Required Report: Required - Public Distribution **Date:** April 07, 2022

Report Number: PE2022-0006

Report Name: Sugar Annual

Country: Peru

Post: Lima

Report Category: Sugar

Prepared By: Gaspar Nolte

Approved By: Dwight Wilder

Report Highlights:

Sugar cane production in MY 2023 is forecast at 11 MMT while cane sugar production if forecast to reach 1.32 MMT. Higher sugar prices are expected to encourage higher sugar output. The United States remains the main market for Peruvian sugar exports under the TRQ program.

Summary:

Sugar cane production in Marketing Year (MY) 2023 is forecast at 11 million metric tons (MMT), increasing nearly five percent from the MY 2022 estimate. Cane sugar production for MY 2023 is forecast at 1.32 MMT, an increase of almost five percent over FAS Lima's estimate for MY 2022.

Cane sugar consumption is forecast at 1.47 MMT in MY 2023, a five percent increase over the previous year. Cane sugar consumption in MY 2021was 1.39 MMT. Sugar prices in Peru significantly increased in MY 2021. Average wholesale prices in MY 2021 were $1.04 per kilogram for refined sugar and $0.95 per kilogram for brown sugar, increasing 63 and 56 percent, respectively.

Peruvian sugar exports for MY 2023 are forecast at 100,000 MT. The United States was the top export market for Peruvian sugar in CY 2021, accounting for 53 percent of total exports. Sugar imports for MY 2023 are forecast at 260,000 MT.

Table 1: Sugar Cane for Centrifugal

Sugar Cane for Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	Jan 2021		Jan 2022		Jan 2023	
Peru	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	100	100	100	100	0	105
Area Harvested (1000 HA)	88	85	90	87	0	90
Production (1000 MT)	11100	9828	11340	10500	0	11000
Total Supply (1000 MT)	11100	9828	11340	10500	0	11000
Utilization for Sugar (1000 MT)	8700	8028	9100	9300	0	9500
Utilizatn for Alcohol (1000 MT)	2400	1800	2240	1200	0	1500
Total Utilization (1000 MT)	11100	9828	11340	10500	0	11000
(1000 HA), (1000 MT)						

Table 2: Centrifugal Sugar

Sugar, Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	May 2020		May 2021		May 2022	
Peru	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	5	5	44	23	0	12
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	1265	1197	1300	1260	0	1320
Total Sugar Production (1000 MT)	1265	1197	1300	1260	0	1320
Raw Imports (1000 MT)	130	129	80	50	0	60
Refined Imp.(Raw Val) (1000 MT)	207	192	200	180	0	200
Total Imports (1000 MT)	337	321	280	230	0	260
Total Supply (1000 MT)	1607	1523	1624	1513	0	1592
Raw Exports (1000 MT)	39	8	30	16	0	20
Refined Exp.(Raw Val) (1000 MT)	124	106	90	85	0	80
Total Exports (1000 MT)	163	114	120	101	0	100
Human Dom. Consumption (1000 MT)	1400	1386	1500	1400	0	1474
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	1400	1386	1500	1400	0	1474
Ending Stocks (1000 MT)	44	23	4	12	0	18
Total Distribution (1000 MT)	1607	1523	1624	1513	0	1592
(1000 MT)						

Production:

Sugar cane production in MY 2023 is forecast at 11 MMT, increasing nearly five percent from the MY 2022 estimate. Sugar cane production decreased six percent in MY 2021 due to the strict mobility restrictions implemented by the government as part of the measures to combat COVID-19, especially during the first quarter. These restrictions significantly reduced workers' ability to be present for field activities such as harvesting. However, FAS Lima estimates that sugar cane production will rebound to 10.5 MMT in MY 2022 due to a return to normal working conditions and higher sugar prices.

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 and Lima with 15 percent of production, respectively. 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 65 to 200 MT of cane per hectare and age varies from 13 to 18 months between cuts. Average yield in MY 2021 is estimated at 126 MT per hectare. Total harvested area in MY 2023 is forecast at 105,000 hectares.

Cane sugar production for MY 2023 is forecast at 1.32 MMT, an increase of almost five percent over FAS Lima's estimate for MY 2022. Peruvian sugar production is divided into 75 percent raw and 25 percent refined. The local industry continues to renew plantations, increase harvested area, and upgrade mills in order to improve efficiency. For these reasons, FAS Lima believes Peru's sugar production will continue increasing in the coming years. This could lead to the country eventually 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. In an effort to encourage investment in these companies, the government is auctioning its shares to interested private sector companies. In recent years, problems in these two companies have generated social unrest and accusations of corruption.

Consumption:

Cane sugar consumption is forecast at 1.47 MMT in MY 2023, a five percent increase over the previous year. Cane sugar consumption in MY 2021 was 1.39 MMT. Around 70 percent of cane sugar consumption in Peru 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 MY 2021 were $1.04 per kilogram for refined sugar and $0.95 per kilogram for brown sugar, increasing 63 and 56 percent, respectively.

Trade:

Peruvian sugar exports for MY 2023 are forecast at 100,000 MT. The United States was the lead export market for Peruvian sugar in CY 2021, accounting for 53 percent of total exports. Colombia was the second largest market with 40 percent of total sugar exports. Peruvian sugar exports to the United States benefit from the U.S. sugar tariff-rate quota and a significant price premium, which is an important incentive for exporters. Average export price paid by the United States in CY 2021 was $689/MT compared to $522/MT paid by Colombia. The Ministry of Agriculture, in coordination with the Peruvian sugar industry, is responsible for distributing the United States' tariff rate quota.

Sugar imports for MY 2023 are forecast at 260,000 MT. In CY 2021, the top sugar suppliers to Peru included Colombia, Bolivia, and Guatemala, accounting for 53, 19, and 12 percent of total sugar imports, respectively. The average price for imported sugar in Peru in CY 2021 was $432/MT, an increase of 13 percent compared to the previous year.

Policy:

Sugar is included in the Peruvian Price Band System. 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. As a result, the floor price of the band fell from $648 to $518, and the ceiling price decreased from $778 to $644.

The United States - Peru Trade Promotion Agreement included 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 (2015).

Attachments:

No Attachments