United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** May 08, 2024

Report Number: AR2024-0007

Report Name: Sugar Annual

Country: Argentina

Post: Buenos Aires

Report Category: Sugar

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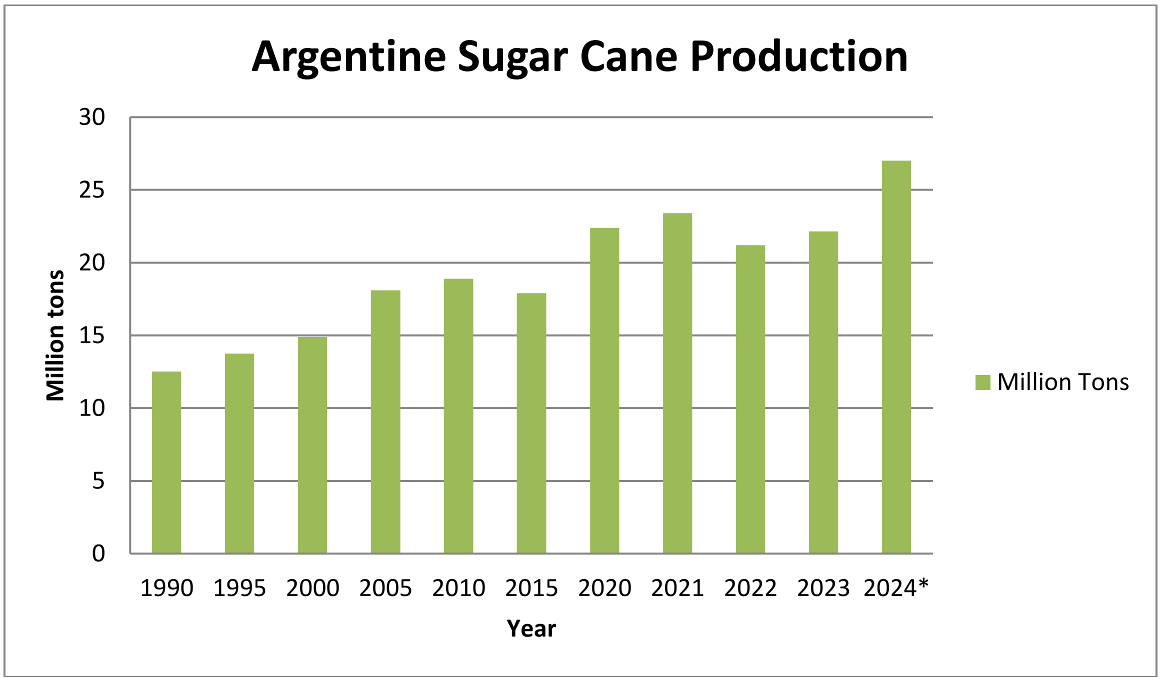
Report Highlights:

Argentine sugar exports in marketing year (MY) 2024/2025 are projected at 625,000 tons raw value, the largest in the past 15 years due to the combination of expected large production and large stocks of sugar passed in from the previous marketing year. Local brokers indicate roughly 450,000 tons of sugar were already sold for delivery over the next few months. Sugarcane production is forecast at record high levels because of good weather, larger area, and improved production management.

Argentine sugar production for marketing year (MY) 2024/2025 is forecast at 2.0 million tons (raw value), the highest in eight years. This is a result of a high investment in cane plantations following a very profitable crop season, good weather conditions in summer 2023-2024, and a continued expansion in planted area. The final production volume will depend largely on the weather during the cane harvest (typically between May-October), which is anticipated to extend across a longer period than normal.

Sugar cane production in MY 2024/2025 is projected at a record 24.3 million tons (net weight) on 435,000 hectares harvested. The previous highest production was 21.2 million tons in MY 2017/2018. Industry contacts indicate that roughly 20 million tons of cane could be crushed for sugar while the balance of 4-5 million tons could be used for ethanol, primarily to comply with the official biofuels mandate. The following chart shows Argentina's sugarcane production evolution (in 5-year tranches) since 1990:

Chart 1.



