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Report Highlights:

In MY 2021/22, Venezuelan sugar production is projected upwards to 190,000 MT. The dollarization of the economy has also been implemented in the sugar sector. Dollar payments instead of devalued bolivars, to both producers and industry, have created a motivation to produce more sugar, despite challenges from diesel shortage and adverse weather conditions. Brazil continues to be the main supplier of sugar to Venezuela. The regime's decision to prioritize imports of raw sugar over refined sugar, and to allow the private sector to import will boost sugar imports in MY 2020/21 and it is expected to maintain in MY 2021/22. In MY 2021/22, FAS Caracas forecast a 73 percent increase in domestic consumption to 510,000 MT driven by increasing production and imports.

Production

FAS Caracas forecasts that Venezuelan sugar production in MY 2021/22 will reach 190,000 metric tons (MT), a 27 percent increase compared to USDA's official estimate of 150,000 MT in MY 2020/21. Post is also increasing MY 2020/21 estimates to 190,000 MT. The increases in the current and forecast years are based on slightly improved access to inputs and dollarization of the Venezuelan economy. However, sugar cane production continues to face challenges like many sectors of Venezuelan agriculture, such as hyperinflation, lack of credit, and diesel shortages.

Despite challenges, profits have improved as producers are being paid in dollars, a more stable currency, instead of devalued bolivars. According to Ecoanalitica, a well-known economic data analysis group in Venezuela, currently more than 60 percent of commercial transactions are done in U.S. dollars. The income of sugar cane producers in dollars was a great incentive to produce more for the entire sugar processing chain.

The sector's improved profits have allowed producers to directly purchase national and imported agricultural inputs, resulting in better crop maintenance and fertilization. The industry has also made new investments in materials and equipment to keep sugar mills active. Venezuelan sugar cane production depends heavily on mechanized irrigation and harvest, requiring 6,660 liters of diesel per hectare. This dependency curbs the possibility of additional increases in production in MY 2021/22 as diesel shortages are acute. In addition, the rainy season started early in mid-March 2021 affecting land preparation activities due to wetter soil conditions. The lack of adequate land preparation resulted in only 50,000 hectares being planted compared to an intended planted area of 60,000 hectares. Sugarcane is a semipermanent crop which means that every 5 years at least 20 percent of the area planted should be replaced with new sugar canes, however, this renewal was not possible, due to the early raining conditions that prevented tractors entering the fields.

As a new development, producers and the industry reached an agreement to settle in dollars the price of molasses, which represents 4.3 percent of sugar production. With a dollarized income, producers have been able to pay their financial commitments. The current price for sugar is USD $700/MT. Marketing costs are estimated at 7 percent of total price. The profit's split between sugarcane producers and industry is 60 and 40 percent, respectively.

The average industrial yield of sugarcane into refined sugar is 8 percent among all sugar plants. In MY 2020/21, harvested area is estimated at 50,000 hectares with an average yield of 48 MT of sugarcane per hectare, bringing sugarcane production to 2.4 million MT.

There are four private mills currently operating in Venezuela, with a combined capacity to process 4.5 million MT of sugar cane per year. Portuguesa state remains the country's largest producer. Table 1 presents the production levels of the four private mills and estimated production levels for the public sector.

Table 1: Venezuelan Sugar Mills and Production

Sugar Production MY 2020/2021				
	Sugarcane MT	Yield %	Sugar Tons	Harvest Month
Private Mills				
Portuguesa	1,140,000	7.93	90,402	Dec.-April
Molipasa	650,000	8.26	53,690	Dec.-April
El Palmar	250,000	7.89	19,725	Dec.-April
La Pastora	320,000	7.7	24,640	Jan.-Aug.
Public Sector (estimate)	30,000	7	2,100	Dec.-April

Source: FESOCA (Federation of Sugarcane Producers)

There are 10 public-owned sugar mills in the country; however, according to industry contacts, in MY 2020/21 only two are operational. Table 2 shows the operational status of the public mills.

Table 2: Venezuelan Public Sector Sugar Mills

Venezuelan Public Sugar Mills	
Batalla Araure	In operation
Central Sucre	In operation
Central Venezuela	Starts in June 2021
Industrial Santa Elena	Closed this harvest
Central Cariaco	No information available
Santa Clara	Not in Operation
CAAEZ (central Ezequiel Zamora)	Closed this harvest
CAZTA (Central Táchira en Ureña)	Closed this harvest
Puerto Tamayo	Closed this harvest
Central Trujillo	Closed this harvest

Source: FESOCA (Federation of Sugarcane Producers)

Consumption

In MY 2021/22, FAS Caracas forecasts a 73 percent increase in domestic consumption to 510,000 MT, compared to USDA's official estimate of 295,000 MT for MY 2020/21. This estimate is based on higher domestic production and increased imports of raw sugar.

