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Argentina

Sugar Annual

2019

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Report Highlights:
Argentine sugar production for marketing year 2019/20 is forecast stable at 1.68 million tons, raw value, with domestic consumption continuing its downward trend and exports forecast at 160,000 tons, raw value, slightly lower than last year due to estimated lower supplies.

Commodities:

Sugar, Centrifugal

Author Defined:

Production

MY 2019/20

Argentine sugar production for marketing year (MY) 2019/20 is forecast at 1.68 million tons (raw value), similar to the previous year. In total, Argentina is forecast to produce approximately 21.7 million tons of net sugar cane, equal to 24 million tons of gross sugar cane (including trash).

The harvested area is expected to increase in MY 2019/20 due to investments in northwestern provinces of Tucuman, Salta and Jujuy. The production cycle, however, has been hampered by wet, cool conditions, except for a dry February, which limited cane development. In addition, investment in weed control and fertilizer application due to tight returns was suboptimal which further stunted overall production. As the sector looks toward the beginning of harvest next month, total production volume could still face impacts from approaching colder weather. The harvest is expected to conclude in November 2019.

In addition to production challenges, the sector also faced additional external difficulties in MY 2018/19, including price and financial volatility and a continuing drop in domestic consumption. The mill price of sugar was recently around $430 per ton, including the value added tax (VAT). However, large volumes of sugar could come into the market once harvest begins in June and put downward pressure on prices as sellers seek liquidity to service operating expense and debt obligations. Farmer returns are expected to be tight in MY2019/20.

Furthermore, sugar consumption is projected to continue weak and the price of bioethanol at plants to be at low levels. Sugarcane for bioethanol is forecast to increase marginally in line with gasoline demand as the biofuel blend mandate of 12 percent is met equally by ethanol grain and sugar sources.

MY 2018/19

Sugar production in MY 2018/19 hit 1.66 million tons (raw value), a drop of 155,000 tons from Post's previous projection due to lower demand. Sugar mill production of bioethanol fell in response to low prices which increased carryover stocks from MY 2017/18. In addition, volatile currency fluctuations in Argentina continued to negatively impact consumer purchasing power for basic products such as sugar.

MY 2018/19 harvest prices in May began at roughly $600 pesos per 50-kilo bag, including the value added tax, with a swift but sustained drop through September to $500 pesos as sellers pushed large volumes of sugar into the market to generate operational liquidity. Unfortunately, for many at this lower price spectrum, the funds were insufficient to cover operating costs. Concurrently, farmer margins were hobbled by a strong peso devaluation, rising inflation and interest rates that topped 60 percent. By mid-April 2019, prices had recovered to $900 pesos per 50 kilo bag in response to tighter sugar stocks as the new marketing year begins.

Domestic Consumption

MY 2019/20 domestic consumption is forecast down at 1.5 million tons, raw value, the fifth consecutive annual decline from a peak consumption of 1.84 million tons in MY 2014/15. Roughly, 75 percent of Argentina's sugar consumption is linked to industrial use. Mills typically sell sugar in 50-kilo and 25-kilo bags. Beverage companies account for approximately 18 percent of the country's sugar consumption, followed by the baking sector at 16 percent and the confectionary and dairy industries.

Twenty five percent of the total sugar sold in the country is at the retail level. Super and hypermarkets account for 80 percent of sales which are primarily sold at retail in 1 kilo bags. The current retail price of a kilo of sugar is approximately $30 pesos (including VAT). Loss of consumer purchasing power, campaigns against high sugar consumption, expansion in local high fructose corn sweetener industry and the growth in popularity of low-calorie sweeteners, have all impacted sugar demand.

Trade

Argentine sugar exports in MY 2019/20 are projected at 160,000 tons, raw value, with approximately 60,000 tons of raw sugar destined primarily to the US under its Tariff Rate Quota. Sources indicate that the quota is expected to fill in MY 2019/20. While exports to the Some shipments of raw sugar could go to Uruguay and the European Union. Nevertheless, the domestic market for sugar and ethanol has proven more lucrative than exports, however, exports under the US quota remain attractive.

Exports of refined sugar for MY 2019/20 are forecast at 100,000 tons (raw value), primarily to Chile. Argentina also exports around 20-30,000 tons of organic sugar annually, mostly from a sugar mill in Salta province.

Stocks

Ending stocks for MY 2019/20 are forecast at 146,000 tons raw value, marginally higher than the previous year. The sugar sector tries to keep low stocks to maintain high prices, especially at the beginning of harvest.

Statistical Tables

Sugar, Centrifugal	2017/2018		2018/2019		2019/2020	
Market Begin Year	May 2017		May 2018		May 2019	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	185	185	130	228	0	126
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1810	1870	1820	1665	0	1680
Total Sugar Production	1810	1870	1820	1665	0	1680
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	1995	2055	1950	1893	0	1806
Raw Exports	87	87	90	82	0	60
Refined Exp.(Raw Val)	120	120	60	105	0	100
Total Exports	207	207	150	187	0	160
Human Dom. Consumption	1648	1610	1660	1570	0	1490
Other Disappearance	10	10	10	10	0	10

Total Use	1658	1620	1670	1580	0	1500
Ending Stocks	130	228	130	126	0	146
Total Distribution	1995	2055	1950	1893	0	1806
(1000 MT)						

Sugar Cane for Centrifugal	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jun 2017		Jun 2018		Jun 2019	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	385	385	390	385	0	390
Area Harvested	375	375	385	375	0	385
Production	21350	21500	21500	21500	0	21750
Total Supply	21350	21500	21500	21500	0	21750
Utilization for Sugar	16850	18700	16500	16800	0	16970
Utilizatn for Alcohol	4500	2800	5000	4700	0	4780
Total Utilization	21350	21500	21500	21500	0	21750
(1000 HA) ,(1000 MT)						