

Voluntary Report – Voluntary - Public Distribution

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Report Name: Brazilian Sugar Production and the Logistical Bottlenecks for Exports - Marketing Year 2023-24

Country: Brazil

Post: Brasilia

Report Category: Sugar

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Report Highlights:

The cane harvest and crushing continued through November in Brazil's main sugar-producing Center-South (CS) region with good weather and prices. Total sugar production is estimated at 41 million metric tons (MMT) for 2023/24. Exports are estimated at 32 MMT. Since the beginning of October 2023, Brazil's main ports have been experiencing logistical difficulties. The volume of vessels and long waiting times have created logistical bottlenecks, especially in the port of Santos, Brazil's largest.

[Brazilian Sugar Production and Exports Bottlenecks – Marketing Year 2023/24](#)

[Sugar Production](#)

The sugar cane harvest and the pace of crushing in Brazil's main sugar-producing Center-South (CS) continued through November with good weather and international sugar prices. Traditionally, sugar production in the CS region ends in November, when the rainy season intensifies making it difficult to harvest sugar cane. However, with the high productivity of the cane this season, and sugar prices on the rise, producers in the CS region intend to operate until mid-December. The table below shows sugar production in the CS and North/Northeast (NNE) regions between April and November, since 2020.

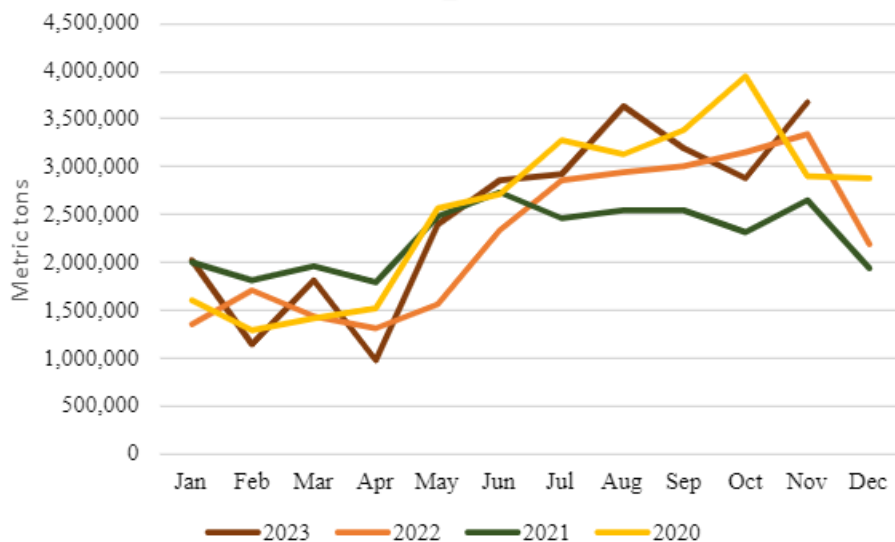
Table 1
Sugar production April-November (million metric tons)

	2023*	2022	2021	2020
Center-South	39,3	31,8	31,7	37,4
North-Northeastern	1,5	1,3	1,3	1,3
Total	40,8	33,2	33,1	38,8

*Fonte: MAPA *as of November 15*

Total 2023/24 (April-March) sugar production is estimated at 41 million metric tons (MMT). The CS region is expected to produce around 38 MMT and the North/Northeastern (NNE) region around 3 MMT. Exports are estimated at 32 MMT; 28 MMT of raw sugar and 5 MMT of refined sugar. Between January 1 and November 30, 2023, Brazil exported 27.5 MMT. China was the main buyer with 12 percent of the total (2.5MMT), followed by India with eight percent (1.6 MMT), and Saudi Arabia with six percent (1.4 MMT).

