

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Argentina

## Sugar Annual

**2014**

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**Report Highlights:**

Argentine sugar production for MY 2014/15 is forecast at 2 million tons (raw value), a recovery from last year's low production which suffered severe frosts in the three main producing provinces. Domestic consumption is expected to grow marginally, providing an export surplus of 150,000 tons (raw value). This volume is the lowest since MY 2001/02. If severe frosts affect plantations during this coming winter, production will likely be lower and could negatively affect sugar exports.

**Commodities:**

Sugar, Centrifugal

**Author Defined:**

**Production:** Argentine sugar production for marketing year (MY) 2014/15 is forecast at 2.0 million tons (raw value). This is a recovery from last year's poor production which was affected by severe weather problems, but it is still lower than sugar output of MY 2012/13. The current condition of the cane is very variable. In the northern provinces of Salta and Jujuy it is reported to be better than last year. In Tucuman, plantations are very different one from the other, and preliminary reports indicate that maturity is much delayed. After the harvest of last year's crop, most plantations suffered a significant drought during spring with the addition of very high temperatures in summer. It only began to rain in February, but temperatures were lower than normal and skies very cloudy. Producers are finding difficulties to begin the harvest early this year as plantations have yet not developed enough to apply chemicals to accelerate maturity. The harvest is expected to begin around May 10 in the Northern provinces and about ten days later in Tucuman. If there is a severe frost this coming winter, sugar production could be lower than our projection, leaving a very small export surplus.

Planted area is projected to drop approximately 15,000 hectares to a total of 365,000 hectares in MY 2014/15. However, the harvested area could still be higher than in MY 2013/14, a year in which there were significant losses and many plantations were left unharvested. While planted area in the Northern provinces is expected to remain quite similar to last year, in Tucuman it is projected to drop significantly, especially in the marginal areas which expanded a few years ago as result of very good sugar prices. Last year's crop suffered from bad weather and bad economics, which is reflected in the MY 2014/15 figures. Plantations last year suffered unusual, widespread severe frosts, followed by a drought in late spring and early summer. In Tucuman a lot of cane fields caught on fire, and many plantations in poor conditions were eliminated. There are practically no new plantations and replanting was considerably lower than usual. On the economic side, large carry in stocks, high production costs, lower world sugar prices and the need to sell immediately during harvest to cover expenses made sugar prices drop significantly during the first months of the season. Contacts indicate that in most cases, sugarcane producers and sugar mills had economic difficulties in MY 2013/14. The producers' fragile situation made them invest less in their plantations; applying lower volumes of fertilizers and fewer crop protection chemicals. On the contrary, in Salta and Jujuy, where most of the cane is owned by the mills, the planted area is expected to remain unchanged, with a level of cane renewal smaller than normal.

Local sugar prices for MY 2014/15 are expected to be much better than last year. The current domestic is equivalent of US\$500 per ton, double of what it was a year ago (inflation and production costs increased about 30 percent in this same period). Contacts indicate that a current small carry out stock plus the projection of a relatively tight crop is expected to maintain local prices at least at the current level during the first months of the harvest, while prices could increase after October when the harvest is over and sales begin to slow down. Some people in the local industry predict that if there is any weather anomaly and production is negatively affected, prices could increase in a significant way. However, there would be a price ceiling as the current cost of imported Brazilian sugar is 38 percent higher than the current local price.

Total cane production for 2014/15 is projected at 22 million tons, of which 3.2 million tons could be used directly for bioethanol production to comply with the local biofuel mandate. At current prices, mills would prefer to direct the sugar cane surplus to produce ethanol rather than sugar for the export market. However, the mandate has a limited quota and it is shared by ethanol producers using grains. If frosts during the coming winter are harsher than normal and sugar production is affected, most likely we will see less cane going directly to produce ethanol. It will probably be more profitable for mills to process cane for sugar for the domestic market rather than for bioethanol for local use.

**Consumption:** Sugar consumption in MY 2014/15 is projected at 1.86 million tons (raw value), a marginal growth from the previous year. The competition with high fructose corn syrup in the local market is increasing as corn production has been expanding lately. The use of alternative low-calories sweeteners is very popular in Argentina, hence also limiting the growth of the use of sugar. Last year, one of the world's top carbonated beverage companies launched a cola partially sweetened with stevia, a natural sweetener extracted from a plant which grows in the region. The local food and beverage industries are the major consumers of sugar. Direct household use of sugar accounts for approximately 30 percent of the total consumption.

