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Report Highlights:

Argentine sugar production in marketing year (MY) 2021-2022 is forecast down at 1.55 million tons, raw value, due to early season dryness which is expected to negatively impact yields. The domestic use of sugarcane for ethanol is expected to grow. Sugar exports are projected at 220,000 tons, raw value, 8 percent lower than last year on smaller sugar supply.

Production

Sugarcane production in MY 2021-2022 is forecast at 20 million metric tons (MMT) net weight, down 1.3 MMT or 6.1 percent lower than the previous crop. Although planted area is projected to remain stable, dryness in the spring and early summer is expected to negatively affect overall yields. Sugar production is forecast at 1.55 MMT, raw value. Despite the decline in both sugarcane and sugar production, supplies are expected to be sufficient to meet domestic and export demand. A significant portion of sugarcane will be used in the production of ethanol as well as alcohol-based sanitizers. Lower supplies will tighten local markets and support favorable prices and returns throughout the value chain.

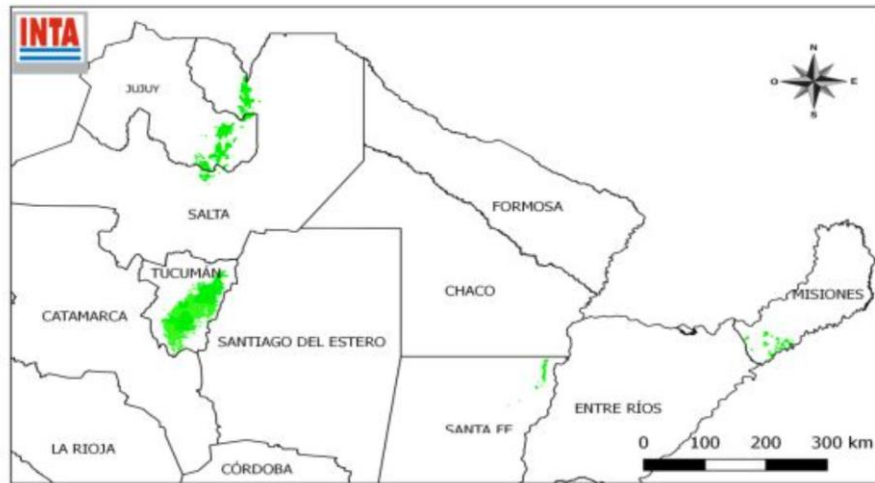
Industry sources report that although planted area in MY 2021-2022 will remain unchanged at 385,000 hectares, the harvested area could fall due to dry weather early in the season in most of the sugarcane production area. In the northern provinces of Salta and Jujuy sugarcane is produced under irrigation by gravity fed channels, but dry weather has affected the level of the rivers which feed the irrigation system. Most sugarcane production in Tucuman depends on rainfall so the damage is expected to be somewhat more severe. Although sufficient precipitation fell in February and March to improve conditions, rains were intermittent and geographically dispersed. However, the rains were accompanied by extended periods of heavy cloud cover and cool conditions which prevented the sugarcane from capitalizing on the available precipitation after the drought.

Farmer returns in MY 2021-2022 are forecast to be lower than the high returns seen last year, but still better than recent years where overproduction and lower prices led to financial difficulties for the sector. Abundant sugar stocks from MY 2020-2021 are continuing to put a cap on any rise in domestic wholesale sugar prices until at least the beginning of the next harvest in mid May 2021. The cost of production increased significantly, especially the price of fertilizers which saw hikes of 40-50 percent from last year. However, most analysts believe world future prices will continue to be strong while ethanol prices for the official mandate are projected to be better than the low levels seen in 2020. The current biofuels mandate law expires in May 2021 and the legislative intention for renewal or modification has not been announced. Industry representatives believe that any changes are unlikely to impact the sector. Generally, both producers and processors foresee tightly balanced supply and demand in MY 2021-2022 and expect local sugar prices to hold relatively steady.

Sugarcane production in MY 2020-2021 was 21.3 MMT, net weight, similar to the previous year. Winter and spring seasons were dry, with a few serious frosts, lowering yields at the farm level. Sugar production at 1.83 MMT tons, raw value, was slightly higher than earlier expected.

Sugarcane production is highly concentrated in the northwest of Argentina. Based on satellite imagery analysis of the 2018 crop by INTA, the National Institute of Agricultural Technology, Tucuman accounted for 73 percent of total planted area, followed by Jujuy with 17 percent and Salta with 9 percent. Small pockets of sugarcane in northeast Santa Fe and southern Misiones Provinces, account for the remainder of production. The following map (Figure 1) shows in green Argentina's northern region and the distribution and density of sugarcane plantations by province.

Figure 1: Sugarcane Production in Argentina



Source: Instituto Nacional de Tecnología Agropecuaria

Tucuman province has 14 mills in operation, while Salta and Jujuy have 6 in total. Argentina produces roughly 70,000 metric tons a year of organic sugar in three mills, one in each major producing province. A small mill in Misiones Province also produces conventional and organic sugar. Practically all organic production is for export, primarily to the US, Canada and the EU.

Exports

Sugar exports for MY 2021-2022 are forecast at 220,000 metric tons, raw value, 20,000 metric tons lower than the previous marketing year, on projected lower sugarcane production. The volume of exports of raw and refined sugar is projected stable, at 110,000 tons each. Raw exports will be shipped primarily to the US under the tariff rate quota, which Argentina normally fills. Exports to Uruguay are normally 10-20,000 tons a year, where they are further refined in the state-owned sugar mill. The remainder will likely be exports of organic sugar to the European Union (EU). Refined sugar exports are destined primarily to Chile, followed by shipments of organic sugar to the US, Canada and the EU.

Recent changes in Argentina's data collection definition and public access to data complicate access to information for export analysis. Official sugar exports in calendar year (CY) 2020 totaled 208,000 tons product weight, of which 43,000 were "Confidential" without specifying destination. The following graph (Figure 2) shows Argentine sugar exports in CY 2020 based on data published by TDM and other private trade data sources.

Figure 2: Argentine Sugar Exports



Source: FAS Buenos Aires from TDM and other Private Databases

Domestic Consumption

In MY 2021-2022 sugar use is forecast practically unchanged at 1.5 million tons, raw value. Demand will continue to be restrained by difficult local economic conditions which have affected consumers' purchasing power. Domestic sugar consumption has been dropping in the past few years due to the competition from high fructose corn syrup (HFCS) which has penetrated much of the beverage market, and low calorie sweeteners. The retail sugar market, where sugar is typically sold in 1-kilogram bags, has remained stable for several years at a volume around 400,000 metric tons raw value. Last year due to more home food consumption during COVID-19 related quarantines, retail sales of sugar grew by about 20,000 metric tons, while industry use declined. A kilogram of sugar currently sells at retail for US \$0.65-0.70.

Stocks

Ending stocks in MY 2021-2022 are forecast down at 94,000 tons, which is relatively tight for Argentina, due to smaller sugar supplies and expected strong exports. The sector normally tries to maintain season-ending sugar stocks of at least the volume equivalent to one month's use, estimated at about 125,000 tons, raw base. In contrast, ending stocks in MY 2020-2021 are estimated higher than normal at 264,000 tons. As farmers experienced favorable margins last year due to good prices and sugar yields, many are still holding stocks, which is quite unusual for this time of the year. This volume is putting pressure on prices which remain flat, even though a high export parity price could soon be translated into an increase in local sugar prices.

Attachments:

No Attachments