 percent of the Peruvian sugar, followed by Lambayeque and Lima with 27 percent and 15 percent respectively. Peru's milling capacity is 37,000 MT of cane per day. Since sugar cane in Peru is produced year round, mills do not need to be very large. Yields and cane age vary greatly from one producer to another. Yields range from 53 to 190 MT of cane per hectare and age varies from 13 to 18 months between cuts. Average yield in CY 2013 was 133 MT per hectare, up 4 percent compared to the previous year. Total harvested area in CY 2013 was 82,205 hectares, up from 81,126 MT in CY 2012.

Production costs also vary considerably, with fuel being one of the most important factors. Fuel utilization ranges from 5 to 90 gallons per metric ton of sugar produced. The Peruvian northern coast has excellent conditions for growing sugar cane due to high temperatures and lack of rain. All cultivation is surface irrigated, allowing producers to cut the supply of water at a given time to obtain higher sucrose yields. Under normal weather conditions, and provided the cane is milled on time, sucrose yields are around 12 percent.

Company	Harvested Area 2013	
	Hectares	%
Casa Grande	15,450	18.8
Cartavio	11,890	14.5
Laredo	10,046	12.2
Paramonga	9,600	11.7
Tumán	9,237	11.2
Pomalca	8,592	10.5
Pucalá	8,341	10.1
San Jacinto	6,013	7.3
Andahuasi	2,471	3.0
Chucarapi	565	0.7
<b>Total</b>	82,205	

Source: FAS/Lima estimates

Peru's sugar industry continues its consolidation process. Coazucar, owned by Peru's largest dairy processor Gloria, owns Casa Grande, Cartavio and San Jacinto. Casa Grande has access to 30,000 hectares, but only about 15,450 hectares are under production. Casa Grande could at least double its sugar production very rapidly by both planting currently idle lands and improving yields through technological changes. Ethanol production is also an important project that investors are evaluating.

The Peruvian northern coast continues undergoing an economic improvement process driven by private investment. Land is being purchased by Peruvian and foreign investors, and property is being consolidated. The efficiency brought about by economies of scale is improving return rates, which attracts more investment, generating a beneficial cycle. It is quite common to see bulldozers flattening sand dunes to plant more sugar in the desert. This process is undoing the damage done by the catastrophic 1968 land reform that expropriated land to give to workers in socialist type cooperatives.

However, there still are two mills, Pomalca and Tuman, where the government has shares and that have not been able to find a strategic partner to improve its efficiency and economic results. In an effort to encourage investment in these companies, the government is auctioning its shares to interested private sector companies. Government owned shares were the result of a conversion of unpaid taxes.

### Consumption:

Cane sugar consumption is forecast at 1.29 MMT in MY 2015, around 70 percent of which is for direct consumption and the remaining for industrial use. As the Peruvian economy improves, sugar demand will increase, especially for sugar based beverages and confectionary products. Average retail prices in CY 2013 were \$0.83 per kilogram for refined sugar and \$0.7 per kilogram for brown sugar.

Retail Sugar Price in 2013 (U.S. \$ per Kilogram)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Refined</b>	0.93	0.89	0.87	0.84	0.84	0.82	0.81	0.80	0.80	0.80	0.81	0.80
<b>Brown</b>	0.79	0.75	0.73	0.71	0.70	0.69	0.68	0.68	0.67	0.67	0.67	0.67

Source: Ministry of Agriculture

### **Trade:**

Peruvian sugar exports in MY 2015 are forecast at 100,000 MT. In CY 2013 the Colombia was the largest market for Peruvian sugar with 31,313 MT, followed by the United States with 27,897 MT. The U.S. sugar tariff-rate quota (TRQ) is an important incentive for Peruvian exporters. The U.S. TRQ is distributed among the sugar mills by the Ministry of Agriculture, in coordination with the Peruvian sugar industry.

Colombia, Bolivia and Brazil were Peru's most important sugar suppliers in CY 2013, with 82, 7, and 4 percent of the market share respectively.

### *U.S. – Peru Trade Promotion Agreement (TPA)*

The U.S. - Peru Trade Promotion Agreement includes five-year linear tariff reductions for glucose and fructose. These reductions start at a tariff level of 17 percent and 30 percent for glucose and fructose, respectively, with duty free access in six years. However, since the Agreement entered into force, Peru unilaterally eliminated import duties for sugar.

<b>Export Trade Matrix</b>	
<b>Country</b>	Peru
<b>Commodity</b>	Sugar, Centrifugal
<b>Time Period</b>	CY 2013
<b>Imports from:</b>	
U.S.	27,897
Others	
Colombia	31,313
Spain	20,435
Total for Others	51,748
Others not Listed	21,347
<b>Grand Total</b>	<b>100,992</b>

Source: Peruvian Customs

### **Policy:**

In April 2010, due to the unusual price increase of local sugar, when international sugar prices were falling, the government published a Supreme Decree declaring the sugar sector in emergency. As a result of this situation, the Ministry of Agriculture established a sugar monitoring committee (Technical Group) to “assess, evaluate and propose alternatives to improve the performance of the sugar industry.” This committee drafts a supply and demand report before approving shipments for export, including to the United States under the TRQ. The committee is formed by representatives of the Ministry of Agriculture and private sector.