**Trade:** Sugar exports for MY 2014/15 are projected at 150,000 tons (raw value), of which about half would be raw sugar and the other half refined sugar. Although raw sugar exports are currently the least profitable, a few local mills have financial/trade agreements with international brokers to provide this sugar at the beginning of the season. Contacts indicate that some 40,000 tons of raw sugar could be exported to the U.S. under the tariff rate quota and about 30,000 tons of raw sugar to world markets (leading buyers of Argentine sugar in 2013 were Uzbekistan, the Russian Federation and the United Kingdom). Argentina is set to export approximately 50,000 tons of refined sugar to neighboring Chile (most of it from contracts from last year could not be filled due to production shortage). Approximately 20,000 tons of organic sugar will probably be exported by two sugar mills to the U.S. and the E.U. If production in MY 2014/15 is negatively affected by weather, exports most likely will be lower than projected.

The US allocated 45,281 tons of sugar to Argentina under the 2013/14 Tariff Rate Quota. Due to last year's production shortage in Argentina and low export prices under the quota, it has so far filled 151 tons. With the new crop beginning in May 2014, contacts believe that Argentina will try to fulfill the most of this year's quota.

**Stocks:** Ending stocks for MY 2014/15 are projected at 121,000 tons, somewhat lower than the equivalent to a month's use. The local industry prefers to carry small ending stocks so there is not much pressure on prices at the beginning of the crop season. However, the government prefers to have a well-supplied domestic market and to avoid price increases. Therefore, it is likely the GOA will regulate the local supply through export authorizations, as it does with the case of wheat and corn.

**Policy:** In MY 2012/13 high sugar stocks, low exports and declining prices, made the Governor of the province of Tucuman, which produces over 60 percent of the country's total and has over 8,000 small and medium cane producers, pass a Law to organize the sugar market in the province. The law created the Tucuman Sugar and Alcohol Promotion Institute, run by a board with representatives from the provincial government, the mills and the farmers. This board estimates production, stocks, and domestic consumption and mandates s mills hold a share of their sugar which they will have to export. By creating this entity the Provincial government hopes to

balance the market and protect domestic sugar prices from falling significantly as has happened in the past without an orderly market. While many have confidence that this scheme will work, others have doubts primarily due to the different situation of the 15 mills operating in the province. There are some with financial problems, only a few produce bioethanol (which would be part of the scheme and it is currently more profitable than exporting sugar), etc. This is the first official regulation, federal or provincial, regulating sugar marketing in more than 20 years, and it only applies to the province of Tucuman (other producing provinces are not part of it).

In 2010 the federal government came to an agreement with local mills to sell 6 percent of the sugar marketed domestically at low prices. This volume represents approximately 10,000 tons a month, under the Domino brand and it is mainly sold in supermarkets in the city of Buenos Aires. In early 2014 the government updated the price of this sugar from 2.50 pesos to 6 pesos per kilo at retail.

#### Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Argentina	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	232	232	446	444		141
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	2,300	2,300	1,800	1,780		2,000
Total Sugar Production	2,300	2,300	1,800	1,780		2,000
Raw Imports	0	0	0	0		0
Refined Imp.(Raw Val)	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	2,532	2,532	2,246	2,224		2,141
Raw Exports	96	96	100	103		70
Refined Exp.(Raw Val)	160	162	120	130		80
Total Exports	256	258	220	233		150
Human Dom. Consumption	1,820	1,820	1,830	1,840		1,860
Other Disappearance	10	10	10	10		10
Total Use	1,830	1,830	1,840	1,850		1,870
Ending Stocks	446	444	186	141		121
Total Distribution	2,532	2,532	2,246	2,224		2,141
1000 MT						

Sugar Cane for Centrifugal Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jun 2012		Market Year Begin: Jun 2013		Market Year Begin: Jun 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	380	380	380	380		365
Area Harvested	360	360	370	353		360
Production	23,000	23,000	23,700	20,300		22,000
Total Supply	23,000	23,000	23,700	20,300		22,000
Utilization for Sugar	20,700	20,700	21,000	17,500		18,800
Utilization for Alcohol	2,300	2,300	2,700	2,800		3,200

<b>Total Utilization</b>	23,000	23,000	23,700	20,300		22,000
1000 HA, 1000 MT						