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Brazil

Sugar

Sugar Semi-Annual Report

1998

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Report Highlights:
The ATO/Sao Paulo's forecast for total Brazilian sugar production for MY 1998/99 has been revised upward to 16.6 mmt, raw value, up 300,000 tons from the previous forecast. High alcohol carry-over stocks, high carrying costs and a sharp reduction in hydrated alcohol prices have led Center-South and Center-West millers to shift from alcohol to sugar production, despite depressed domestic and international sugar prices. The MY 1998/99 sugar exports are forecast to remain stable at near 7.2 mmt, up 100,000 tons from the previous projection. Sugar-alcohol millers have been facing financial problems and have exported available surpluses, even with lower profit, in order to maintain cash flow.

Includes PSD changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
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Executive Summary

Total Brazilian sugarcane harvest for Marketing Year (MY) 1998/99 (May-Apr) remains unchanged at 288 million metric tons (mmt). The 1998 harvest in the Center-South and Center-West regions is in progress and has moved along well, favored by good weather conditions. Sugar and alcohol mills are likely to end their operations there by mid-November. The harvest in the North and Northeast regions has just begun.

ATO/Sao Paulo has adjusted upward total Brazilian sugar production for MY 1997/98 to 15.7 mmt, an 1 percent increase compared to the previous estimate. The forecast for total Brazilian sugar production for MY 1998/99 has been adjusted upward to 16.6 mmt (raw value), a 2 percent increase compared to the previous projection. High alcohol carry-over stocks, high carrying costs and a sharp reduction in hydrated alcohol prices have led Center-South and Center-West millers to shift from alcohol to sugar production, despite depressed domestic and international sugar prices.

The forecast for MY 1998/99 Brazilian sugar consumption remains unchanged at 9.1 mmt. ATO/Sao Paulo revised upward the total Brazilian sugar export estimate for MY 1997/98 (May-Apr) to 7.2 mmt, based on steady sugar exports in the initial months of 1998. Sugar-alcohol millers facing financial problems have been exporting available surpluses, even with lower profit, in order to maintain cash flow. The MY 1998/99 sugar exports are forecast to remain stable at near 7.2 mmt, up 100,000 tons from the previous projection. Despite the steady price reduction in the international sugar market, sugar-alcohol millers in the Center-South and Center-West regions have shifted from alcohol to sugar production, thus increasing the product availability and the exportable surplus.

ATO/Sao Paulo has revised downward ending sugar stocks for MY 1997/98 to 560,000 mmt, a 35 percent reduction compared to the previous estimate, due to a sharp increase in sugar exports. Ending sugar stocks for MY 1998/99 are forecast at 860,000 mmt.

The percentage of anhydrous alcohol blended with gasoline for “gasoline” powered vehicles was increased from 22 to 24 percent effective June 15, 1998. The MICT estimates that this higher percentage will demand an additional 500 million liters of anhydrous alcohol. The Brazilian Government recently announced the intention to purchase 0.5 blts. of hydrated alcohol from the Center-South and Center-West regions to reduce the high stocks. Over 50 percent of this volume has reportedly already been purchased. In addition, the Brazilian Government will likely approve in the near future the mixing of hydrated alcohol with diesel fuel.

Production

Total Brazilian sugarcane harvest for Marketing Year (MY) 1998/99 (May-Apr) remains unchanged at 288 million metric tons (mmt). This figure represents a 4 percent reduction compared to MY 1997/98. The Center-South and Center-West regions should contribute 242 mmt, while the reminder should come from the North and Northeast. Note the Center-South and Center-West have the potential to produce the same sugarcane yields during the upcoming season as occurred in the previous one due to favorable weather conditions. However, Post forecasts that there will be sugarcane left in the fields during the MY 1998/99 season (see BR8009).

The 1998 harvest in the Center-South and Center-West regions is in progress and has moved along well, favored by good weather conditions (good temperatures, appropriate moisture conditions, and low volume of rainfall). Sugar and alcohol mills are likely to end their operations by mid-November.
According to Post contacts, 3 to 10 percent of the 98/99 crop is likely to be left in the fields. ATO/Sao Paulo forecasts that 5 percent of the potential sugarcane crop (255 mmt, see BR 8009) is likely to be left in the fields for the Center-South and Center-West regions. High alcohol stock levels, low alcohol prices and the current notably low sugar prices in the international market are the main factors affecting millers' decisions. Moreover, the beginning of the rainy season (Oct-Mar), with higher harvest costs, also affects harvest planning. As reported by Post contacts, if the sugar and alcohol markets show a better situation in 1999, sugarcane millers can begin their 1999/2000 crop to early April.

