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Report Name: Sugar Annual

Country: Peru

Post: Lima

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Report Highlights:

Sugar cane production in MY2021 is forecast at 11.1 MMT, increasing two percent compared to MY2020 estimate. Cane sugar production for MY 2021 is forecast at 1.5 MMT, an increase of four percent over the previous year. Peru's sugar production will continue increasing in the upcoming years. This could lead to the country being a net exporter. Sugar imports for MY 2021 are forecast at 190,000 MT while exports are forecast at 95,000 MT.

Sugar Cane for Centrifugal	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jan 2019		Jan 2019		Jan 2020	
Peru	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	107	98	108	99	0	100
Area Harvested	94	84	97	87	0	88
Production	10600	10343	11000	10929	0	11100
Total Supply	10600	10343	11000	10929	0	11100
Utilization for Sugar	8400	8300	8800	8550	0	8700
Utilization for Alcohol	2200	2043	2200	2379	0	2400
Total Utilization	10600	10343	11000	10929	0	11100
(1000 HA), (1000 MT)						

Sugar, Centrifugal	2018/2019		2019/2020		2020/2021	
Market Begin Year	May 2018		May 2019		May 2020	
Peru	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	18	18	10	5	0	5
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1255	1262	1400	1440	0	1450
Total Sugar Production	1255	1262	1400	1440	0	1450
Raw Imports	82	63	100	50	0	60
Refined Imp. (Raw Val)	186	192	80	130	0	130
Total Imports	268	255	180	180	0	190
Total Supply	1541	1535	1590	1625	0	1645
Raw Exports	41	46	45	47	0	50
Refined Exp. (Raw Val)	47	24	32	45	0	45
Total Exports	88	70	77	92	0	95
Human Dom. Consumption	1443	1460	1500	1528	0	1540
Other Disappearance	0	0	0	0	0	0
Total Use	1443	1460	1500	1528	0	1540
Ending Stocks	10	5	13	5	0	10
Total Distribution	1541	1535	1590	1625	0	1645
(1000 MT)						

Production:

Sugar cane production in MY2021 is forecast at 11.1 MMT, increasing two percent from the MY2020 estimate.   FAS Lima forecasts that sugar cane production will continue increasing in the coming years as good weather conditions, plentiful water supply, and ongoing investments continue.

Sugar production in Peru is concentrated primarily in its northern coastal valleys. The region of La Libertad produces 50 percent of Peru's sugar, followed by Lambayeque with 23 percent of production, and Lima with 15 percent of production. Peru's milling capacity is 37,000 MT of cane per day. Due to favorable weather conditions, Peru is able to produce and mill sugar cane year-round. Consequently, mills do not have to be very large. Yields and cane age vary greatly from one producer to the next. Yields range from 55 to 190 MT of cane per hectare and age varies from 13 to 18 months between cuts. Average yield in MY 2020 is estimated at 126 MT per hectare. Total harvested area in MY 2021 is forecast at 88,000 hectares.

Cane sugar production for MY 2021 is forecast at 1.5 MMT, an increase of four percent over the previous year official estimate. Industry continues to renew plantations, increasing harvested area and upgrading mills, to improve efficiency. Peru's sugar production will continue increasing in the upcoming years. This could lead to the country being a net exporter.

Production costs vary considerably in Peru, with fuel being one of the most important factors. Fuel utilization ranges from five to 90 gallons per metric ton of sugar produced. Peru's northern coast has excellent conditions for growing sugar cane due to high temperatures and a lack of rain. Peru's sugar cane is entirely surface-irrigated, allowing producers to cut the supply of water at any time in order to obtain higher sucrose yields.

The Government of Peru still owns shares in two sugar mills, Pomalca and Tuman. These mills have not found investment partners to finance improvements in efficiency and profits. In an effort to encourage investment in these companies, the government is auctioning its shares to interested private sector companies. Problems in these two companies have generated social unrest and corruption.

Consumption:

Cane sugar consumption is forecast at 1.5 MMT in MY 2021. Around 70 percent of this is for direct human consumption. The remaining 30 percent is destined for industrial use. As the Peruvian economy improves, sugar demand will increase, particularly for sugar-based beverages and confectionary products. Average wholesale prices in CY 2018 were $0.72 per kilogram for refined sugar and $0.6 per kilogram for brown sugar.

Trade:

Peruvian sugar exports for MY 2021 are forecast at 95,000 MT, an increase of two percent from the MY2020 official estimate. Colombia was the top export market for Peruvian sugar in CY2019, accounting for 67 percent of total exports. Sugar exports to the United States in MY 2019 accounted for 26 percent of total exports. Peru's sugar exports to the United States benefit from the U.S. sugar tariff-rate quota, at a significant price premium which is an important incentive for exporters. The Ministry of Agriculture, in coordination with the Peruvian sugar industry, is responsible for distributing the United States' tariff rate quota. In CY 2019, Peru exported sugar at an average price of $491 per MT, a reduction of six percent from the previous year.

Sugar imports for MY 2021 are forecast at 190,000 MT, an increase of 10,000 MT compared to the previous year. In 2019, the top sugar suppliers to Peru included Colombia and Guatemala, accounting for 79 and 12 percent of imports, respectively. The average price for imported sugar in Peru in MY 2019 was $368 per MT, a reduction of seven percent compared to the previous year.

Peruvian sugar producers are concerned about the Peru-Guatemala trade agreement, currently under revision. Allegedly, this agreement will grant Guatemala an initial duty-free tariff rate quota of 120,000 MT which would increase up to 400,000 MT per year, almost a third of Peruvian consumption. Peruvian producers claim that the Guatemalan sugar is subsidized by the government.

In August 2019, the Peruvian Sugar Producers Association filed a formal complaint against Colombia under the Andean Community of Nations (CAN). Colombia established a price stabilization fund to support local sugar prices. CAN's Decision 608 prohibits all measures that distort free trade among members.

Policy:

Sugar is included in the Peruvian Price Band. On March 28, 2016, the Government of Peru reduced the additional duty assessed on sugar by the price band when it published Supreme Decree 055-2016-EF.

This Supreme Decree amended the methodology to determine the Peruvian Price Band and established new tables to calculate the actual surcharge assessed under it. As a result, the floor price of the band has fallen from $648 to $518 and the ceiling price has dropped from $778 to $644. Additional duties in CY 2019 ranged from $36 to $83 per MT, currently there is no levy being assessed.

The United States - Peru Trade Promotion Agreement includes a five-year linear tariff reduction for glucose and fructose, which have now entered into force. These reductions started at a tariff level of 17 percent for glucose and 30 percent for fructose, with duty free access achieved in the sixth year. Since the Trade Promotion Agreement entered into force in 2009, Peru unilaterally eliminated import duties for sugar from all sources.

Attachments:

No Attachments