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Report Highlights:

Argentine sugar production for marketing year (MY) 2022-2023 is forecast at 1.71 million tons, raw value, practically unchanged from the previous year. La Niña weather conditions have limited sugarcane production over the last two years, and output was affected by a severe winter last year and a very dry and hot summer early this year. Sugar exports are forecast at 250,000 tons, 70,000 tons lower than the previous year because of smaller beginning stocks. Chile and the United States are expected to be the main destinations. Post projects a small reduction in sugarcane produced for ethanol, because at current prices, ethanol production is less profitable than selling sugar in the domestic and export markets.

Production

Argentine sugar production for marketing year (MY) 2022-2023 is forecast at 1.71 million tons, raw value, practically unchanged from the previous year and 6.5 percent lower than two years ago. Sugarcane production is projected to drop roughly 3 percent to 20.5 million tons. This lower production is due to the effects of adverse weather patterns. Last winter was cold with harsh frosts which damaged a large percentage of seed cane for MY 2022-2023. In Tucuman contacts indicate that some 35 percent of the expected cane renewal could not take place and that the same happened in the northern provinces of Salta and Jujuy, but in a smaller percentage. La Niña weather patterns, resulting in a dry environment and extremely high temperatures in late December and early January 2022 also lowered yields for the second year in a row.

Despite high fertilizer prices, most of the cane in Argentina received adequate applications. At present sugarcane production appears similar to last year, MY 2021-2022 in Salta and Jujuy, but will be somewhat lower in Tucuman province. Productivity of sugarcane in the eastern region of this province is expected to be lower than normal. There are many farmers who produce primarily soybeans but have lately incorporated some sugarcane. Many fields in this area suffered dry conditions and problems with weed controls.

The harvest of the MY 2022-2023 started in late April in a few mills in Tucuman. This was earlier than normal and due in part to the use of new harvest technology and helped by a dry autumn. The other mills are expected to commence during May and harvest typically runs through November. A winter with severe frosts or heavy rain could negatively affect sugar content, reducing the final output.

Figure 1:

Drought-affected sugarcane field in Southern Tucuman. Source: FAS Buenos Aires

Every year before the harvest begins, the local sugar sector estimates the likely production of sugarcane and its sugar equivalent and then how much will be needed to fully supply domestic sugar demand. The remaining volume is then divided between the production of sugar for the export market and/or for ethanol to meet the national biofuel mandate. The final distribution at the end of the marketing year depends on how the different markets evolved. Like any business, sugar mills try to maximize returns and move quickly in response to domestic and world sugar

prices as well as the official price of ethanol under the local mandate. At current prices, the most profitable option is to sell sugar in the domestic market. The second best is to export sugar and the least profitable is to produce ethanol for the local fuel market.

Argentina's sugarcane area has stabilized in the past few crop seasons at roughly 385,000 hectares thanks to the past few seasons in which producers had relatively good results. Despite higher costs of production due to increased prices of fertilizers and most agricultural inputs, farmers are anticipating positive returns for MY 2022-2023 as they expect local sugar prices to remain quite firm due to a limited supply and a steady demand. The industry continues to see increased concentration as smaller and less efficient producers struggle to remain in business. There remains a question about the availability of diesel for the harvest and natural gas to run the plants during winter as some industry contacts and local media sources report that there is and could continue to be shortages of both fuels.