Figure 1
Brazilian Monthly Sugar Exports, January to November (NCM 1701, in metric tons)



Source: Secex/Trade Data Monitor, Chart Post Brasilia

There has been a decrease in sugar production in the North Hemisphere during MY 2023/24 (October-September). Thailand has announced measures to control sugar exports due to domestic production constraints caused by adverse weather and inflationary concerns. Mexico's harvest is expected to be the smallest in the last twelve years. India's sugar production should decrease by 8 percent this harvest, also

as a result of bad weather. With the convergence of factors that have reduced the supply of sugar from the main producing countries, Brazil remains the largest exporter and the main global supplier.

Table 2

Brazilian Sugar Exports, April to March – Port of origin and type of sugar (in million metric tons)

	2023/24 (Oct)	2022/23	2021/22	2020/21
Santos Port (Sao Paulo)	14,1	18,6	17,8	22,2
Paranagua Port (Parana)	3,8	4,4	4,0	4,2
Raw sugar (All ports)	16,3	24,6	23,0	27,8
Refined sugar (All Ports)	2,6	3,2	3,0	4,3
Exports Total	18,9	27,8	26,0	32,1

Source: UNICA/CODESP, Chart Post Brasilia

Logistical Hurdles

Since the beginning of October 2023, Brazil's main ports have experienced logistical difficulties shipping sugar. The volume of vessels and long waiting times for loading have created logistical bottlenecks, especially in the port of Santos, Brazil's largest. The bottlenecks created a cascading effect and delayed the delivery of October 2023 sugar contracts, also affecting the delivery of subsequent contracts.

A historic drought in the Amazon region forced around one million tons of grain from the ports in the North to ports in the southeast and south of Brazil, increasing competition with sugar shipments.

The main export ports in Brazil are divided between the states that make up the Northern Arc (Maranhão, Pará and Bahia) and the Southern Arc (São Paulo, Paraná, Santa Catarina and Rio Grande do Sul). The main sugar exporting ports are Santos (São Paulo), Paranaguá (Paraná) and São Sebastião (São Paulo). Most of the sugar exported from the Northeast is shipped through the region's own ports, which are smaller and have not been severely affected by the logistical bottlenecks experienced by Brazil's southeast ports.

Figure 2

Main Brazilian Ports – Northern and Southern Arcs



Source: PortoseNavios, Chart Post Brasilia

On November 28, the largest Southern Arc ports - Santos, Paranaguá and São Francisco do Sul – registered an average berth time ranging from 11 to 39 days. At the beginning of November 2023, CLI's 16/17 terminal in the Port of Santos recorded an average berthing time of 42 days, 31.1% higher than the average of the previous five weeks, surpassing the 41-day wait in July 2020. In the last week of October, a fire hit the West Corridor grains terminal in the port of Paranaguá, Paraná, and the average waiting time for ships to dock reached 52 days, 32.2% higher than the average for the previous five weeks.

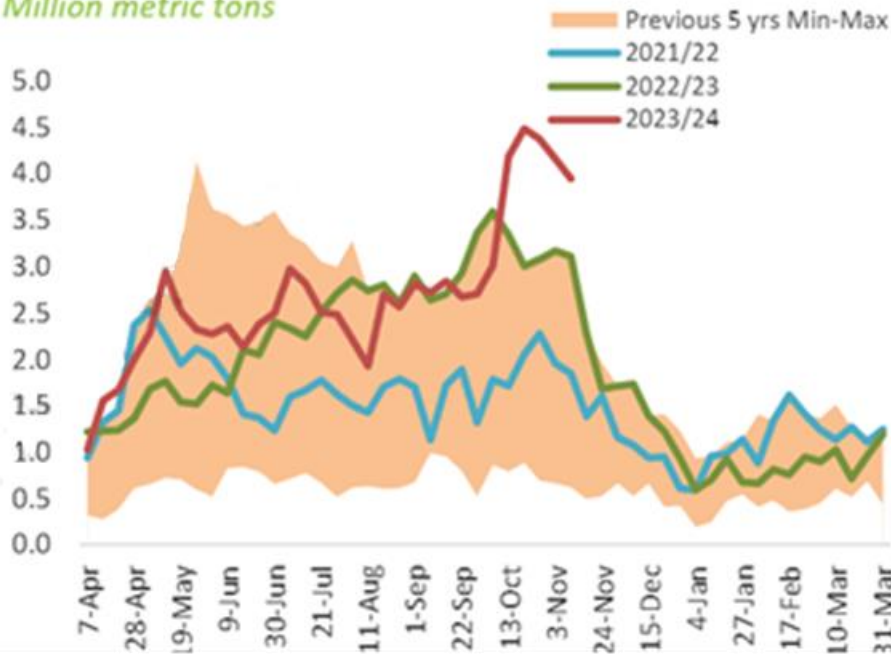
Rainfall, 32.9% higher than expected for the month of October, coupled with higher domestic production destined for export, caused a cascading effect on port logistics at the main ports in the Southern Arc and caused the sugar shipment delay.

