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Brazil

Sugar Annual

2019

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Report Highlights:

Brazil's MY 2019/20 sugarcane crush is estimated at 627 mmt, a relatively similar output compared to the MY 2018/19 crop (620 mmt). Late rainfall in February and March will likely offset dry spells in December and January. Approximately 38 percent of the crop should be diverted to sugar, a moderate recovery from record low levels in the previous crop, when only 35.9 percent of sugarcane was crushed into sugar. This is due to the expected increase in sugar demand in the global market as well as the likely less attractiveness for ethanol production for the domestic market. Total exports are projected at 20.85 mmt, raw value, a slight recovery from low exports in the previous season. No final resolution has yet been achieved related to Brazil's consultations at the WTO regarding China's import tariff or India's subsidies to export domestic sugar.

Production

The Agricultural Trade Office (ATO)/São Paulo forecasts Brazil's marketing year (MY April-March, unless otherwise stated) 2019/20 sugarcane crop at 627 million metric tons (mmt), slightly up from the final estimate for MY 2018/19 (620 mmt). The center-south (CS) region is expected to harvest 580 mmt of sugarcane, up seven mmt compared to the previous season (573 mmt). In spite of the dry weather spell in December and January, good and steady rainfall during February and in March has offset industry expectations for a drop in the current harvest season crush volume. However, sugarcane fields are developing later that normal due to the late rainfall. This has led some mills to hold off on crushing to let the cane turn this moisture into stronger yields. Industry analysts expect that most mills will push crush back by two weeks, based on existing high ethanol inventories and slow crop development.

North-Northeastern (NNE) production for MY 2019/20 is projected at 47 mmt, unchanged from the current MY 2018/19 estimate, assuming that regular weather conditions prevail until the beginning of the crop in the second semester of the year.

Brazil's total sugarcane area for MY 2019/20 is forecast stable at 9.9 million hectares (ha). Industry contacts report that total sugarcane area for crushing is projected at 9.33 million ha, a one percent drop compared to last MY. The table below shows the sugarcane harvested area, according to the Ministry of Agriculture, Livestock and Supply's (MAPA) National Supply Company (CONAB), and the Agricultural Economics Institute (IEA) of the State of São Paulo Secretariat of Agriculture.

Area Harvested to Sugarcane (1,000 ha).							
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Brazil	8,485.0	8,810.8	9,004.5	8,654.8	9,049.2	8,729.5	8,634.2
São Paulo	5,355.7	5,501.9	5,539.7	5,605.7	5,569.2	5,601.2	5,644.9
Sources: CONAB, IEA.							

ATO/São Paulo estimates MY 2019/20 agricultural yield at 67.20 metric tons (mt)/hectare (ha), up two percent from the previous crop (65.61 mt/ha), due to overall better weather conditions and crop management in major growing areas. The MY 2019/20 industrial yield is forecast at 136.70 kg of TRS (total reducing sugars)/mt, slightly down vis-à-vis MY 2018/19, assuming average rainfall volume during the crushing season. The following table shows historic Brazilian yields measured in TRS per metric ton of sugarcane.

Sugarcane Industrial Yields (kg TRS/metric ton)					
	MY 15/16	**MY 16/17**	**MY 17/18**	**MY 18/19**	**MY 19/20 1/**
TRS/ton	130.17	133.14	136.45	137.52	136.70
Source: USDA/FAS/ATO/São Paulo 1/Projection					

The following tables show monthly sugarcane crush data for the state of São Paulo and the Center-South (CS) region for MY 2015/16 through MY 2018/19 (April-March), as reported by the Brazilian Sugarcane Industry Association (UNICA).

Sugarcane crushed in the state of Sao Paulo (1,000 metric tons)

Month	15 /16	16 /17	17 /18	18/19
April	22,420	43,811	25,458	36,990
May	40,914	43,889	42,330	46,306
June	51,560	41,351	53,295	53,019
July	46,975	58,181	58,936	54,203
August	56,701	50,536	49,585	44,695
September	40,026	48,160	51,954	38,841
October	46,093	39,456	37,068	27,946
November	26,383	26,083	22,743	20,397
December	19,727	6,848	8,282	6,855
January	3,549	697	26	173
February	2,125	555	188	65
March	11,851	6,421	7,277	518
Cumulative	368,323	365,990	357,142	330,007
Source: Brazilian Sugarcane Industry Association (UNICA).				