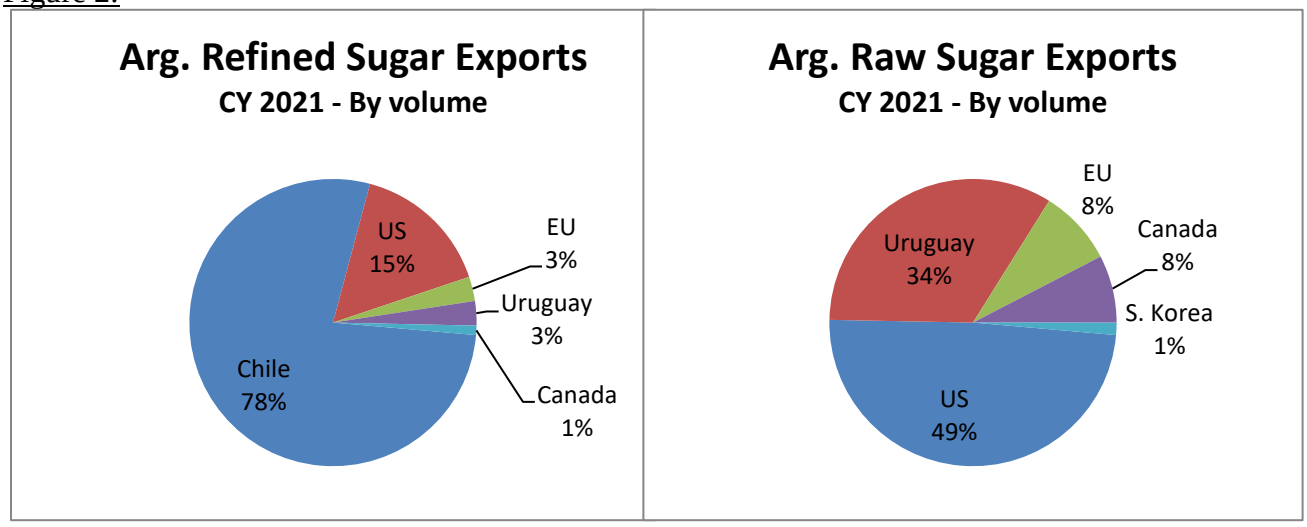
In MY 2021-2022, there were 19 sugar mills in operations, with 14 plants operating in the Province of Tucuman, 3 in Jujuy, and 2 in Salta. Tucuman accounted for 65 percent of the total sugar produced. Despite a very dry summer, MY 2021-22 sugarcane production ended up higher than initially projected. Contacts indicate that the final sugarcane and sugar production is difficult to gauge precisely as various distortions in domestic economy have encouraged the growth of the informal sugar market. More sugarcane than expected was devoted to the manufacturing of sugar, rather than to ethanol, as a substantial increase in world sugar prices made exports more profitable than those of bioethanol sold for the domestic mandate. Ethanol prices, which are set by the national government, trailed inflation which the central bank estimated at an annual rate of 55.1 percent in March 2022.

Trade

Sugar exports for MY 2022-2023 are forecast at 250,000 tons, raw value. This volume would be smaller than in the previous year in which exporters took advantage of higher world prices to export stocks from the previous marketing year. Raw sugar exports are expected to be shipped to the US to fulfill the tariff rate quota and to neighboring Uruguay. Refined sugar exports are projected to be mostly destined to Chile, followed by the US which imports certified organic sugar. Argentine sugar has recently gained share in the Chilean market versus Colombian and Guatemalan sugar. Chile's sugar production has been declining and Argentine sugar can be trucked directly across the border.

Argentine official trade data does not clearly show the destination of many exports as a significant volume is grouped under "Confidential". Since 2018 the Argentine government has obscured destinations when there are a small number of exporters or small number of exports to a given country. The following chart shows Argentine sugar exports by volume for calendar year (CY) 2021 based on data prepared by Post.

Figure 2:



Source: Trade Data Monitor and FAS Buenos Aires

Sugar exports in MY 2021-2022 are estimated at 320,000 tons, 100,000 tons higher than earlier projected. As the harvest began to advance in May 2021, world sugar prices increased more than 15 percent; encouraging mills to produce more sugar for the export market and reduce somewhat the production of ethanol as its returns were less attractive.

