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Report Highlights:

Post projects Marketing Year (MY) 2023/24 sugarcane production to drop to 18.9 million metric tons (MMT) due to dry weather and high heat during the southern hemisphere summer. This is the third consecutive year of poor growing conditions due to a La Niña weather pattern. The shortfall in sugarcane production will primarily result in lower production of bioethanol, which is currently unprofitable due to low official prices. In contrast, domestic and international prices for sugar remain attractive to Argentine sugar mills, so sugar production, domestic consumption, and exports are projected to remain similar to MY 2022/23.

In marketing year (MY) 2023/24, Post projects Argentine sugar production to rise 1 percent to 1.69 million metric tons (MMT), raw value. No significant changes are expected in sugar trade or consumption compared MY 2022/23. Total sugar cane production is forecast to drop to 18.9 MMT, net cane, sufficient to cover the needs domestic sugar market, the sugarcane portion of the biofuels mandate, and a relatively small surplus for export.

For the last three years, a La Niña weather pattern has led to very dry conditions in much of Argentina which affected production. The combination of a dry summer with extremely high temperatures in February and March is expected to have a negative impact on sugarcane production in MY 2023/24. Most weather forecasts indicate that La Niña has changed to a neutral pattern, bringing abundant rains in the past few weeks. However, in most cases, this was too late to have a positive effect on planted sugarcane. Production in the Provinces of Salta and Jujuy were the most affected because these sugarcane fields are irrigated, but water was so scarce that farmers didn't receive their normal allotments. Fields in Tucuman Province, the largest producer, were also affected, but they received some sporadic rains which allowed many fields to develop with more normal conditions. Fields in the eastern area of this province are the most affected, while those in the central region are in good condition.

Figures 1-4: Sugarcane Fields in Tucuman



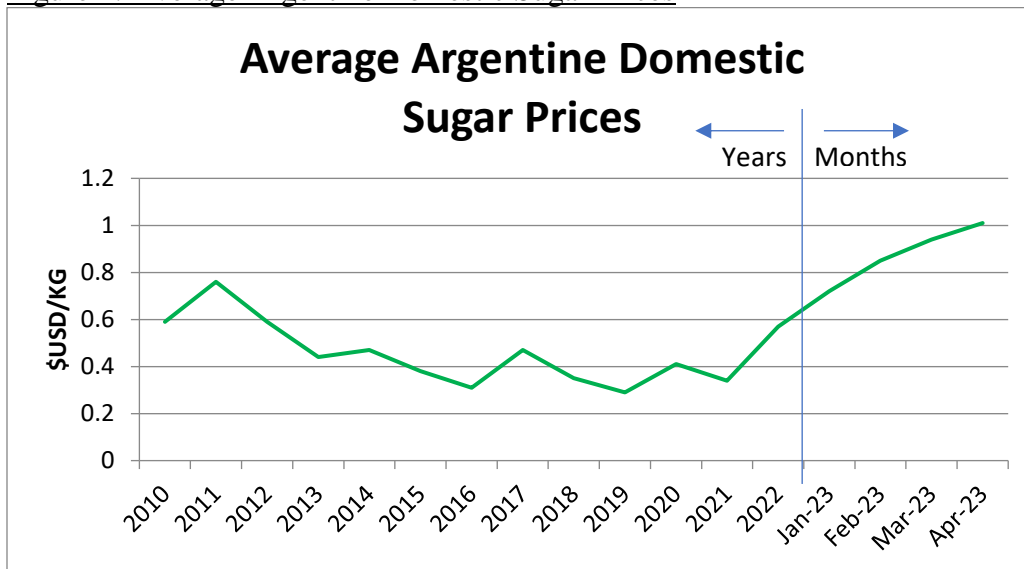
Source: Rodrigo Zalazar Romero, Late April 2023

As the harvest season began in MY 2022/23 the industry began to realize that production would be lower than anticipated and that sugar supplies would be tight. This knowledge, together with local economic difficulties, caused the price of sugar to begin to rise, with producers selling smaller volumes and holding larger stocks. The very high sugarcane prices improved the economic condition of farmers, many of whom were indebted or in poor financial condition after the past few seasons of low price and productivity. Higher returns have encouraged independent producers to invest more in sugarcane cultivation in MY 2023/24, applying the necessary crop protection chemicals and high volumes of fertilizers, instead of applying the minimum to

maintain production. This increase in the use of inputs is expected to somewhat counteract the negative effects of the bad weather conditions.

The following chart shows the local average price of a kilogram (KG) of sugar in U.S. dollars per year and then in the first four months of 2023. With current high prices, plus an expectation of another year of lower production, farmer with sugarcane to sell are anticipating strong economic returns. However, contacts indicate there is a high level of uncertainty in the domestic economy, because of very high inflation, currency controls, a possible devaluation, and difficulty in importing inputs due to import license restrictions and the government’s anti-import policies which are intended to boost very low foreign currency reserves at the central bank.

Figure 2: Average Argentine Domestic Sugar Prices



Source: CACTU Tucuman, \$ U.S. Dollars per Kilogram at the official exchange rate

Sugarcane planted area in Argentina is estimated at 380,000-385,000 hectares though harvested area is normally somewhat smaller because of weather or economic problems. In MY 2023/24 Post estimates a planted area of about 385,000 hectares, with a few fields being abandoned due to low productivity and drought. However, roughly 5,000 hectares of lemon orchards are being converted into sugarcane fields, due to economic difficulties within the lemon sector.