Data: Post with data from Centro Azucarero Argentino, in gross weight
* FAS Buenos Aires Forecast

In MY 2023/2024 sugar cane producers and mills enjoyed their highest profitability in decades. The perception of a smaller sugar crop due to adverse weather conditions, very high domestic inflation, and strong world sugar prices, considerably increased domestic prices. The average price of sugar at the mill (in 50-kilo bags, including 21 percent VAT) at the beginning of the harvest season in April 2023 was $14,000 pesos per bag, the equivalent to $1.0 per kilo, 300 percent higher in peso terms and double the price in dollars against April 2022. The price of sugar peaked in September 2023 at $29.250 pesos, the equivalent to $1.30 per kilo. High sugar prices encouraged producers to spend more on their plantations for MY 2024/2025 replacing old cane in a larger proportion than normal, incorporating higher-productive varieties, using a greater volume of fertilizers, and improving crop protection schemes.

Weather is expected to be a significant factor in driving high cane productivity in MY 2024/2025. After three consecutive dry years because of La Niña weather patterns normal rains returned in Spring 2023 thanks to the influence of an El Niño pattern. Plantations suffered a dry spell with high temperatures in mid-January/early-February, but due to good soil moisture, plants were able to offset high evapotranspiration with no significant damage. Rains resumed in February and continued up through publishing of this report. Some farmers and mills are currently testing the harvest as most soils are at present quite muddy. If weather permits, harvest will begin earlier than usual as mills expect the harvest season to be long, ending this year in October-November. Several contacts doubt all this year's cane will be able to be processed, especially in Tucuman, leaving some cane standing to be harvested directly in MY 2025/2026.

In MY 2024/2025 Tucuman province is estimated to have roughly 300,000 hectares planted with cane, while the northern provinces of Salta and Jujuy together add some 140,000 hectares. The past few years have seen an expansion of cane area primarily in Tucuman, replacing lemon plantations close to the mountains and soybeans in the east. Private estimations indicate that some 22,000 hectares were incorporated in this crop season. Tucuman's cane production is not irrigated and has the potential to continue to expand, while production in Salta and Jujuy is mostly irrigated, limiting the expansion of planted area. and the expansion of area is quite limited.

In 2023 Argentina cultivated and certified 13,300 hectares of organic sugar, distributed among the main three producing provinces. More than 95 percent of production was for the export market.

Sugarcane production in MY 2023/2024 was lower than earlier expected because of dry conditions due to La Niña which left roughly 15,000 hectares unharvested and low productivity in the Eastern region of Tucuman. In the northern provinces of Salta and Jujuy water levels were insufficient to irrigate normally, negatively impacting on cane yields.

Photos 1 and 2 were taken in Tucuman's central production area in late April 2024 and are indicative of the good condition of cane plantations:

Photos 1 and 2.

Source: Ing. G. Frias Silva

Farmers' returns for MY 2024/2025 are projected to be lower than the previous year primarily due to significantly lower domestic sugar prices. However, expected high yields could partially offset such a drop. The price of sugar at the beginning of harvest a year ago was $14,000 pesos per 50-kilo bag at the mill including VAT, the equivalent to $1.0 per kilo. Currently, the price is $21,500 pesos, the equivalent to $0.40 per kilo, while inflation was 288 percent in the past 12 months. Contacts indicate that the significant drop is a result of large stocks of sugar which are currently putting downward pressure on local prices just prior to the beginning of the new harvest. Many costs increased significantly since December 2023, especially those tied to the price of fuel which increased more than 300 percent in a year. Can harvest and freight costs are expected to have a larger impact than last year.

Based on data from MY 2023/2024, a total of 20 mills processed sugar cane in Argentina. The largest individual operation accounted for 14 percent of the total cane crushed, while the top 5 accounted for 51 percent. Tucuman, with 15 mills, accounted for 70 percent of the total cane processed, followed by the three mills in Jujuy which accounted for 19 percent and the two mills in Salta with 11 percent of the total. Only 13 mills produced alcohol, with three operations accounting for 60 percent of the total production of alcohol using sugar cane as feedstock. In general, most mills continue to invest to increase their crush capacity and make their plants more efficient. Little investment has been made lately in alcohol production.

