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Argentina

Post: Buenos Aires

Argentine Sugar Update - 2012

Report Categories:

Sugar

Approved By:

Melinda Sallyards

Prepared By:

Ken Joseph

Report Highlights:

Good weather during harvest time resulted in a slight recovery in production, which is now set at 2.09 million tons (raw basis). Exports are expected to decline 40,000 tons from our previous estimate. Ending stocks are forecast to increase significantly at almost 300,000 tons (raw basis), putting downward pressure on local sugar prices. The industry is expected to sign an agreement by which it will immobilize a large volume of sugar which will only be released when exported.

General Information:

Production:

Sugar production for 2012-13 is raised slightly from our previous estimate to 2.09 million tons as a result of more sugar cane than previously forecast. The weather in the production area, but primarily in Tucuman, the largest producer, was very erratic during the season. Until March, plantations suffered a strong drought, which ended in April where rainfall was significantly higher than normal. The harvest began in early May showing low yields at the mill. However, warmer weather than usual during May and June, and practically no frosts nor rain during the harvest season, allowed some recovery in both sugar cane production and in industrial yields. The harvest is practically coming to an end, except for one mill in Salta which will continue to operate in November. The higher production of sugar cane was utilized to produce more sugar and ethanol. Bioethanol production was practically at full capacity as in most cases returns were higher than sugar. Practically 10 percent of the sugarcane production was crushed directly for bioethanol.

Sugar prices during this season were lower than last year's as high initial stocks and lower than needed exports put downward pressure on the market. The sector knows that it is essential to export the surplus sugar in order to have an orderly marketing season. Production costs have increased significantly from last year. Contacts indicate that large, efficient sugarcane producers will have positive returns, but many others could suffer losses.

Consumption:

It is revised slightly downward at 1.83 million tons (raw value basis) as the economy is showing a slower pace than earlier anticipated. Consumption is still estimated to be marginally higher than in season 2011-12.

Trade:

Argentine total sugar exports are lowered from our previous forecast to 220,000 tons (raw value basis). At the beginning of the harvest, prices in the domestic market were higher than in the export market, encouraging mills to sell in the local market rather than exporting. Prices since then have come down significantly.

Stocks:

Ending stocks for crop 2012-13 are now estimated at almost 300,000 tons (raw value basis), significantly higher than our previous projection. This is a result of higher sugar production than expected and smaller exports and domestic consumption than earlier projected. This high volume of stocks, equivalent to the local consumption of two full months, is putting a lot of pressure on the market. The local sugar complex is expected to soon come to an agreement by which they will put aside under warrants a significant volume of sugar. As exports come through, the sugar is then taken out from this immobilized volume. Some contacts are somewhat skeptical about the results of such mechanism.

Production, Supply and Demand Data Statistics :

Sugar, Centrifugal Argentina	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jun 2010		Market Year Begin: Jun 2011		Market Year Begin: Jun 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	-12	-12	84	84	262	255
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2,030	2,030	2,150	2,150	2,040	2,090
Total Sugar Production	2,030	2,030	2,150	2,150	2,040	2,090

Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	52	52	3	3	2	2
Total Imports	52	52	3	3	2	2
Total Supply	2,070	2,070	2,237	2,237	2,304	2,347
Raw Exports	114	114	95	97	110	110
Refined Exp.(Raw Val)	82	82	50	75	150	110
Total Exports	196	196	145	172	260	220
Human Dom. Consumption	1,780	1,780	1,820	1,800	1,864	1,820
Other Disappearance	10	10	10	10	10	10
Total Use	1,790	1,790	1,830	1,810	1,874	1,830
Ending Stocks	84	84	262	255	170	297
Total Distribution	2,070	2,070	2,237	2,237	2,304	2,347
1000 MT						

Sugar Cane for Centrifugal Argentina	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jun 2010		Market Year Begin: Jun 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	330	330	350	350	380	380
Area Harvested	325	325	345	345	360	360
Production	19,900	19,900	21,400	21,400	20,800	21,500
Total Supply	19,900	19,900	21,400	21,400	20,800	21,500
Utilization for Sugar	18,900	18,900	19,800	19,800	19,200	19,500
Utilizatn for Alcohol	1,000	1,000	1,600	1,600	1,600	2,000
Total Utilization	19,900	19,900	21,400	21,400	20,800	21,500
1000 HA, 1000 MT						