Sugarcane crushed in Center-Southern Brazil (1,000 metric tons).				
Month	**15 /16**	**16 /17**	**17 /18**	**18/19**
April	40,163	69,171	41,945	60,170
May	69,197	72,199	70,264	75,418
June	86,434	74,221	87,222	88,060
July	79,070	96,514	98,907	92,880
August	95,289	83,731	84,512	77,214
September	70,341	80,409	85,933	66,601
October	74,966	64,004	62,664	50,607
November	44,544	41,453	38,721	36,103
December	28,553	10,349	13,073	15,459
January	5,927	1,771	587	1,120
February	3,827	2,071	1,308	823
March	19,395	11,243	11,195	1,591
Cumulative	617,709	607,137	596,330	566,046
Source: Brazilian Sugarcane Industry Association (UNICA).				

Sugar and Ethanol

Total sucrose (total reducing sugar, TRS) content diverted to sugar and ethanol production for MY 2019/20 is initially forecast at 38 and 42 percent, respectively, as opposed to 35.9 and 64.1 percent, respectively, for MY 2018/19. Industry projects a deficit in the world sugar market for 18/19 (using October-September data) of roughly 3-4 million tons, as opposed to the surplus of 7-8 million tons the previous MY. Therefore, the sugar market is signaling a slight upward reaction. Moreover, hydrated ethanol has become less price competitive due to the steady decrease in gasoline prices in recent months, resulting in less sugarcane crushing for ethanol production.

ATO/São Paulo forecasts sugar production for MY 2019/20 at 32 mmt, raw value, an increase of 2.5 mmt vis-à-vis MY 2018/19 (29.5 mmt). The CS states should account for 29.4 mmt, raw value, up 2.5 mmt compared to MY 2018/19 (26.9 mmt). The NNE sugar production should remain stable at 2.6 mmt of sugar, raw value. Ethanol from sugarcane production for MY 2019/20 is projected at 31.74 billion liters, a decrease of 1.35 billion liters from MY 2018/19 (33.09 billion liters).

The tables below show monthly sugar production for the state of São Paulo and the CS region for MY 2015/16 through MY 2018/19 (April-March), as reported by UNICA.

Sugar production in the state of Sao Paulo (Metric tons, tel quel)				
Month	**15 /16**	**16 /17**	**17 /18**	**18/19**
April	918,009	2,300,450	1,288,587	1,587,271
May	2,214,282	2,664,338	2,661,791	2,344,445
June	3,123,877	2,567,001	3,713,219	3,000,593
July	3,009,722	4,050,934	4,424,127	3,443,977
August	3,948,623	3,780,409	3,837,644	2,783,609
September	2,719,062	3,597,998	4,117,046	2,341,665
October	3,056,703	2,948,163	2,654,635	1,373,240
November	1,318,035	1,701,824	1,334,388	959,922
December	755,491	358,447	399,326	256,274
January	80,523	23,158	2	2,185
February	41,441	12,987	3,328	680
March	381,687	242,435	157,300	5,311
Cumulative	21,567,455	24,248,144	24,591,393	18,099,172
Source: Brazilian Sugarcane Industry Association (UNICA).				

Sugar production in Center-Southern Brazil (Metric tons, tel quel)				
Month	**15 /16**	**16 /17**	**17 /18**	**18/19**
April	1,448,957	3,251,370	1,839,645	2,250,044
May	3,198,629	3,758,251	3,874,688	3,261,570
June	4,507,387	4,005,985	5,373,876	4,273,632
July	4,256,943	5,958,645	6,538,817	5,017,555
August	5,733,292	5,527,064	5,715,100	4,098,579
September	4,067,628	5,381,011	5,996,254	3,446,968
October	4,279,266	4,317,215	3,881,055	2,082,798
November	1,909,386	2,503,409	1,982,544	1,419,066
December	1,032,089	506,695	627,383	496,701
January	120,054	46,854	6,623	18,281
February	62,677	28,310	9,641	2,876
March	605,179	342,710	213,881	9,078
Cumulative	31,221,487	35,627,519	36,059,507	26,377,148
Source: Brazilian Sugarcane Industry Association (UNICA).				