In addition, there is little availability of cargo trucks for sugar transportation or containers for sugar storage. Mill owners are storing their stocks in third-party warehouses. The increased waiting time for sugar shipments resulted in additional costs for producers. The rainy season is expected to intensify in the center-south region from November, which could worsen waiting times as port operations for sugar loading are suspended. Estimates suggest that Brazil's ports will receive around a hundred ships in total for shipment between the beginning of November and the first week of January 2024.

The last time Brazil faced a scenario of severe logistical difficulties in exporting sugar was in 2010, when the country had international demand for sugar exports, but there were only seven berths for bulk sugar ships at the port of Santos, which was also affected by a fire that paralyzed operations for a period. At the time, the port took about 40 days to export around two million tons of sugar. This episode was followed by a strong wave of logistical investment in the north of the country, which eased competition and allowed grain exports from the ports of the Northern Arc.

Due to the good harvest conditions and the stimulus to sugar production for export, in mid-October nominal sugar shipments grew by 28 percent compared to the same period in 2022, as shown in the graph below.

Figure 3
Weekly Sugar Shipment Nomination – million metric tons
 Million metric tons

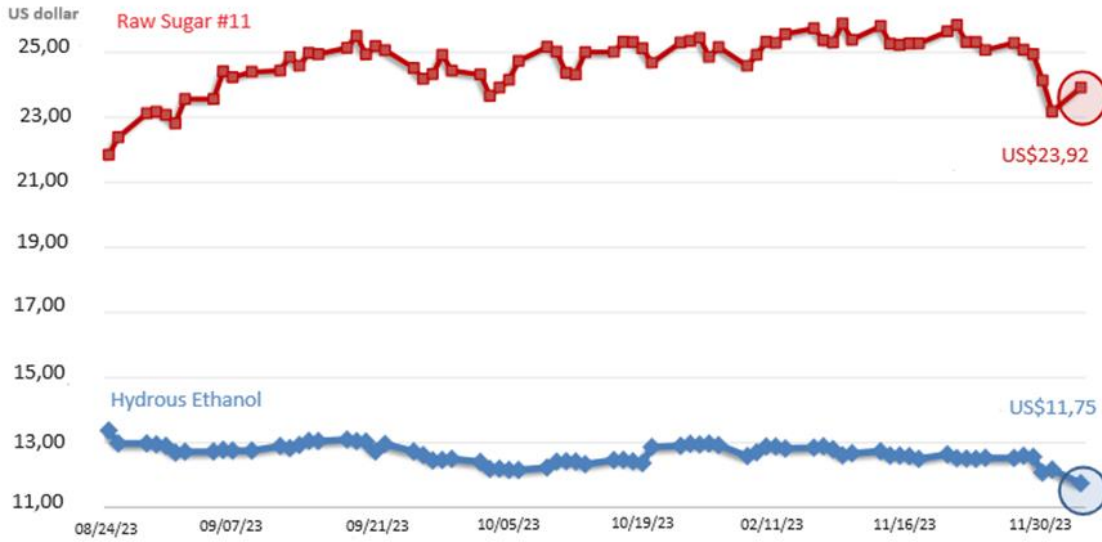


Source: Datagro, Chart Post Brasilia

The discussion is centered on the ability of mills in the Center-South to ship the sugar produced before the start of the next 2024/2025 season in Brazil (April to March). In addition to the lack of space at terminals, which also have to accommodate the increase in grain shipments, sugar stocks are currently rising in the Center-South region. For the 2023/2024 crop (October-September), there is no positive supply outlook for the major producing countries in the Northern Hemisphere.

