USDA Foreign Agricultural Service

# GAIN Report

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# Argentina

# Sugar Annual

# 2018

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**Report Highlights:**
While MY2018/19 Argentine forecast for sugar production and consumption maintain stable levels, exports plummet to 150,000 tons (raw value), due to stagnant production and lower beginning stocks. Argentina is expected to fulfill its 2018 US sugar quota though and additional volume, if demanded.

**Commodities:**
Sugar, Centrifugal

**Author Defined:**

Production

2018/19
The forecast for Argentine sugar production for marketing year (MY) 2018/19 remains stable from last year at 1.82 million tons, raw value. Impacts from dry weather conditions during the early growing season were offset later as weather conditions improved. Sugarcane fields in Salta and Jujuy provinces are in good condition. The final sugarcane production and yield will depend on how severe the winter is.

Although Argentina has developed and authorized Roundup Ready sugarcane, the local industry has chosen not to use it yet, preferring instead to follow Brazil's commercial cultivation this year of a Bt sugarcane seed (against a specific worm), and market response.

2017/18
A severe frost in July 2017 negatively affected local sugar plantations. Although the northern provinces of Salta and Jujuy did not suffer significant losses, in Tucuman province, roughly 10 percent of the sugar production potential was lost. Many Tucuman farmers, following very tight returns during 2014-2016 seasons, did not renovate their plantations with new cane seed. Typically, farmers renovate approximately 20 percent of their plantations every year, but in the recent past, the amount has dropped to 10-15 percent ratio. An older cane field is less productive.

Contacts indicate that at current prices, producer returns will be maximized in the domestic market, as sugar or ethanol, rather than the export of sugar. Therefore, as the season progresses, mills will make their product choice in response to market signals. Based on projected returns for the coming crop, analysts expect small and medium independent growers to profit roughly $300 per hectare. Larger farmers or vertically integrated sugar plants are expected to have even higher returns.

Last year, local sugar prices started rising in October and improved over previous seasons due to a tight sugar cane supply demand between sugar and ethanol. Domestic sugar prices reached $600 pesos for 50-kilo bags, including the value added tax, at mills in Tucuman. However, many small and medium farmers, having sold their sugar early in the season (the harvest normally begins in May and ends in October/November) to cover production costs and debts, missed the price rise. The average price for sugar in 2017 was almost 50 percent higher than in 2016, with annual inflation running at 24.8 percent. Sugar mills positive returns in MY 2017 came from higher sugar prices and ethanol demand that provided a rebound from three difficult marketing years of low domestic prices. Argentina's ethanol blending mandate, which requires domestic gasoline to contain 12 percent ethanol sourced equally between local sugarcane producers and grain ethanol plants, has been profitable and provided flexibility for the industry to produce sugar or ethanol, depending on market conditions. Recently, industry has been investing in the expansion of ethanol production to capture the high official prices under the local biofuels mandate. For example, Tucuman with a production capacity of about 400 million liters of ethanol is projected to increase 25 percent in the near future. Other investment areas include the improvement of effluent treatment systems and sugar production facilities.

## Domestic Consumption

Based on an Euromonitor report, Argentina ranked first globally in consumption of sugar-sweetened beverages at 137 liters per capita in 2015, representing roughly 14 kilos of sugar per capita. Sources estimate that roughly 25 percent of sugar is sold in 1-kilo bags at retail outlets and the balance sold to the food and beverage industry. Argentine sugar consumption for MY 2018/19 is forecast at 1.67 million tons (raw value), stable over the past two years due to a stagnant economy, public health campaigns, and a growth in the use of fructose and imported alternative sweeteners, such as sodium cyclamate, aspartame, saccharin and sucralose. Argentina's high fructose corn syrup production has expanded in recent years with domestic sales representing the rough equivalent of 450,000 tons of sugar.

## Trade

Exports of sugar in MY 2018/19 are forecast at 150,000 tons (raw value), the second lowest volume in 15 years due to expected unchanged sugarcane production and more attractive domestic options. Local mills will cater to the more lucrative local markets for sugar and ethanol with exporting sugar the least profitable alternative. Argentina is forecast to export roughly 90,000 tons of raw sugar and 60,000 tons of refined sugar. Sources indicate that Argentina will fulfill its 2018 US sugar quota and additional volume, if demanded. The UK may again be a potential destination for Argentine raw sugar exports continuing a trend over the past couple of years. Refined sugar is forecast to be exported to neighboring Chile and Uruguay, two markets that normally buy sugar from Argentina.

## Stocks

MY2018/19 and MY217/18 ending stocks for Argentine sugar are forecast at 130,000 tons, an amount representing approximately one month's domestic consumption. This amount of stock is considered by many to be optimal as it does not put pressure on prices in either direction.

## Statistical Tables

| Sugar, Centrifugal | 2016/2017 | | 2017/2018 | | 2018/2019 | |
|---|---|---|---|---|---|---|
| Market Begin Year | May 2016 | | May 2017 | | May 2018 | |
| Argentina | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Beginning Stocks** | 403 | 403 | 150 | 185 | 0 | 130 |
| **Beet Sugar Production** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Cane Sugar Production** | 2025 | 2050 | 1900 | 1810 | 0 | 1820 |
| **Total Sugar Production** | 2025 | 2050 | 1900 | 1810 | 0 | 1820 |
| **Raw Imports** | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Refined Imp.(Raw Val)** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Imports** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 2428 | 2453 | 2050 | 1995 | 0 | 1950 |
| **Raw Exports** | 346 | 346 | 50 | 89 | 0 | 90 |
| **Refined Exp.(Raw Val)** | 271 | 271 | 100 | 121 | 0 | 60 |
| **Total Exports** | 617 | 617 | 150 | 210 | 0 | 150 |
| **Human Dom. Consumption** | 1651 | 1641 | 1740 | 1645 | 0 | 1660 |
| **Other Disappearance** | 10 | 10 | 10 | 10 | 0 | 10 |
| **Total Use** | 1661 | 1651 | 1750 | 1655 | 0 | 1670 |
| **Ending Stocks** | 150 | 185 | 150 | 130 | 0 | 130 |
| **Total Distribution** | 2428 | 2453 | 2050 | 1995 | 0 | 1950 |
| | | | | | | |
| (1000 MT) | | | | | | |

| Sugar Cane for Centrifugal | 2016/2017 | | 2017/2018 | | 2018/2019 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Jun 2016 | | Jun 2018 | | Jun 2018 | |
| Argentina | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** | 380 | 380 | 375 | 385 | 0 | 390 |
| **Area Harvested** | 360 | 360 | 365 | 375 | 0 | 385 |
| **Production** | 23500 | 23500 | 22500 | 21350 | 0 | 21500 |
| **Total Supply** | 23500 | 23500 | 22500 | 21350 | 0 | 21500 |
| **Utilization for Sugar** | 18600 | 18600 | 17500 | 16850 | 0 | 16500 |
| **Utilizatn for Alcohol** | 4900 | 4900 | 5000 | 4500 | 0 | 5000 |
| **Total Utilization** | 23500 | 23500 | 22500 | 21350 | 0 | 21500 |
| | | | | | | |
| (1000 HA) ,(1000 MT) | | | | | | |