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Report Highlights:

Sugar production in Venezuela for MY 2022/23 is forecast to increase by 39% to 265,000 MT. The increase is primarily due to yield gains as a result of better access to quality inputs and a reduction in diesel shortages, as well as more favorable prices for producers. The sugar sector has also improved its profit margins, allowing producers to permanently invest in upgrading mills and renewing plantations. As Venezuela's sugar milling industry recovers and the Maduro regime favors the importation of raw sugar over refined sugar (raw sugar imports continue to be exempt from tariffs), Post forecasts a drop in refined sugar imports by over 70% in MY 2022/23 and an increase in raw sugar imports of 33%.

Production

Sugar production for marketing year (MY) 2022/23 is forecasted to reach 265,000 MT, a 39 percent increase compared to the USDA official estimate for MY 2021/22. Sugar production for MY 2021/22 is estimated to reach 230,000 MT, 21 percent higher than USDA's official estimate.

Improvement in access to more and better inputs (including agrochemicals and improved machinery) over the past year and a reduction in diesel shortages has provided the sugar industry with the ability to boost yields and increase sugar production. The sugarcane sector requires 150 liters of diesel per hectare for mechanical irrigation and 7 liters per metric ton of sugar cane for harvest. The sugar sector in Venezuela has also improved its profit margins, allowing producers to permanently invest in upgrading mills and renewing plantations.

A key factor determining the real growth of the sugar sector in MY 2021/22 was price. The price of sugar increased in the last year as the Venezuela regime decreased its price controls on sugar and the global price of sugar increased.

Despite the recovery, the sugar industry still faces several challenges such as a lack of access to credit and increasing prices of global fertilizers. Venezuela relies on imports to supply potassium which is used in the cultivation of sugar cane. Production costs have already increased by 15 percent so far in MY 2021/22.

In MY 2021/22, the area planted and harvested for sugar production reached 55,000 hectares. For MY 2022/23, area planted is forecasted to remain the same at 55,000 hectares. The tonnage of cane per hectare cultivated is 52.7 MT in MY 2021/22. The average industrial yield of sugar cane into refined sugar slightly increased to 8.27 percent among all sugar mills in MY 2021/22 (compared to 8 percent in MY 2020/21). The average yield on 55,000 hectares in MY 2021/22 is 51.1 MT of sugarcane per hectare, bringing sugar cane production to 2.3 million MT in MY 2021/22.

There are four private mills currently operating in Venezuela with a potential combined capacity to process 4.5 million MT of sugar cane per year. Portuguesa state remains the country's largest producer.

Table 1: Venezuelan Sugar Private Mills and Production (MY 2021/22)

Private Mills	Sugar Cane MT	Yield %	Sugar (MT)	Harvest month
Portuguesa	1,260,000	8.33	104,958	Dec-April
Molipasa	730,000	8.26	60,298	Dec-April
El Palmar	280,000	8.50	23,800	Dec-April
La Pastora	450,000	8.23	37,035	Jan-Aug

Source: Fesoca (Federation of Sugar cane producers)

There are 10 publicly owned sugar mills in Venezuela. According to industry contacts, in MY 2021/22 only two are operational. Table 2 shows the operational status of the public sugar mills.

Table 2: Venezuelan Public Sector Sugar Mills and Current Operation Status

Batalla Araure (CABA)	In operation
Central Sucre	Closed this harvest
Venezuela	In operation
Industrial Santa Elena	Closed this harvest
Central Cariaco	Closed this harvest
Santa Clara	Closed this harvest
CAAEZ (Central Ezequiel Zamora)	Closed this harvest
CAZTA (Central Táchira en Uruëña)	Closed this harvest
Puerto Tamayo Central Turbio	Closed this harvest
Central Trujillo	Closed this harvest

Source: Fesoca (Federation of Sugar cane producers)

Consumption

Domestic sugar consumption is forecasted to raise in MY 2022/23 to 540,000 MT, a 6% increase compared to MY 2021/22. This represents 19 kg per capita per year or 1.6 kg per capita per month. The split of sugar consumption in Venezuela is currently 80 percent human consumption and 20 percent industrial. Some industries that consume sugar in Venezuela are Coca-Cola, Pepsi Cola, Polar, Nestle, the pharmaceutical industry, and Cargill. All these industries use sugar as an important ingredient for the elaboration of their final products. Historically, industrial consumption of sugar was higher than human consumption. However, this tendency has reversed as the industrial sector in Venezuela has declined over the last 15 years.

At least 20 percent of Venezuela's total domestic supply of refined sugar is destined for the Maduro regime's food subsidy program, commonly known as Local Committee for Supply and Production (CLAP). The CLAP boxes provide monthly distributions of staple food products and include at least one kilogram of refined sugar per box to approximately 1.6 million families. The CLAP program is complemented with refined sugar imported from Brazil in large quantities, which enters the country by land.

