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Peru

Sugar

Sugar Outlook

1999

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Report Highlights:
Sugar production for Marketing Year 1999 is expected to reach 680,000 metric tons, up sharply from the 460,000 metric tons produced for MY 1998. Due to new investments in the sugar production and processing industries, production for MY 2000 is forecast to increase to 750,000 metric tons.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Lima [PE1], PE

Executive Summary

Production of cane sugar for calendar year 1999 is expected at 680,000 metric tons, increasing and impressive 48 percent compared to the previous year. Favorable weather conditions, a plentiful water supply, and most importantly, new investment in renewing plantations, upgrading mills, and better management will drive this significant increase. After four years in a row of production increases, cane sugar production fell 32 percent to 460,000 metric tons during 1998. A set of climatic factors such as unusual rainfalls due to El Niño, did not allow the sucrose content to develop, thus yields dropped sharply. The deep financial crisis within the industry resulted in less area harvested, abandoned fields, lower yields, and low extraction rates in the mills.

The sugar industry in Peru continues its path through the privatization process which started in 1996. Though somewhat slowly, the socialist type cooperative organization of the large plantations are giving way to private investors. The Government of Peru (GOP) is encouraging private investment in the sector and working to convince the worker/owners to sell their ownership shares to local or foreign investors.

PSD Table						
Country:	Peru					
Commodity:	Sugar					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	198	98	224	108	231	78
Beet Sugar Production	0	0	224	0	231	0
Cane Sugar Production	641	460	650	680	700	750
TOTAL Sugar Production	641	460	874	680	931	750
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	240	500	314	300	290	250
TOTAL Imports	240	500	314	300	290	250
TOTAL SUPPLY	1079	1058	1412	1088	1452	1078
Raw Exports	65	60	83	60	90	60
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	65	60	83	60	90	60
Human Dom. Consumption	790	890	874	950	910	950
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	790	890	874	950	910	950
Ending Stocks	224	108	231	78	221	68
TOTAL DISTRIBUTION	1079	1058	1188	1088	1221	1078

Units: 1000 metric tons

Export Trade Matrix			
Country:	Peru	Units:	METRIC TONS
Commodity:	Sugar		
Time period:	CALENDAR YEAR		
Exports for	1998		1999
U.S.		U.S.	59,196
Others		Others	
		Ecuador	1,033
Total for Others	0		1033
Others not listed			0
Grand Total	0		60229

Import Trade Matrix			
Country:	Peru	Units:	METRIC TONS
Commodity:	Sugar		
Time period:	CALENDAR YEAR		
Imports for	1998		1999
U.S.		U.S.	20,173
Others		Others	
		Guatemala	173,449
		Colombia	88,848
		Mexico	57,464
Total for Others	0		319761

Others not listed			158,650
Grand Total	0		498584

Production

Cane sugar production for MY (Jan/Dec) 1999 is expected at 680,000 metric tons, increasing 48 percent compared to the previous year. This sharp increase will be the direct result of private investment in the industry which will translate into more planted area, new plantings replacing old fields, a better extraction rate due to the upgrade of the mills, and better quality of the cane at harvest time.

After four years of increases, cane sugar production fell for the first time in 1998. This drop of 32 percent to 460,000 metric tons, had mainly two reasons. First, weather conditions, the heavy rains brought by El Niño, made it impossible to cut off the water supply to allow the sucrose content to concentrate prior to the harvest. Secondly, the financial crisis not only led to a reduction of the area harvested but delayed the milling of the cane, with the consequent reduction of sucrose content.

Most of the sugar cane in Peru is produced year round in the rich valleys along the northern coast. All the fields in this area are surface irrigated, which allows the producers to cut the supply of water at a given time to obtain higher sucrose yields. Under normal weather conditions, and if the cane is milled on time, sucrose yields are around 12 percent.

SUGAR PRODUCING COMPANIES				
NAME	TOTAL AREA (Hectares)	CANE AREA (Hectares)	MILLING CAPACITY (MT/day)	ACTUAL MILLING (MT/day)
Casa Grande	29,384	24,700	9,000	4,000
Laredo	5,080	4,687	2,000	1,500
Cartavio	6,566	6,254	5,000	2,500
Pomalca	15,819	12,495	3,500	2,000
Pucala	8,530	6,866	3,500	2,000
Tuman	12,311	8,200	4,000	2,200
Cayalti	7,252	5,413	2,500	1,284
San Jacinto	10,422	7,231	2,800	2,000
Paramonga	8,396	6,566	3,500	2,800
El Ingenio	656	612	n/a	n/a
Andahuasi	4,617	2,705	1,000	n/a
Chucarapi	1,794	1,256	500	369
TOTAL	110,827	86,985	37,000	15,591

Consumption

Cane sugar consumption is expected at around 950,000 metric tons during CY 1999. As the Peruvian economy improves, sugar demand will increase, especially in the form of beverages, sugar bases and confectionary products.

Trade

Peruvian sugar exports for MY 1999 are forecast at around 60,000 metric tons. Peru's primary export market for sugar is the United States, under the sugar tariff-rate quota. The quota has usually been distributed by the Ministry of Agriculture among the sugar mills, but this is expected to change as soon as the privatization process is completed.

Sugar imports into Peru are expected at 300,000 metric tons for MY 1999, a 40 percent reduction compared with the record imports of MY 1998. As the sugar industry rebuilds itself, imports are expected to decrease even more, and disappear in the next five years.

Policy

Contrary to what the GOP thought at the beginning of the privatization process back in 1996, selling the cooperatives to the private sector has become a very difficult task. There are about 35,000 worker/owners in theses 12 sugar states. If one includes retired workers and families, as well as related businesses located on the estates, the population dependent directly on the ex-sugar cooperatives is at least 250,000 people.

The "social problem" continues to be the major obstacle for privatizing these companies. Worker/owners have been told for a long time that their land is the best in the country and have overpriced it. They do not take into account the major debts carried by the cooperatives. More over, in an attempt to keep their power and income, the ex-coop leaders have influenced the workers not to sell. At this moment, seven ex-coops have been successfully privatized, one is going through the due diligence process by the potential investor, and three still remain in hands of the workers.