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Post: Buenos Aires

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Report Highlights:

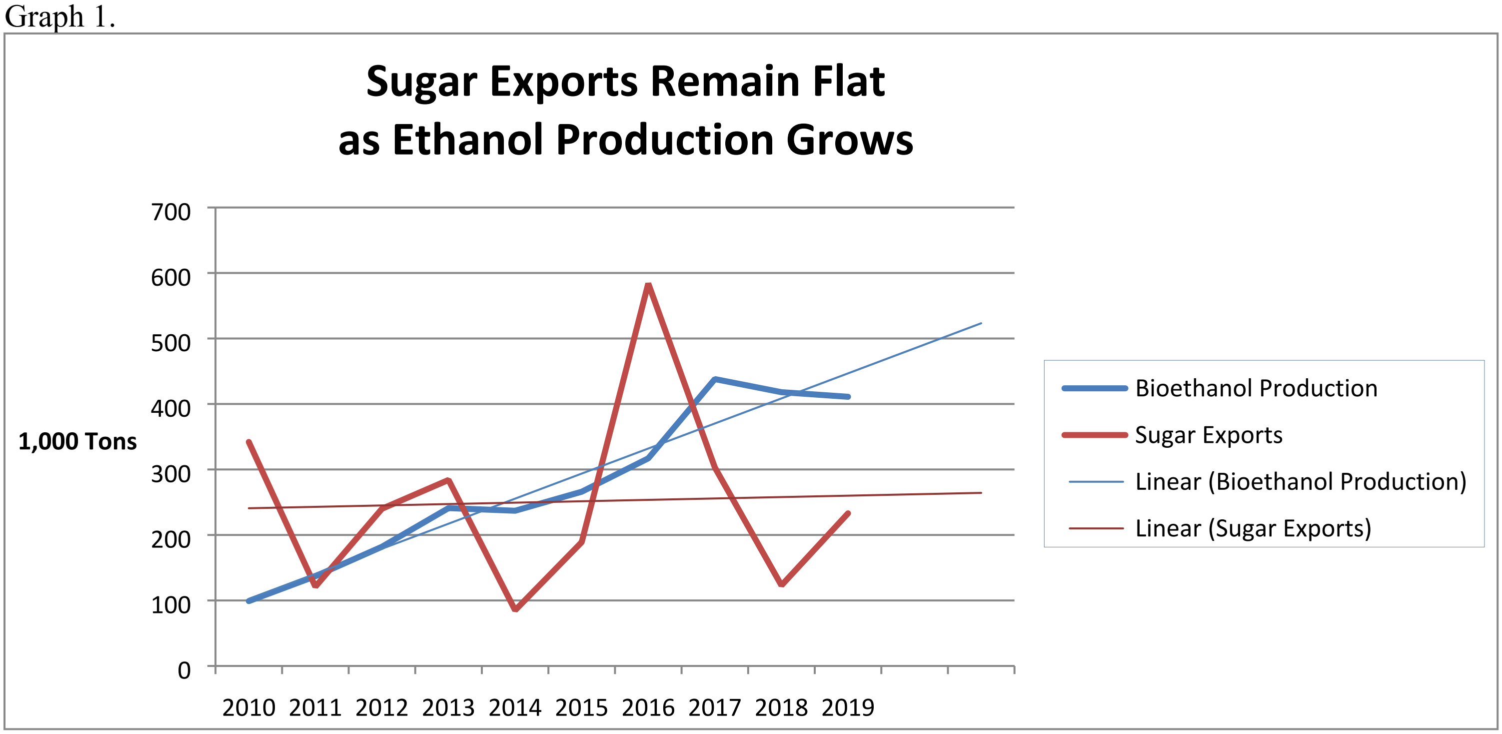
Sugar production for marketing year 2020/2021 is forecast at 1.78 million tons (raw value), a moderate increase from last year on stable acreage. Sugarcane production is projected stable from last year but due to weak fuel/bioethanol consumption under covid-19 quarantine conditions, more sugarcane is expected to be milled into sugar. To maintain a balanced market, sugar exports are forecast to increase 120,000 tons (raw value).

Production

MY 2020/2021
Argentine sugar production for marketing year (MY) 2020/2021 (May 2020/April 2021) is forecast at 1.78 million tons, an increase of 8 percent over the previous year. Argentina implemented a strict Covid-19 quarantine on March 20th which limited non-essential transportation use. As a result, the sale of gasoline, which must contain 12 percent bioethanol – half sourced from corn and half from sugar bases – have plummeted 70-80 percent in the past month. Contacts suggest that bioethanol demand in 2020/2021 will fall around 20 percent. With the end of the quarantine period still unknown, bioethanol inventory is expected to remain high which would reduce the processing demand of sugarcane for bioethanol and increase the crush for sugar.

As domestic demand for sugar uses falls, mills will increase exports of sugar in an effort to maintain an appropriate stock level in an attempt to support domestic prices. As shown in Graph 1, this has not been the trend of the past 10 years, which is temporarily being disrupted by the impact of the Covid-19 quarantine.

Graph 1.



Source: FAS/BA

Argentine sugarcane production for 2020/2021 is projected unchanged on stable planted acreage of 380,000 hectares as several thousand hectares of new plantations in Tucuman offset the loss of some less-efficient operations. In general, producer operations are in good condition, benefitting from good weather and sufficient soil moisture, with the exception of some small to medium producers in Tucuman who suffered tight returns over the past two seasons due to low prices. As a result, their options to invest in cane renovation, fertilizer inputs and management practices were reduced.