In Argentina, the sugarcane harvest begins in May and runs through early October. Of the 18.9 MMT of sugarcane that Post projects to be harvested in MY 2023/24, Post projects that 16 million tons of net cane will be crushed to produce sugar, primarily for the currently very profitable domestic market. The second best alternative is to produce sugar for the export market which is also enjoying good prices. Lastly and the worst of all alternatives is to turn sugarcane into bioethanol to for the Argentine biofuels mandate. This is a regulated market and prices are set by the government in pesos and often not updated frequently enough in a country where inflation is over 100 percent. The current official price for ethanol from sugarcane is very low, generating only half the revenue of sugar sold in the domestic market and not even covering the cost of the feedstock. This is why Post projects only 2.9 MMT of sugarcane will be harvested for bioethanol, down 32 percent from 2022/23. Industry contacts report that if bioethanol prices

continue to at these low levels most sugar mills will prefer to focus on producing sugar rather than alcohol.

There are a little over 20 sugar mills in Argentina, with Tucuman Province leading production, followed by the Provinces of Jujuy and Salta. There are three small sugar mills in the Provinces of Santa Fe and Misiones. The three largest sugar enterprises which together own six mills, account for approximately 40 percent of the country's production, while the ten largest enterprises account for roughly 90 percent of the total. Practically all of the large mills have distilleries to produce alcohol, but the three largest enterprises account for about 60 percent of the sector's alcohol production capacity. Like farmers, most local sugar mills also improved their economic situation in the last season after several years of low profitability.

Argentina is forecast to export 200,000 metric tons of sugar, raw value, similar to the previous year. With a limited production of sugarcane and high domestic sugar prices, exporters believe that shipments will mostly be raw sugar to fulfill the U.S. tariff rate quota and refined sugar to neighboring Chile with a marginal volume to Uruguay. The United States has allocated Argentina 46,260 metric tons raw value of sugar under the FY 2023 Tariff Rate Quota. In mid-March the US reallocated an additional 12,682 metric tons to Argentina. This quota is normally filled.

Sugar consumption in MY 2023/24 is projected at 1.45 MMT, raw value, slightly lower than in MY 2022/23. Industry contacts believe that during an economic recession, which Argentina is projected to be entering, consumers will tend to buy less expensive products which normally have lower-priced sweeteners, especially beverages. Also, they notice that household consumption is dropping marginally, while industry demand stays relatively stable. In mid-2022 Argentina started to implement a nutrition labeling law which required large black octagonal (stop-sign) labels be affixed to the front of any packaged with foods deemed to contain excess sugars, fats, and salt. The Law is being implemented in different stages and could have an impact on sugar consumption.

Ending stocks in MY 2023/24 are forecast up at 182,000 metric tons, raw value. Very high sugar prices are encouraging producers to only sell the volume of sugar they need to cover their expenses and inputs. With Argentina's very high inflation, they choose to keep as much sugar as possible, rather than sell it and receive pesos, the value of which have fallen steadily in recent year. Farmers keep stocks in sugar mills, their own storage, or third party warehouses such as warrantors' facilities.

Table 1: Production, Supply, and Distribution – Sugar Cane for Centrifugal Sugar

Sugar Cane for Centrifugal Market Year Begins	2021/2022		2022/2023		2023/2024	
	May 2021		Jun 2022		May 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted (1000 HA)	385	385	386	386	0	385
Area Harvested (1000 HA)	378	378	380	375	0	378
Production (1000 MT)	21130	21130	20500	20000	0	18900
Total Supply (1000 MT)	21130	21130	20500	20000	0	18900
Utilization for Sugar (1000 MT)	17230	16130	16700	15750	0	16000
Utilizatn for Alcohol (1000 MT)	3900	5000	3800	4250	0	2900
Total Utilization (1000 MT)	21130	21130	20500	20000	0	18900
(1000 HA) ,(1000 MT)						

Table 2: Production, Supply, and Distribution – Centrifugal Sugar

Sugar, Centrifugal Market Year Begins	2021/2022		2022/2023		2023/2024	
	May 2021		May 2022		May 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Beginning Stocks (1000 MT)	264	264	199	157	0	142
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	1725	1700	1710	1670	0	1690
Total Sugar Production (1000 MT)	1725	1700	1710	1670	0	1690
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1989	1964	1909	1827	0	1832
Raw Exports (1000 MT)	118	118	110	50	0	60
Refined Exp.(Raw Val) (1000 MT)	209	209	160	145	0	140
Total Exports (1000 MT)	327	327	270	195	0	200
Human Dom. Consumption (1000 MT)	1453	1470	1439	1480	0	1450
Other Disappearance (1000 MT)	10	10	10	10	0	10
Total Use (1000 MT)	1463	1480	1449	1490	0	1460
Ending Stocks (1000 MT)	199	157	190	142	0	172
Total Distribution (1000 MT)	1989	1964	1909	1827	0	1832
(1000 MT)						

Attachments:

No Attachments