Argentine sugar exports in MY 2024/2025 are forecast at 625,000 tons, raw base, the highest since MY 2009/2010. This is the combination of exports of the new and expected abundant MY 2024/2025 plus exports of a significant portion of the large stock accumulated in MY 2023/2024 which will be carried into the following marketing year. Local mills, aware of this situation, are quite active in closing export deals to help support domestic sugar prices as high as possible. Brokers indicate that roughly 450,000 tons of sugar has already been sold abroad, for shipment during July-November 2024. More than half the shipments are expected to be raw sugar.

Neighboring Chile is expected to be one of the top destinations, primarily for refined sugar. Chile’s sugar production has decreased the past few years, replacing supplies with larger imports. Argentina is one of their main suppliers, with product being trucked through the border.

The United States is also a major destination for Argentine sugar. The U.S. grants Argentina a tariff rate quota (TRQ), which for 2023/2024 (ending in September) is 46,260 tons of raw sugar. In late 2023 the U.S. provided an additional volume of 15,592 tons for a total of 61,852 tons to be shipped under the TRQ. Through late April 2024, the U.S. had not received sugar from Argentina under the TRQ. Contacts indicate the entire volume will be fulfilled on time and that additional volumes could be shipped in MY 2024/2025 using part of next year’s TRQ allocation (starting October 2024) to take advantage of the high prices and Argentina’s need to export large volumes.

Other minor markets for Argentine sugar are normally Uruguay, the EU and Canada. In MY 2024/2025 Argentine exports are expected to be larger than normal and some sugar will be shipped to destinations which are not the typical ones.

Argentina produces a significant volume of organic sugar, most of which is exported. Based on official data for 2023, exports totaled 17,744 tons, of which 94 percent went to the United States, 2 percent to Japan and 1 percent to the EU. Based on official data, in the period May 2023-March 2024 the US imported 16,274 tons of organic sugar from Argentina, outside the TRQ.

Domestic consumption in MY 2024/2025 is forecast at 1.47 million tons, raw value, practically the same volume as in the past few years. With a new government in place, Argentina is currently going through significant economic changes, resulting in a strong recession dampening consumer demand, including sugar. Sugar consumption is quite inelastic, but most analysts predict that the economic situation will eventually turn around in the next several months and will offset the drop in demand of the first few months of the marketing year.

Ending stocks for MY 2024/2025 are forecast at 200,000 tons, raw value. This represents approximately the consumption of a month and a half, a volume which most analysts think is adequate and which would not put downward pressure on domestic sugar prices.

Statistical Tables

Sugar, Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	May 2022		May 2023		May 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	157	157	142	147	0	295
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	1670	1640	1690	1710	0	2000
Total Sugar Production (1000 MT)	1670	1640	1690	1710	0	2000
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1827	1797	1832	1857	0	2295
Raw Exports (1000 MT)	50	46	60	17	0	390
Refined Exp.(Raw Val) (1000 MT)	145	144	140	85	0	235
Total Exports (1000 MT)	195	190	200	102	0	625
Human Dom. Consumption (1000 MT)	1480	1450	1450	1450	0	1460
Other Disappearance (1000 MT)	10	10	10	10	0	10
Total Use (1000 MT)	1490	1460	1460	1460	0	1470
Ending Stocks (1000 MT)	142	147	172	295	0	200
Total Distribution (1000 MT)	1827	1797	1832	1857	0	2295
(1000 MT)						

Sugar Cane for Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	Jun 2022		Jun 2023		Jun 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	386	396	385	420	0	440
Area Harvested (1000 HA)	375	385	378	405	0	435
Production (1000 MT)	20000	19200	18900	19900	0	24300
Total Supply (1000 MT)	20000	19200	18900	19900	0	24300
Utilization for Sugar (1000 MT)	15750	16500	16000	17000	0	20000
Utilizatn for Alcohol (1000 MT)	4250	2700	2900	2900	0	4300
Total Utilization (1000 MT)	20000	19200	18900	19900	0	24300
(1000 HA) ,(1000 MT)						

Attachments:

No Attachments