Although a mid-May harvest start is typical in Tucuman, this year's harvest timing is expected to slip as mills incorporate additional time to implement worker safety protocols under coronavirus conditions. In 2019, Argentina had 18 sugar plants, 13 in Tucuman (one will be added in 2020), 2 in Salta and 3 in Jujuy. A few local mills in Salta and Tucuman produce roughly 40-50,000 tons of organic sugar per year destined primarily for export to the US and the EU. Despite lower yields for organic sugar, prices are significantly higher than those paid for non-organic refined sugar.

Currently, mills are paying between $520-580 per ton (including value-added tax) for refined sugar. In peso terms, the price has more than doubled since late 2019 due to tight stocks and a recovery of the domestic sugar price of sugar which had been extremely low during the past 2-3 marketing years. Industry contacts indicate that this price spread would net positive returns to the sector, however, skeptics envision difficulties in maintaining this level price as the weak financial situation of many local operators and the scarce availability of much needed credit will force producers and mills to sell large volumes of sugar immediately after the harvest begins. Based on industry calculations, at current domestic prices, the best alternative, by far, is to sell sugar in the domestic market. The next best option is to export raw sugar under the US quota, followed by sales for processing bioethanol, and then exports to neighboring Chile and Uruguay. Exports of raw sugar to the world market represent the least profitable alternative and would result in negative returns for mills.

MY 2019/2020
Sugarcane in 2019/2020 totaled 21 million tons of net sugarcane (without trash), similar volume to the last marketing year and that expected for 2020/2021. Contacts indicate the abundant rain in April/May 2019 delayed the start of the harvest. Nevertheless, with the lack of severe frosts and rains, the harvest regained momentum and ended in November (although one mill in Tucuman ended in mid-December) with reasonable productivity. Lower levels of sugarcane were devoted to sugar and more to bioethanol due to normal to higher gasoline consumption in 2019.

Domestic Consumption

Consumption in 2020/2021 is forecast to decline at 1.41 million tons (raw value) due to the Covid-19 restrictions which are projected to continue having a negative impact on sugar demand. In normal years, the food processing industry accounts for approximately 70 percent of total sugar consumption with the balance consumed by households purchased typically at retail in 1-kilo bags. This value represents the lowest volume in 25 years as well as one of the lowest per capita consumption levels in recent history as a combination of economic difficulties, increased popularity of "light" and "sugar-free" products, and an expansion of outreach campaigns linking health issues with excessive sugar consumption continue to erode demand.

The coronavirus crisis is negatively affecting the consumption of sugar in the food industry as many small and medium manufacturing plants are closed. Sales of sugar for household use have increased significantly but are insufficient to offset the drop in industrial use. Also, the pandemic effect on the local and global economy is projected to provoke a recession and a loss of purchasing power which is expected to slow the consumption of processed foods and beverages. The price of sugar, as well as most foods, is being closely monitored by the Argentine government. A kilo of sugar at a large retailer in Buenos Aires city is currently selling for 67 Pesos, the equivalent of $1 dollar at the official exchange rate.

Trade

Argentine sugar exports in 2020/2021 are forecast at 340,000 tons (raw value), a 55 percent increase from 2019/2020. Sugarcane production is forecast to be similar to last year but domestic demand of sugar and sugar for bioethanol is expected to weaken. Therefore, exportable supplies of sugar will be higher. The local industry is aware of the importance of having low stocks of sugar in-country to keep prices from falling. Local exporters expect to ship similar volumes of sugar to their 2019/2020 export destinations plus an additional 120,000 tons of raw sugar in response to additional export demand. Some 100,000 tons of refined sugar could be trucked to neighboring Chile. The balance would be mainly raw sugar, with the U.S. as the main market, followed by organic sugar primarily to the EU and the US. Uruguay normally buys raw sugar to refine in its mill in Paysandú.

The US allocated Argentina an in-quota allocation of 68,472 tons (45, 281 tons in the initial allocation and 23,191 in two subsequent re-allocations) under the 2019/2020 tariff-rate quotas (TRQs) on imported raw cane sugar. Exporters shipped 44,000 tons between October and December 2019. The balance will likely be shipped in July with new crop sugar. The Argentine government distributed the original in-quota and the first additional allocation among 11 mills.

Stocks

Ending stocks for 2020/2021 are projected at 127,000 tons (raw sugar equivalent), roughly the equivalent of one month of domestic use, an increase from last year which is expected to end lower due to higher sugar export volumes than earlier expected.

Statistical Tables

Sugar, Centrifugal	2018/2019		2019/2020		2020/2021	
Market Begin Year	May 2018		May 2019		May 2020	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	228	228	126	147	0	97
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1665	1570	1680	1650	0	1780
Total Sugar Production	1665	1570	1680	1650	0	1780

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	1893	1798	1806	1797	0	1877
Raw Exports	33	59	60	100	0	220
Refined Exp.(Raw Val)	73	112	100	120	0	120
Total Exports	106	171	160	220	0	340
Human Dom. Consumption	1651	1470	1490	1470	0	1400
Other Disappearance	10	10	10	10	0	10
Total Use	1661	1480	1500	1480	0	1410
Ending Stocks	126	147	146	97	0	127
Total Distribution	1893	1798	1806	1797	0	1877
(1000 MT)						

Sugar Cane for Centrifugal	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jun 2018		Jun 2019		Jun 2020	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	385	380	390	385	0	385
Area Harvested	375	375	385	380	0	380
Production	21500	21500	21750	21000	0	21000
Total Supply	21500	21500	21750	21000	0	21000
Utilization for Sugar	16800	16000	16970	16500	0	17700
Utilizatn for Alcohol	4700	5500	4780	4500	0	3300
Total Utilization	21500	21500	21750	21000	0	21000
(1000 HA) ,(1000 MT)						

Attachments:

No Attachments