Historically, Venezuela's annual consumption is approximately 1.3 million MT, but the recent drop to 510,000 MT represents a per capita consumption of approximately 18 kilograms, due to Venezuelans' low purchasing power.

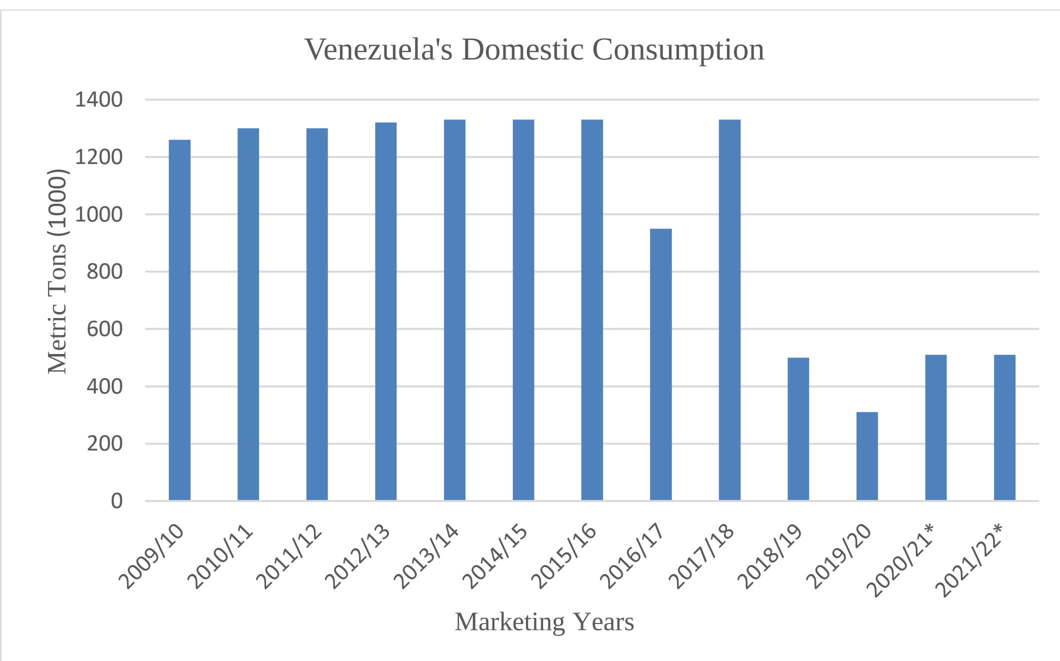
Post is also increasing domestic consumption in MY 2020/21 to 510,000 MT, up 73 percent from USDA's estimate, based on increased production and a significant increase in imports of refined sugar, mainly from Brazil and Colombia by land (see Trade section).

At least 70,000 MT of Venezuela's total domestic supply of refined sugar (510,000 MT) is destined for the Maduro regime's food subsidy program, commonly known as Local Committee for Supply and Production (CLAP). The CLAP boxes provide monthly distributions of staple food products and generally include one kilogram of refined sugar, per box, to approximately 2.4 million families.

At its historical peak consumption level in MY 2014/2015, the Venezuelan market represented 1,3 million MT and was shared equally between industrial and human consumption. Subsequently, in MY 2018/2019, industrial consumption decreased 70 percent from 500,000 MT to 150,000 MT. In the same year, human consumption decreased 31 percent from 510,000 MT to 350,000 MT. Currently, the consumption split is 70 percent human consumption and 30 percent industrial consumption.

Figure 1 shows total domestic consumption and Post estimates based on industry data for MY 2020/21 and MY 2021/22.

