

Required Report: Required - Public Distribution

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Report Name: Sugar Annual

Country: Peru

Post: Lima

Report Category: Sugar

Prepared By: Gaspar Nolte

Approved By: Zeke Bryant

Report Highlights:

Sugar cane production in marketing year (MY) 2021 is forecast at 11.34 million metric tons (MMT), increasing two percent from the MY 2021 estimate. Cane sugar production for MY 2021 is forecast at 1.3 MMT, an increase of nearly three percent over the previous year. Peruvian sugar exports for MY 2021 are forecast at 120,000 metric tons.

Sugar Cane for Centrifugal	2019/2020		2020/2021		2021/2022	
	May 2019		May 2020		May 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Peru						
Area Planted (1000 HA)	99	99	100	100	0	100
Area Harvested (1000 HA)	87	84	88	88	0	90
Production (1000 MT)	10929	10469	11100	11100	0	11340
Total Supply (1000 MT)	10929	10469	11100	11100	0	11340
Utilization for Sugar (1000 MT)	8550	8350	8700	8700	0	9100
Utilization for Alcohol (1000 MT)	2379	2119	2400	2400	0	2240
Total Utilization (1000 MT)	10929	10469	11100	11100	0	11340
(1000 HA), (1000 MT)						

Sugar, Centrifugal	2019/2020		2020/2021		2021/2022	
	May 2019		May 2020		May 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Peru						
Beginning Stocks (1000 MT)	19	19	70	5	0	44
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	1440	1197	1450	1265	0	1300
Total Sugar Production (1000 MT)	1440	1197	1450	1265	0	1300
Raw Imports (1000 MT)	98	98	120	130	0	80
Refined Imp.(Raw Val) (1000 MT)	186	186	200	207	0	200
Total Imports (1000 MT)	284	284	320	337	0	280
Total Supply (1000 MT)	1743	1500	1840	1607	0	1624
Raw Exports (1000 MT)	47	78	50	39	0	30
Refined Exp.(Raw Val) (1000 MT)	98	91	100	124	0	90
Total Exports (1000 MT)	145	169	150	163	0	120
Human Dom. Consumption (1000 MT)	1528	1326	1540	1400	0	1500
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	1528	1326	1540	1400	0	1500
Ending Stocks (1000 MT)	70	5	150	44	0	4
Total Distribution (1000 MT)	1743	1500	1840	1607	0	1624
(1000 MT)						

Production:

Sugar cane production in marketing year (MY) 2021 is forecast at 11.34 million metric tons (MMT), increasing nearly three percent from the MY 2020 estimate. According to Government of Peru statistics, sugar cane production decreased four percent in calendar year (CY) 2020 due to the strict mobility restrictions implemented by the government as part of the quarantine to combat COVID-19, especially during the months of March to June. These restrictions contributed to FAS Lima's downward revision to MY 2019 production by four percent. These restrictions significantly reduced workers' ability to be present for field activities such as harvesting. However, FAS Lima estimates that sugar cane production will rebound to 11.34 MMT in MY 2021 due to an expected return to more normal working conditions.

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 metric tons (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 65 to 190 MT of cane per hectare and age varies from 13 to 18 months between cuts. Average yield in MY 2021 is estimated at 126 MT per hectare. Total harvested area in MY 2021 is forecast at 90,000 hectares.

Cane sugar production for MY 2021 is forecast at 1.3 MMT, an increase of nearly three percent over FAS Lima's lower revised estimate for MY 2020. Peruvian sugar production is divided into 73 percent raw and 27 percent refined. The local industry continues to renew plantations, increase harvested area, and upgrade mills in order to improve efficiency. For these reasons, FAS Lima believes Peru's sugar production will continue increasing in the coming years. This could lead to the country eventually 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.

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. In recent years, problems in these two companies have generated social unrest and accusations of corruption.

Consumption:

Cane sugar consumption is forecast at 1.5 MMT in MY 2021, a rebound of seven percent over the previous year. Cane sugar consumption in MY 2019 is revised down 13 percent and MY 2020 is revised down nine percent. These reductions are due to falling incomes, consumers' perceptions on sugar consumption and COVID-19 symptoms, and tighter supplies on limited production. Around 70

percent of cane sugar consumption in Peru 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 MY 2020 were \$0.64 per kilogram for refined sugar and \$0.61 per kilogram for brown sugar.

Trade:

Peruvian sugar exports for MY 2021 are forecast at 120,000 MT. The United States was the lead export market for Peruvian sugar in calendar year (CY) 2020, accounting for 51 percent of total exports. Colombia was the second largest market with 44 percent of total sugar exports. Peruvian sugar exports to the United States benefit from the U.S. sugar tariff-rate quota and a significant price premium, which is an important incentive for exporters. Average export price paid by the United States in CY 2020 was \$541/MT compared to \$484/MT paid by Colombia. The Ministry of Agriculture, in coordination with the Peruvian sugar industry, is responsible for distributing the United States' tariff rate quota.

Sugar imports for MY 2021 are forecast at 280,000 MT. In CY 2020, the top sugar suppliers to Peru included Colombia, Brazil, and Guatemala, accounting for 54, 18, and 15 percent of total sugar imports, respectively. The average price for imported sugar in Peru in CY 2020 was \$348/MT, an increase of 6.7 percent compared to the previous year.

Stocks:

Stocks for MY 2021 are forecast at 4,000 MT, with stocks for MY 2020 and 2019 revised significantly lower on limited supplies. All stocks are privately held in Peru. As mentioned previously, Peru is able to harvest sugar cane and produce sugar year-round. This means Peru does not need to maintain large stocks like other South American countries and most mills are smaller operations with limited storage capacities.

Policy:

Sugar is included in the Peruvian Price Band System. 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. As a result, the floor price of the band fell from \$648 to \$518, and the ceiling price decreased from \$778 to \$644.

The United States - Peru Trade Promotion Agreement includes a five-year linear tariff reduction 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 (2015).

Attachments:

No Attachments