As the Venezuelan economy recovers and the purchasing power of the Venezuelan consumer grows, the demand for sugar is forecasted to increase for confectionary products and sugar-based beverages. The informal economy has grown by almost 80% in Venezuela and it is a tradition for many people to prepare homemade cakes and sweets to supplement their income.

Trade

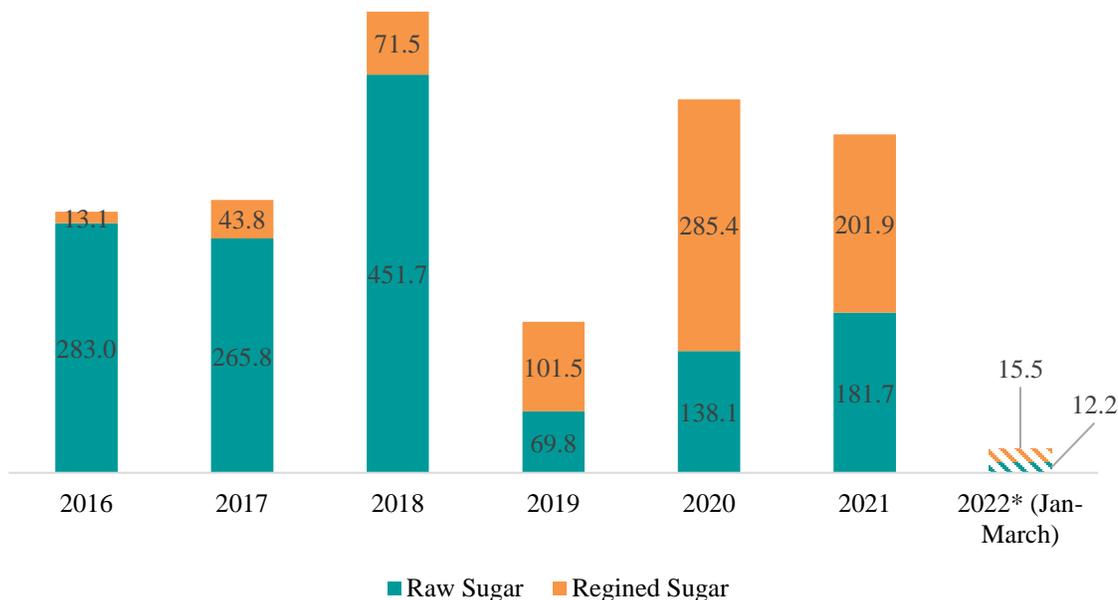
Raw Sugar

Post forecasts imports of raw sugar to Venezuela at 240,000 MT for MY 2022/23, an increase of 33 percent compared to USDA's official estimate for MY 2021/22. The top exporter of raw sugar to Venezuela in 2021 was Brazil, who exported 99% of total raw sugar to the country.

The private sector has prioritized increasing imports of raw sugar to reduce its dependence on imported refined sugar. In 2021, raw sugar imports constituted 47% of total imports (compared to 33% in 2020). See Figure 1 below.

This focus on raw sugar imports has been supported by the Maduro regime, who continues to support the importation of raw sugar over refined sugar, authorizing these imports without any obstacle.

Figure 1: Venezuelan Imports of Raw Sugar versus Refined Sugar, Thousand MT, 2016-2022

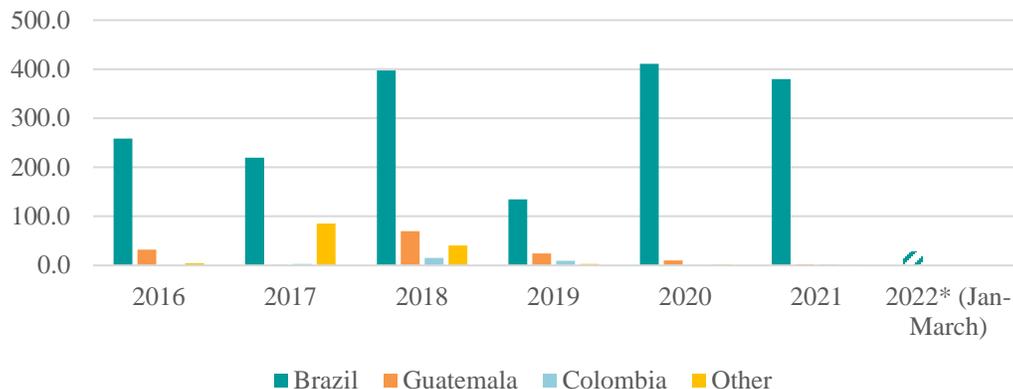


Source: Trade Data Monitor

The sugar industry may have limitations in importing raw sugar from Brazil starting in 2022. The increase in the price of oil and gasoline may lead Brazilian sugar mills to shift to producing more ethanol (better price) and less raw sugar. This could further drive the price of sugar up and Venezuela depends on imports of raw sugar from Brazil. So far in 2022, Brazil has been the sole supplier of sugar to Venezuela, exporting close to 28,000 MT of sugar so far between January and March 2022. In 2021, Brazil provided 99% of total raw sugar exports to Venezuela. See Figure 2 below. If Brazil becomes too

expensive to import from, the alternative that Venezuela has outside of Brazil to import raw sugar is Guatemala, which is the sixth largest exporter of sugar in the world, and Colombia.