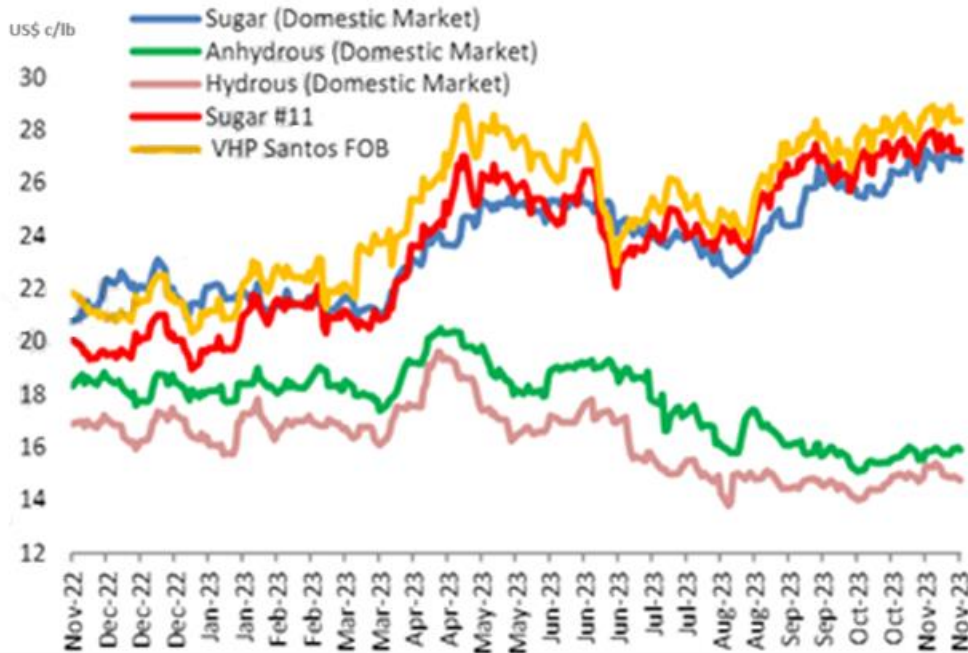
Attractive sugar prices are encouraging mill owners to balance their production mix, which averages 49% sugar - 51% ethanol. The graphs below show a comparison between the price of hydrous ethanol with taxes based in Ribeirão Preto sold on the Brazilian market and raw sugar from New York, based on the driver contract and traded on the spot market. The arbitrage between sugar and ethanol prices on November 30 had a difference of 50.8 percent in favor of sugar.

Figure 3
Arbitrage Hydrous Ethanol vs Raw Sugar #11



Source: Safras e Mercados, Chart Post Brasília

Figure 4
Price Equivalence – CS Brazil (with CBios)
Based on Ribeirao Preto market (US\$ c/lb FOB Santos)



Source: Datagro, Chart Post Brasilia

Scenario for 2024/2025

The logistical bottleneck is expected to continue during the 2024/25 Brazilian harvest (April-March). Sugar production in the Center-South of Brazil is expected to be a record given good weather conditions

and international prices. If the mills manage to ship all the sugar destined for export, there will be more demand in the first quarter of 2024, as India's exports are expected to decrease and Thailand's exportable surplus will be reduced, due to climatic conditions influenced by El Niño.

In addition, Brazil is expected to have record harvests of soybeans and corn. Terminals that export sugar will also receive loads of these grains, increasing logistical pressure. Relief is expected in mid-2025, when a COFCO export terminal is due to come into operation in the port of Santos.

Attachments:

No Attachments