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Peru

Sugar Annual

The Sweet Stuff! Peru's Sugar and Sugar Cane Production Forecast to Rebound

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Report Highlights:

Sugar cane production is forecast to increase by 17 percent in MY 2019. Sugar production is forecast to increase by 13 percent. Sugar consumption in Peru will remain relatively constant at 1.6 MMT in MY 2019.

Executive Summary:

FAS Lima forecasts sugar cane production at 13.2 MMT in marketing year (MY) 2019, an increase of 17 percent over the previous year. MY 2018 sugar cane production fell five percent due to heavy rains and flooding in early 2017. FAS Lima forecasts continued growth in production in the years to come.

Cane sugar production for MY 2019 (May 2018/April 2019) is forecast at 1.35 MMT, an increase of 13 percent over the previous year. Sugar consumption is forecast at 1.6 MMT in MY 2019. Around 70 percent of this is for direct human consumption, and the remaining 30 percent is destined for industrial use.

Peruvian sugar exports for MY 2019 are forecast at 50,000 MT. The United States will remain Peru's largest export market, largely due to the tariff rate quota established under the United States – Peru Trade Promotion Agreement. Sugar imports into Peru in MY 2019 are forecast at 350,000 MT, a 28 percent fall from the previous year. Imports will likely continue to fall as the new investments in sugar and cane production mature, and Peru becomes self-sufficient.

Cane Sugar

Production: Sugar Cane for Centrifugal

Sugar Cane for Centrifugal Market Begin Year Peru	2016/2017		2017/2018		2018/2019	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	89	89	89	105	0	120
Area Harvested	87	87	87	92	0	108
Production	11844	11844	12000	11252	0	13200
Total Supply	11844	11844	12000	11252	0	13200
Utilization for Sugar	9792	9792	9800	9252	0	10700
Utilization for Alcohol	2052	2052	2200	2000	0	2500
Total Utilization	11844	11844	12000	11252	0	13200

(1000 HA) ,(1000 MT)

Sugar, Centrifugal

Sugar, Centrifugal Market Begin Year Peru	2016/2017		2017/2018		2018/2019	
	May 2016		May 2017		May 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	40	40	40	23	0	13
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1250	1238	1250	1190	0	1350
Total Sugar Production	1250	1238	1250	1190	0	1350
Raw Imports	197	80	220	185	0	100
Refined Imp.(Raw Val)	241	250	220	300	0	250
Total Imports	438	330	440	485	0	350
Total Supply	1728	1608	1730	1698	0	1713
Raw Exports	97	55	60	75	0	50
Refined Exp.(Raw Val)	40	30	30	30	0	10
Total Exports	137	85	90	105	0	60
Human Dom. Consumption	1551	1500	1595	1580	0	1645
Other Disappearance	0	0	0	0	0	0
Total Use	1551	1500	1595	1580	0	1645
Ending Stocks	40	23	45	13	0	8
Total Distribution	1728	1608	1730	1698	0	1713

(1000 MT)

Sugar cane production in MY2019 is forecast at 13.2 MMT, increasing 17 percent over the previous year. MY 2018 sugar cane production fell five percent due to heavy rains and flooding in early 2017. FAS Lima forecasts continued growth in production in the years to come.

Sugar production in Peru is concentrated primarily in its northern coastal valleys. The region of La Libertad produces 52 percent of the Peru's sugar, followed by Lambayeque with 30 percent of production, and Lima with 17 percent of production. Peru's milling capacity is 37,000 MT of cane per day. Due to favorable weather conditions, Peru is able to produce and mill sugar cane year round, thus mills do not have to be very large. Yields and cane age vary greatly from one producer to another. Yields range from 55 to 190 MT of cane per hectare and age varies from 13 to 18 months between cuts. Average yield in MY 2018 is estimated at 122 MT per hectare. Total harvested area in MY 2019 is forecast at 108,000 hectares. The average sugar cane price paid to producers in MY 2018 was \$286 per MT.

Cane sugar production for MY 2019 is forecast at 1.35 MMT, an increase of 13 percent over the previous year. Industry continues to renew plantations, increasing harvested area and upgrading mills, to improve efficiency. As with sugar cane, sugar production fell in MY 2018 due to the heavy rains and flooding in northern Peru at the beginning of 2017. Peru's sugar production will continue to increase in the upcoming years, which could lead to the country being a net exporter.