Domestic Consumption

Sugar domestic consumption in MY 2022-2023 is forecast at 1.48 million tons, raw value, a marginal decline from the previous two marketing years. Of the total consumption, industry use accounts for approximately 70 percent, with leading sectors such as beverages, chocolate, juices, and cookies. High fructose corn syrup continues to grow its market share vis-a-vis sugar in the beverage sector. The remaining 30 percent of domestic consumption is through the retail market, with the bulk of sales in the form of one-kilogram bags. To fight high inflation, the government has set maximum prices for hundreds of food products. The government has required that large supermarket chains sell a certain volume of price-controlled sugar at a fixed price of $0.56 per kilogram. Sugar which is not sold under this program costs over 50 percent more.

In October 2021, Argentina passed the Promotion of Healthy Nutrition Law, #27,642, a front of package labelling law. Its goal is to alert consumers about excess in fat, sodium, and sugar in foods. In March 2022, the government published implementing regulations which provide local companies 6-12 months to adapt to the new standards. Companies that change their formulas will have 24 months to reconvert. Sugar companies believe this will have an initial negative impact on sugar consumption, but they expect the demand to recover as the population grows and companies reformulate products. The biggest effect will likely be seen on sugar consumption in MY 2023-2024.

Over the last few years, the local sugar milling industry has made investments in expanding the production of ethanol. With the current processing capacity, the industry would be able to meet sugar's share of the biofuel mandate, every year going forward. The current official blend rate of ethanol in gasoline is 12 percent, though it can drop to 9 percent depending upon economic need.

The recently passed Biofuels law stipulates that at least 6 percent of the gasoline supply be blended with ethanol derived from sugarcane. Another 3-6 percent must be blended with corn ethanol depending upon the relative price of corn and gasoline. The government's objective is for the program to avoid raising fuel or corn prices too high. The program sets official monthly prices for bioethanol made from each feedstock. Argentina is not self-sufficient in gasoline and needs to import certain volumes to meet its total demand. The official bioethanol price has lately moved slower than the import parity price of gasoline. With high world oil prices, there are currently discussions on the possibility of increasing the ethanol mandate mix and the need to adjust upwards the official price of ethanol made from sugarcane. However, strong world sugar prices continue to be an attractive business for sugar mills, which will make price setting difficult.

Stocks

Ending stocks in MY 2022-2023 are forecast down at 179,000 tons, raw value. Sugar mills try to keep at least the equivalent of one month's domestic use. Stocks are normally held by sugar mills, distributors and, lastly, sugarcane producers.

Production, Supply and Distribution Tables

Sugar, Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	May 2020		May 2021		May 2022	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	199	199	264	264	0	199
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	1830	1830	1550	1725	0	1710
Total Sugar Production (1000 MT)	1830	1830	1550	1725	0	1710
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)	2029	2029	1814	1989	0	1909
Raw Exports (1000 MT)	89	89	110	108	0	90
Refined Exp.(Raw Val) (1000 MT)	154	154	110	212	0	160
Total Exports (1000 MT)	243	243	220	320	0	250
Human Dom. Consumption (1000 MT)	1512	1512	1490	1460	0	1470
Other Disappearance (1000 MT)	10	10	10	10	0	10
Total Use (1000 MT)	1522	1522	1500	1470	0	1480
Ending Stocks (1000 MT)	264	264	94	199	0	179
Total Distribution (1000 MT)	2029	2029	1814	1989	0	1909
(1000 MT)						

Sugar Cane for Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	May 2020		May 2021		May 2022	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	385	385	385	385	0	386
Area Harvested (1000 HA)	380	380	378	378	0	380
Production (1000 MT)	21300	21450	20000	21130	0	20500
Total Supply (1000 MT)	21300	21450	20000	21130	0	20500
Utilization for Sugar (1000 MT)	17200	17500	14700	17230	0	16700
Utilizatn for Alcohol (1000 MT)	4100	3950	5300	3900	0	3800
Total Utilization (1000 MT)	21300	21450	20000	21130	0	20500
(1000 HA) ,(1000 MT)						

Attachments:

No Attachments