According to MAPA, cumulative sugar production for the 2018/19 crop (from April 1, 2018 to March 15, 2019) was 28.92 mmt, tel quel. The table below shows sugarcane, sugar, and ethanol production by state for MY 2018/19, as reported by MAPA.

Cane, Sugar & Ethanol Production: 2018/19 Crop (MT and 000 Liters)					
			Ethanol		
State/Region	**Cane**	**Sugar**	**Anhydrous**	**Hydrous**	**Total**
Espirito Santo	3,174,125	146,941	111,542	25,751	137,293
Goias	69,199,159	1,669,967	713,328	4,141,490	4,854,818
Minas Gerais	62,468,654	3,040,613	822,172	2,393,067	3,215,239
Mato Grosso Sul	48,106,801	934,545	791,981	2,409,723	3,201,704
Mato Grosso	17,186,978	370,483	666,174	1,088,263	1,754,437
Parana	35,240,384	2,092,691	509,778	1,094,439	1,604,217
Rio de Janeiro	1,057,515	21,244	0	58,288	58,288
Rio Grande Sul	39,086	0	0	2,189	2,189
São Paulo	330,553,661	18,142,635	5,110,344	10,724,332	15,834,676
Center South	567,026,363	26,419,119	8,725,319	21,937,542	30,662,861
Acre	0	0	0	0	0
Amazonas	236,875	12,537	0	5,468	5,468
Ceara	0	0	0	0	0
Maranhao	1,964,262	21,756	122,828	25,088	147,916
Para	999,034	47,034	36,093	10,033	46,126
Piaui	1,167,156	78,406	18,020	19,460	37,480
Rondonia	30,612	0	0	1,479	1,479
Tocantins	2,023,916	0	69,684	85,523	155,207
North	6,421,855	159,733	246,625	147,051	393,676
Alagoas	15,692,116	1,162,687	172,857	301,614	474,471
Bahia	3,742,898	108,034	80,210	165,488	245,698
Paraiba	5,514,700	117,538	147,499	229,296	376,795
Pernambuco	11,411,497	732,790	79,843	350,276	430,119
Rio Grande Norte	2,429,324	118,210	16,531	88,446	104,977
Sergipe	1,896,256	99,290	19,099	81,803	100,902
Northeast	40,686,791	2,338,549	516,039	1,216,923	1,732,962
TOTAL	614,135,009	28,917,401	9,487,983	23,301,516	32,789,499
Source: Ministry of Agriculture, Livestock and Supply-Sugar, Alcohol Dept, 03/16/2019					

Sugarcane and Sugar Prices in the Domestic Market

Sugarcane prices received by third party suppliers for the major producing states are based on a formula that takes into account prices for sugar and ethanol in both in the domestic and international markets. The State of São Paulo Sugarcane, Sugar and Ethanol Growers Council (CONSECANA) was the first to develop this formula, and it is used for the state of São Paulo, which comprises 60 percent of center-south production.

CONSECANA reports that the average sugarcane price (cumulative through February 2019) for the state of São Paulo for the 2018/19 crop was R$0.5771 per kg of TRS, or R$79.57 per ton of sugarcane.

The Crystal Sugar and Ethanol Indexes released by the University of Sao Paulo's College of Agriculture "Luiz de Queiroz" (ESALQ) follow. The Indexes track crystal sugar, anhydrous, and hydrated ethanol prices received by producers in the domestic spot market. Note the prices have remained stable throughout the entire MY 2018/19 due to the tighter sugar output.

Crystal Sugar Prices - Domestic Market (Real, 50kg/bag, including tax).					
Period	**2015**	**2016**	**2017**	**2018**	**2019**
January	51.05	83.75	88.02	60.88	68.83
February	50.11	81.25	83.22	53.23	68.49
March	50.97	77.46	77.48	51.32	67.93
April 1/	51.57	76.00	74.28	54.89	65.90
May	51.20	75.68	76.96	54.27	--
June	49.03	83.94	72.25	57.8	--
July	47.85	86.65	61.18	55.11	--
August	46.90	85.89	54.42	51.49	--
September	51.06	87.83	52.41	60.68	--
October	64.98	97.93	54.64	64.36	--
November	76.44	98.06	64.4	67.73	--
December	80.57	92.06	68.54	68.57	--
Source: USP/ESALQ/CEPEA. 1/ April 2019 refers to April 5					

The April 9th price equivalence shows that sugar contract #11 at the Intercontinental Exchange (ICE) in New York was negotiated at 12.78 U.S. cents/lb, whereas very high polarity (VHP) sugar exported FOB from the Port of Santos and sugar sold on the domestic market were traded at approximately 13.47 and 14.64 U.S. cents/lb, respectively. The ethanol price equivalence on the domestic market was slightly competitive to sugar sold domestically with prices ranging between 14.56 and 14.96 cents/lb. These prices highlight that sugar for export is not competitive with sugar and ethanol currently sold in the domestic market.