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

Sugar Mill	Production (%)
Casa Grande	25.1
Cartavio	15.3
Laredo	14.5
Paramonga	12.6
San Jacinto	9.9
Tuman	6.2
Pomalca	6.0
Pucala	5.2
Andahuasi	4.4
Chucarapi	0.4
Azucarera del Norte	0.3

Source: Industry

Peru's sugar industry is heavily concentrated. Coazucar, owned by Peru's largest dairy processor Gloria, owns the Casa Grande, Cartavio, and San Jacinto sugar mills. Casa Grande has access to 30,000 hectares, but only about 17,830 hectares are under production. Casa Grande could double its sugar production very rapidly by both planting currently idle lands and improving yields through technological changes. Investors are evaluating the feasibility of ethanol production. Coazucar purchased an ethanol operation in 2015, but is not using it for ethanol production. Instead, it is renovating these sugar fields to plant cane for sugar production. The mill is also being modified to produce cane sugar.

Agro Olmos, also owned by Gloria, acquired 18,000 hectares in the Olmos irrigation project located in the Lambayeque region. Olmos is a 38,000-hectare irrigation project that brings water from the Atlantic basin to the Pacific basin through a 20-kilometer trans-Andean tunnel. Of this land, the company will devote 13,500 hectares to plant sugar cane for centrifugal sugar production. Agro Olmos has invested \$320 million and will have a milling capacity of 6,000 MT of cane per day, with a sugar production of 600 MT per day.

Private investors continue to finance economic development along Peru's northern coast. Land is being purchased by Peruvian and foreign investors, who then consolidate their property. The efficiency brought about by economies of scale is improving return rates, which in turn attracts more investment

and benefits. Bulldozers flattening massive sand dune “mountains” to plant more sugar in the desert are common sites.

The Government of Peru still owns shares in two sugar mills, Pomalca and Tuman. These mills have not found investment partners to finance improvements in efficiency and profits. In an effort to encourage investment in these companies, the government is auctioning its shares to interested private sector companies.

Consumption:

Cane sugar consumption is forecast at 1.6 MMT in MY 2019. Around 70 percent of this is for direct human consumption, and the remaining 30 percent is destined for industrial use. As the Peruvian economy improves, sugar demand will increase, particularly for sugar-based beverages and confectionary products. Average retail prices in MY 2018 were \$0.78 per kilogram for refined sugar and \$0.76 per kilogram for brown sugar, creasing five and 12 percent, respectively, compared to the previous marketing year.

Per capita sugar consumption in Peru remains low compared to other countries in the region. Per capita consumption in Peru was 38.2 kilograms per year in CY2015, compared to Brazil’s 59.1 kilograms, Chile’s 43.2 kilograms, Uruguay’s 40.5 kilograms, and Argentina’s 39.6 kilograms.

Trade:

Peruvian sugar exports for MY 2019 are forecast at 60,000 MT. The United States will remain Peru’s largest export market. Sugar exports to the United States in MY 2018 accounted for 53 percent of total exports. Colombia is the second largest export market and accounted for 27 percent of total sugar exports. Peru’s sugar exports to the United States benefit from the U.S. sugar tariff-rate quota, which is an important incentive. The Ministry of Agriculture, in coordination with the Peruvian sugar industry, is responsible for distributing the United States’ tariff rate quota. In MY 2018, Peru exported sugar at an average price of \$550 per MT.

Sugar imports for MY 2019 are forecast at 350,000 MT, falling 28 percent from the previous year. Imports will likely continue to fall as the new investments in sugar and cane production mature, and Peru becomes self-sufficient. Peru’s main sugar suppliers in MY 2018 were Colombia, Guatemala, and Brazil, with 43 percent, 22 percent, and 14 percent of total sugar imports respectively. The average price for imported sugar in Peru in MY 2018 was \$550 per MT.

United States – Peru Trade Promotion Agreement

The United States - Peru Trade Promotion Agreement includes five-year linear tariff reductions for glucose and fructose. These reductions start at a tariff level of 17 percent for glucose and 30 percent for

fructose, with duty free access in six years. Since the Trade Promotion Agreement entered into force in 2009, Peru unilaterally eliminated import duties for sugar from all sources.

Export Trade Matrix	
Country	Peru
Commodity	Sugar, Centrifugal
Time Period	CY 2017
Imports from:	
U.S.	67,607
Colombia	34,035
Others not Listed	25,323
Grand Total	126,965

Source: SUNAT (Peruvian Customs)

Policy:

Sugar is included in the Peruvian Price Band. On March 28, 2016, the Government of Peru reduced the additional duty assessed on sugar by the price band when it published Supreme Decree 055-2016-EF. This Supreme Decree amended the methodology to determine the Peruvian Price Band (PPB) and established new tables to calculate the actual surcharge assessed under it. As a result, the floor price of the band has fallen from \$648 to \$518 and the ceiling price has dropped from \$778 to \$644. Currently the additional duty is \$70 per MT.