

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Peru

Sugar Annual

Sugar Production Recovers

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Report Highlights:

Peru's sugar industry continues grow. It is bound to reach self-sufficiency in the upcoming years. FAS Lima forecasts increased sugar production in marketing year 2020. Exports are also forecast to increase in marketing year 2020, while at the same time imports are forecast to decrease. Colombia is both the main export market and supplier of sugar to Peru.

Executive Summary:

Sugar cane production in marketing year (MY) 2019 is estimated to bounce back from the heavy rains and flooding that caused production to drop in MY 2018, reaching 10.6 MMT. This is an increase of three percent. Cane sugar production for MY 2020 is forecast at 1.4 MMT, an increase of 12 percent from the previous year.

Cane sugar consumption is forecast at 1.5 MMT in MY 2020. Around 70 percent of this is for direct human consumption. The remaining 30 percent is destined for industrial use. Peruvian sugar exports for MY 2020 are forecast at 77,000 MT, an increase of four percent from the revised MY2019 estimate of 74,000 MT. Colombia was the top market for Peruvian sugar exports in calendar year (CY) 2018, accounting for 78 percent of total exports. Sugar imports for MY 2020 are forecast at 180,000 MT, falling 40 percent from the previous year. Imports will continue falling as Peru's production increases and it becomes self-sufficient.

Commodity: Sugar

Production:

Sugar Cane for Centrifugal Market Begin Year Peru	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	105	105	120	107	0	108
Area Harvested	92	92	108	94	0	97
Production	11252	10336	13200	10600	0	11000
Total Supply	11252	10336	13200	10600	0	11000
Utilization for Sugar	9252	8136	10700	8400	0	8800
Utilization for Alcohol	2000	2200	2500	2200	0	2200
Total Utilization	11252	10336	13200	10600	0	11000
(1000 HA) ,(1000 MT)						

Sugar, Centrifugal Market Begin Year Peru	2017/2018		2018/2019		2019/2020	
	May 2017		May 2018		May 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	23	23	13	18	0	10
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1190	1080	1350	1255	0	1400
Total Sugar Production	1190	1080	1350	1255	0	1400
Raw Imports	185	337	100	126	0	100
Refined Imp.(Raw Val)	300	207	250	173	0	80
Total Imports	485	544	350	299	0	180
Total Supply	1698	1647	1713	1572	0	1590
Raw Exports	70	127	50	41	0	45
Refined Exp.(Raw Val)	34	34	10	33	0	32
Total Exports	104	161	60	74	0	77
Human Dom. Consumption	1581	1468	1645	1488	0	1500
Other Disappearance	0	0	0	0	0	0
Total Use	1581	1468	1645	1488	0	1500
Ending Stocks	13	18	8	10	0	13
Total Distribution	1698	1647	1713	1572	0	1590

Sugar cane production in MY2019 is estimated to recover, reaching 10.6 MMT. This is an increase of three percent from the previous marketing year. Cane production in MY 2018 fell five percent from MY 2017 due to heavy rains and flooding in early 2017. FAS Lima forecasts sugar cane production to continue growing in the upcoming years, reaching 11 MMT in MY2020.

Sugar production in Peru is concentrated primarily in its northern coastal valleys. The region of La Libertad produces 50 percent of Peru's sugar, followed by Lambayeque with 23 percent of production, and Lima with 15 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. Consequently, mills do not have to be very large. Yields and cane age vary greatly from one producer to the next. 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 2019 is estimated at 113 MT per hectare. Total harvested area in MY 2020 is forecast at 97,000 hectares.

Cane sugar production for MY 2020 is forecast at 1.4 MMT, an increase of 12 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. This 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 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
Cartavio	15
Laredo	15
Paramonga	13
San Jacinto	10
Tuman	6
Pomalca	6
Pucala	5
Andahuasi	4
Other	1

Source: Industry

Peru's sugar industry is heavily concentrated. Coazucar 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. Aurora, formerly Maple, is renovating its whole operation and mill to produce cane sugar instead of ethanol.

Agro Olmos, also part of the Coazucar group, 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 in the irrigation project and once it is fully implemented, it 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 properties. The efficiency brought about by economies of scale is improving rates of return, 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. Problems in these two companies have generated social unrest and corruption.

Consumption:

Cane sugar consumption is forecast at 1.5 MMT in MY 2020. Around 70 percent of this is for direct human consumption. 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 wholesale prices in CY 2018 were \$0.57 per kilogram for refined sugar and \$0.52 per kilogram for brown sugar, decreasing 21 and 35 percent, respectively, from 2017 rates. The reduction of local sugar prices is a consequence of lower international prices.

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 2020 are forecast at 77,000 MT, an increase of four percent from the revised MY2019 estimate of 74,000 MT. Colombia was the top export market for Peruvian sugar in CY2018, accounting for 78 percent of total exports. Sugar exports to the United States in MY 2018 accounted for 13 percent of total exports. Peru's sugar exports to the United States benefit from the U.S. sugar tariff-rate quota, at a significant price premium which is an important incentive for exporters. The Ministry of Agriculture, in coordination with the Peruvian sugar industry, is responsible for distributing the United States' tariff rate quota. In CY 2018, Peru exported sugar at an average price of \$520 per MT, a reduction of five percent from the previous year.

Refined sugar imports for MY 2020 are forecast at 180,000 MT, falling 40 percent from the previous year. Imports will likely continue to fall as Peru becomes self-sufficient in sugar production. This is

the result of the maturation of new investments in sugar and cane production. In 2018, the top sugar suppliers to Peru included Colombia, Guatemala, and Brazil, with 71 percent, 22 percent, and three percent of total sugar imports, respectively. The average price for imported sugar in Peru in MY 2018 was \$396 per MT.

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 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. Additional duties in CY 2018 ranged from \$67 to \$116 per MT, currently is at \$36 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, which have now entered into force. These reductions started at a tariff level of 17 percent for glucose and 30 percent for fructose, with duty free access achieved in the sixth year. Since the Trade Promotion Agreement entered into force in 2009, Peru unilaterally eliminated import duties for sugar from all sources.