FIGURE 1: VENEZUELA'S DOMESTIC CONSUMPTION

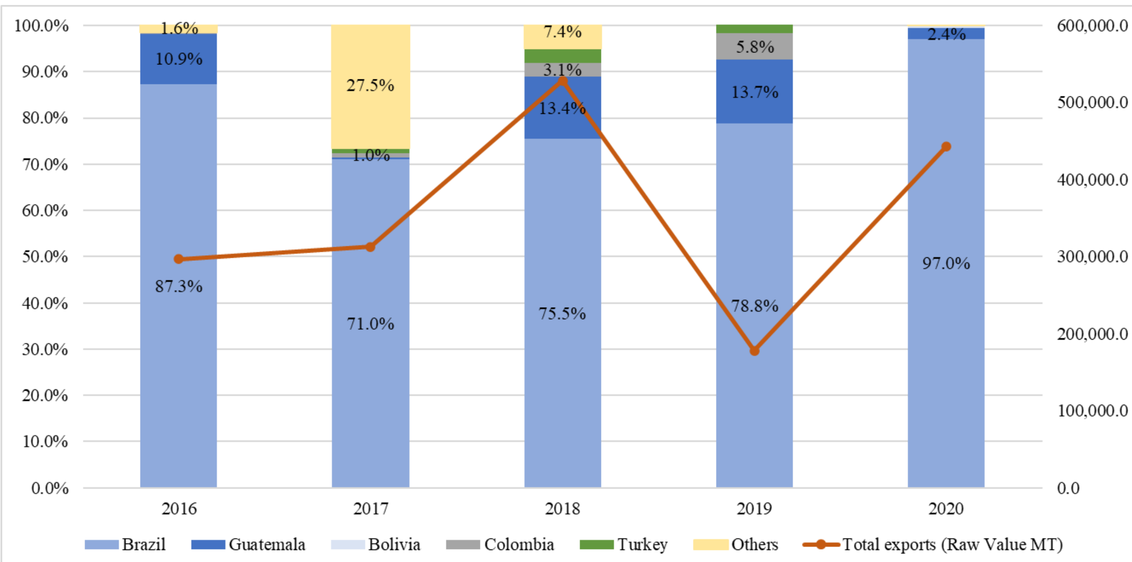


Source: USDA PS&D database, *New Post

Trade

Raw Sugar:
FAS Caracas forecasts a significant increase in imports of raw sugar for MY 2021/22 to 180,000 MT, 80 percent above Post's MY 2020/21 revised estimate of 100,000 MT, due to the prospect of the private sector importing raw sugar, especially in the fourth quarter of CY 2020. The Maduro regime is currently prioritizing and authorizing raw sugar imports. Historically, Venezuelan state-owned firms imported raw sugar for domestic processing in public mills. The public firms then distributed the domestically produced sugar at a fixed price.

FIGURE 2: EXPORTS OF SUGAR TO VENEZUELA IN CALENDAR YEARS



Source: Trade Data Monitor

Figure 2 demonstrate how imports of sugar plummeted in CY 2019 and then recovered in CY 2020 as raw sugar imports were prioritized by the Regime. Brazil has been the main supplier of sugar to Venezuela.

Refined Sugar:
In MY 2021/22, FAS Caracas forecasts a decrease in imports of refined sugar (raw equivalent) to 140,000 MT compared to post's new estimate of 220,000 MT in MY 2020/21, as the country is expected to reverse its recent trend of importing more refined sugar. In MY 2020/21, FAS Caracas increased imports of refined sugar to 220,000 MT due to higher imports from Brazil and Colombia.

Only the private sector sells packaged refined sugar from various national brands. Since mid-2020, the regime imported a portion of raw sugar for public plants and unregistered refined sugar from Brazil and Colombia and Brazil by land. About 20 percent of the refined sugar went to the CLAP program. In CY

2020, imported sugar accounted for 46 percent of the total sugar market, and in MY 2020/21, that imported sugar is 39 percent of the market.

According to industry contacts, Brazil's domestic market situation was one of the factors influencing the higher volume of imports of refined sugar. The devaluation of the Brazilian real, the pandemic-linked decline in their domestic sugar consumption, and increased domestic production encouraged Brazilian sugar exporters to turn to neighboring markets. According to contacts, non-registered imports of refined sugar from Colombia came via land to Venezuela in CY 2020.

All these factors contributed to a large quantity of imports of refined sugar, crowding Venezuela's domestic market.

Stocks
Venezuelan stock levels tend to fluctuate widely and, as such, are omitted from post estimates. According to industry contacts, there are about 40,000 MT of sugar in inventories, less than a month of consumption.

Policy
Currently, raw sugar imports are exempt from tariffs. Since December 2020, refined sugar pays a tariff of 17 percent ad-valorem plus 1 percent custom services, and an importation license is required. There are no direct or indirect subsidies for the sector or any kind of government aid.

Sugar: Production, Supply, and Demand Estimates

Sugar, Centrifugal	2019/2020			2020/2021			2021/2022			
Market Begin Year	Oct 2019			Oct 2020			Oct 2021			
Venezuela	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
										(Units)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	160	0	160	150	0	190	0	0	190	(1000 MT)
Total Sugar Production	160	0	160	150	0	190	0	0	190	(1000 MT)
Raw Imports	5	0	5	5	0	100	0	0	180	(1000 MT)
Refined Imp.(Raw Val)	145	0	145	140	0	220	0	0	140	(1000 MT)
Total Imports	150	0	150	145	0	320	0	0	320	(1000 MT)
Total Supply	310	0	310	295	0	510	0	0	510	(1000 MT)
Raw Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Human Dom. Consumptic	310	0	310	295	0	510	0	0	510	(1000 MT)
Other Disappearance	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Use	310	0	310	295	0	510	0	0	510	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	310	0	310	295	0	510	0	0	510	(1000 MT)
TS=TD	0	0	0	0	0	0	0	0	0	
Post Notes										

Attachments:

No Attachments