Consumption

There is no official source for domestic consumption of sugar in Brazil. ATO/São Paulo forecasts Brazilian sugar consumption for MY 2019/20 at 10.65 mmt, raw value, slightly up from revised figure for MY 2018/19 (10.6 mmt), due to the expected improvement of the Brazilian purchasing power and natural population growth.

Exports

Brazil's sugar exports for MY 2019/20 are projected upward at 20.85 mmt, raw value, an increase of six percent compared to the unchanged export figure for the previous season (19.6 mmt), the lowest in the past twelve years. Limited sugar output by mills during MY 2018/19 limited the Brazilian exportable surplus. Raw sugar exports will likely account for 16.68 mmt during MY 2019/20, raw value, whereas the remainder represents exports of refined sugar.

The following tables show Brazilian sugar exports by destination for MY 2016/2017, 2017/18 and 2018/19 (April-March) as reported by the Global Trade Atlas (GTA). Algeria, Bangladesh, India, and Iraq are the major export destinations for Brazilian sugar.

Brazilian Sugar Exports (NCMs 1701.11, 1701.13 & 1701.14, MT, tel quel, US$ 000 FOB)						
	MY 2016/17 1/		**MY 2017/18 1/**		**MY 2018/19 1/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Algeria	1,973,396	755,725	2,202,397	814,094	2,230,100	632,638
Bangladesh	1,960,436	733,585	2,615,123	963,895	2,018,268	561,126
India	2,408,913	940,374	2,247,133	828,174	1,650,084	462,301
Iraq	908,760	319,455	1,259,514	469,114	1,170,846	341,125
Nigeria	1,295,973	501,038	1,255,111	459,621	1,194,594	324,366
Saudi Arabia	1,005,855	393,115	1,075,281	397,568	1,051,621	296,010
U.A.E.	600,820	226,887	1,435,050	535,022	1,047,448	291,015
Morocco	1,049,074	422,287	1,053,095	376,012	928,283	257,266
China	2,138,855	780,636	109,846	39,432	887,062	243,331
Canada	800,618	283,777	978,164	382,067	806,164	242,192
Others	8,940,298	3,365,915	8,324,512	3,127,896	4,529,257	1,313,643
Total	23,082,998	8,722,794	22,555,226	8,392,895	17,513,727	4,965,013
Source: Global Trade Atlas (GTA) based on the Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may not add due to rounding 1/ April - March						

Brazilian Sugar Exports (NCM 1701.99.00, MT, tel quel, US$ 000 FOB)						
	MY 2016/17 1/		**MY 2017/18 1/**		**MY 2018/19 1/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
U.S.A.	102,965	70,512	110,852	83,277	123,705	96,367
Angola	335,590	155,660	402,337	173,379	291,500	91,948
Benin	125,525	55,323	381,957	154,081	270,819	84,609
U.A.E.	783,453	316,934	1,097,735	409,663	162,125	58,694
Saudi Arabia	268,662	118,714	310,272	117,776	183,581	58,253
Yemen	448,868	193,393	414,991	168,209	135,947	46,863
Togo	147,198	68,488	247,893	99,857	128,559	39,111
Gambia	136,781	60,471	162,000	65,505	112,509	35,223
Ghana	146,568	66,106	240,645	98,411	109,149	34,682
Mauritania	167,804	74,538	172,403	74,153	79,884	30,512
Others	2,537,946	1,151,696	1,731,556	750,034	805,091	293,742
Total	5,201,360	2,331,834	5,272,641	2,194,346	2,402,869	870,003
Source: Global Trade Atlas (GTA) based on the Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may not add due to rounding 1/ April - March						