Figure 2: Total Sugar Exports (thousand MT) to Venezuela by Origin, 2016-2022



Source: Trade Data Monitor

Refined Sugar

Post forecasts a 75% drop in the import of refined sugar in MY 2022/23 to 35,000 MT, compared to USDA’s official estimate of 140,000 MT for MY 2021/22. In MY 2020/21, a large quantity of imports of refined sugar at zero tariff overcrowded Venezuela's domestic market. The national industry was not able to compete with the low prices of imported sugar causing a disruption of the prices in the market. Industry and the regime are focusing on producing more sugar cane nationally and importing only the deficit of raw sugar and a minimum quantity of refined sugar to keep prices stable in the market.

Venezuela is expected to continue to reverse this trend of importing more refined sugar as seen in 2019, 2020, and 2021. Post also estimates a decrease in refined sugar imports in MY 2021/22 of 57% to 60,000 MT with respect to USDA's official estimate. Top exporters of refined sugar to Venezuela in 2021 included Brazil (98%), Guatemala (1%), and Colombia (1%).

If the planned imports of raw sugar as shown in Table 3 below are carried out, imports of refined sugar would dramatically drop since the sum of the national production of cane, plus the import of raw sugar, are enough to cover the demand of 35,000 MT per month. This represents 82 percent of total consumption of 42,500 tons per month in MY 2021/22.

Table 3: Estimated Production, Imports, and Consumption MY 2021/22

SUGAR CANE PLANT	Accumulated		Projection of imported raw			
	MILLED SUGAR CANE (TONS)	YIELD (%)	SUGAR (TONS)	RAW SUGAR	EQUIVALENT REFINED SUGAR	TOTAL SUGAR
PORTUGUESA	1,260,000	8.33	104,958	80,000	74,400	179,358
MOLIPASA	730,000	8.26	60,298			60,298
EL PALMAR	280,000	8.50	23,800	100,000	93,000	116,800
LA PASTORA	450,000	8.23	37,035	40,000	37,200	74,235
VENEZUELA	50,000	7.80	3,500			3,500
CABA	40,000	7.23	2,892			2,892
TOTAL	2,810,000	8.27%	232,483	220,000	204,600	437,083

Source: Fesoca (Federation of Sugar cane producers)

Stocks

Venezuelan stock levels tend to fluctuate widely and, as such, are omitted from post estimates. According to industry contacts, there are about 30,000 MT of sugar in inventory, a little less than the monthly consumption estimated in the current year to be 35,000 MT.

Policy

Raw sugar imports continue to be exempt from tariffs. Since December 2020, refined sugar pays a tariff of 20 percent ad-valorem plus 1 percent custom services, and an importation license is required. There are no direct or indirect subsidies for the sector or any kind of government aid to the producers or industry. As for the mills in the hands of the regime, they remain 99% unproductive.

Sugar: Production, Supply, and Distribution

Sugar, Centrifugal	2020/2021		2021/2022		2022/2023		
Market Begin Year	Oct 2020		Oct 2021		Oct 2022		
Venezuela	SDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Beginning Stocks	0	0	0	0	0	0	0 (1000 MT)
Beet Sugar Production	0	0	0	0	0	0	0 (1000 MT)
Cane Sugar Production	190	190	190	230	0	265	265 (1000 MT)
Total Sugar Production	190	190	190	230	0	265	265 (1000 MT)
Raw Imports	100	100	180	220	0	240	240 (1000 MT)
Refined Imp.(Raw Val)	220	220	140	60	0	35	35 (1000 MT)
Total Imports	320	320	320	280	0	275	275 (1000 MT)
Total Supply	510	510	510	510	0	540	540 (1000 MT)
Raw Exports	0	0	0	0	0	0	0 (1000 MT)
Refined Exp.(Raw Val)	0	0	0	0	0	0	0 (1000 MT)
Total Exports	0	0	0	0	0	0	0 (1000 MT)
Human Dom. Consumption	510	510	510	510	0	540	540 (1000 MT)
Other Disappearance	0	0	0	0	0	0	0 (1000 MT)
Total Use	510	510	510	510	0	540	540 (1000 MT)
Ending Stocks	0	0	0	0	0	0	0 (1000 MT)
Total Distribution	510	510	510	510	0	540	540 (1000 MT)
TS=TD	0	0	0	0	0	0	
Post Notes							

Attachments:

No Attachments