In a recent decision by the Foreign Trade Chamber (CAMEX), the Government of Brazil approved a request from the sugar industry to open a panel at the World Trade Organization (WTO) against China for its surcharge of 45 percent on sugar imports from Brazil. According to the sugar-ethanol industry, the Chinese government has been responding to Brazil's inquiries under the World Trade Organization regarding the import tariffs imposed to major sugar suppliers (Brazil, Thailand, Australia, and South Korea) in 2017 - see GAIN CHI76012 and BR18024 for additional information. As a result, China's sugar imports from Brazil dropped to insignificant levels following implementation of the tariff. The sugar-ethanol industry believes that the issue should be resolved in March 2020, with non-renewal of the current safeguards set by the Chinese government.

As reported by the Brazilian Trade Minister, the government of Brazil also approved consultations at the World Trade Organization regarding subsidies it says India gives to cane producers and sugar exporters. Brazil decided to initiate a formal action at the WTO after failing to receive enough information from India following letters it sent to the Indian government seeking clarifications on sugar policies. The suspicion is that Indian domestic support (to farmers) and its subsidies to sugar exports caused significant impact on the sugar market, and resulted in falling prices and decreasing production in the main production centers of Brazil, China, and Thailand. India is expected to surpass Brazil as the world's largest sugar producer in the current global sugar crop, with output around 33 mmt. Brazil's production fell more than 9 mmt during MY 2018/19. Brazil said India's government policy to guarantee a minimum price for cane to farmers has caused production to surge. It says this policy, combined with subsidies to sugar transportation, is allowing the country to ship excess sugar production abroad, thus depressing global prices.

Stocks

Post forecasts total sugar ending stocks for MY 2019/20 at 720,000 mt an increase of 500,000 mt from the revised estimate for MY 2018/19 (220,000 mt). There is no official source for carry-over stocks of sugar in Brazil.

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
January	1.99	2.43	2.66	4.04	3.13	3.16	3.65
February	1.98	2.33	2.88	3.98	3.10	3.24	3.74
March	2.01	2.26	3.21	3.56	3.17	3.32	3.90
April	2.00	2.24	2.98	3.45	3.20	3.48	3.87
May	2.13	2.24	3.18	3.60	3.26	3.74	
June	2.22	2.20	3.10	3.21	3.30	3.86	
July	2.29	2.27	3.39	3.24	3.13	3.75	
August	2.37	2.24	3.65	3.24	3.15	4.14	
September	2.23	2.45	3.98	3.25	3.17	4.00	
October	2.20	2.44	3.86	3.18	3.27	3.72	
November	2.32	2.56	3.85	3.40	3.26	3.86	
December	2.34	2.66	3.90	3.47	3.31	3.87	

Source: Brazilian Central Bank (BACEN) - Last day of month. 1/ April 2019 refers to April 8.

PS&D Statistics

Sugar Cane for Centrifugal	2017/2018		2018/2019		2019/2020	
Market Begin Year	Apr 2017		Apr 2018		Apr 2019	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	9900	9900	9900	9900	0	9900
Area Harvested	9450	9450	9450	9450	0	9330
Production	639000	639000	610000	620000	0	627000
Total Supply	639000	639000	610000	620000	0	627000
Utilization for Sugar	296496	296496	228750	222580	0	238260
Utilizatn for Alcohol	342504	342504	381250	397420	0	388740
Total Utilization	639000	639000	610000	620000	0	627000
(1000 HA) ,(1000 MT)						

Sugar, Centrifugal	2017/2018		2018/2019		2019/2020	
Market Begin Year	Apr 2017		Apr 2018		Apr 2019	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	850	850	920	920	0	220
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	38870	38870	30600	29500	0	32000
Total Sugar Production	38870	38870	30600	29500	0	32000
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	39720	39720	31520	30420	0	32220
Raw Exports	22560	22560	15680	15680	0	16680
Refined Exp.(Raw Val)	5640	5640	3920	3920	0	4170
Total Exports	28200	28200	19600	19600	0	20850
Human Dom. Consumption	10600	10600	10670	10600	0	10650
Other Disappearance	0	0	0	0	0	0
Total Use	10600	10600	10670	10600	0	10650

Ending Stocks	920	920	1250	220	0	720
Total Distribution	39720	39720	31520	30420	0	32220
(1000MT)						