According to Post contacts, over 60 percent of the sugarcane has already been harvested in the Ribeirao Preto region, the major producing area in the state of Sao Paulo. Sao Paulo accounts for approximately 60 percent of total Brazilian sugarcane production. The overall quality of the crop is considered average and the current industrial yield in the Ribeirao Preto region is approximately 138.5 kilograms of sugar per ton of sugarcane (similar to the 97/98 crop). In the state of Parana, over 65 percent of the crop has already been harvested.

The harvest in the North and Northeast regions has just begun. ATO/Sao Paulo forecasts that 46 million tons of sugarcane will be harvested there, a 8 percent decrease compared to the previous season due to weather-related problems. The "El Nino" phenomenon negatively affected sugarcane plantations with hot and dry weather.

The table below shows official sugarcane production data published by the Brazilian Government's Ministry of Industry, Commerce and Tourism (MICT) for their 1997/98 (Apr-Mar) and 1998/99 trade years. The figures show cumulative production from April 1997 to March 1998 for 1997/98, and from April 1998 to mid-August 1998 for 1998/99.

Brazilian Sugarcane Crushed for both Sugar and Ethanol Production (Metric ton - Apr/Mar)		
Region/State	1997/98	1998/99 1/
Center-South & Center-West	248,310,213	131,449,898
Sao Paulo	180,414,788	96,412,296
Parana	24,588,147	11,763,581
Minas Gerais	11,921,549	6,322,212
Goias	8,208,018	4,359,068
Mato Grosso	9,788,427	5,965,327
Mato Grosso do Sul	5,952,034	2,716,907
Rio de Janeiro	4,926,063	2,715,803
Espirito Santo	2,465,728	1,187,940
Rio Grande do Sul	45,459	6,764
North-Northeast	53,883,234	1,690,620
Alagoas	23,698,079	0
Pernambuco	16,970,789	0
Paraiba	4,873,221	0
Bahia	2,581,225	812,820
Rio Grande do Norte	2,645,204	0
Sergipe	1,121,277	0
Maranhao	898,988	524,567
Ceara	325,613	201,496
Piaui	337,032	114,922
Para	247,045	36,815
Tocantins	184,761	0
Total Brazil	302,193,447	133,140,518
1/ Cumulative production April 1998 to August 16, 1998.		
Source: Department of Alcohol and Sugar (DAA)/ Ministry of Industry, Commerce and Tourism (MICT).		

The following are monthly data on sugarcane crushed in Sao Paulo and in the Center-South and Center-West regions for local crop year 1995/96, 1996/97, 1997/98, and 1998/99 (Apr-Mar), as reported by the Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).

Sugarcane Crushed in the State of Sao Paulo				
(1,000 Metric ton)				
Month	95/96	96/97	97/98	98/99
April	121	1,802	3,500	3,307
May	10,256	18,783	19,578	19,944
June	24,551	27,086	22,407	30,943
July	26,596	28,912	30,198	30,121
August	27,401	28,529	30,450	27,395
September	25,474	22,648	26,662	0
October	19,626	22,370	24,806	0
November	14,108	14,815	17,143	0
December	3,426	5,378	5,851	0
January	539	103	914	0
Cumulative	152,099	170,425	181,511	111,710
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).				

Sugarcane Crushed in the Center-South & Center-West regions				
(1,000 Metric ton)				
Month	95/96	96/97	97/98	98/99
April	286	2,784	5,324	4,993
May	13,187	24,836	27,573	27,407
June	32,486	37,584	31,873	41,436
July	36,440	40,207	42,264	41,642
August	37,660	39,393	42,282	37,770
September	34,632	31,649	36,485	0
October	25,869	29,418	33,567	0
November	18,114	18,466	21,876	0
December	4,911	7,062	7,530	0
January	820	196	916	0
Cumulative	204,405	231,595	249,692	153,248
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).				

Post forecasts sugarcane for sugar production for MY 1998/99 (May-Apr) at 115 mmt (up 5 mmt compared to the previous forecast) or 40 percent of total sugarcane production, with the remaining 173 mmt going to alcohol production. This breakdown represents an increase in sugarcane for sugar production compared to previous seasons due to current alcohol situation (see below). Historically, about one third of sugarcane production was used for sugar production.

Despite depressed domestic and international sugar prices mainly due to the economic and financial problems faced by eastern Asia and Russia, there is an upward trend in domestic sugar production as opposed to alcohol production. High alcohol carry-over stocks from MY 1997/98, high carrying costs and a sharp reduction in hydrated alcohol prices have led millers to shift from alcohol to sugar production. Although the Brazilian government has set the hydrated alcohol price at R$ 0.41 per liter and postponed its deregulation to November, average prices received by producers have varied from R$ 0.21 to 0.30 per liter.

ATO/Sao Paulo has adjusted upward total Brazilian sugar production for MY 1997/98 to 15.7 mmt, raw value, an 1 percent increase compared to the previous estimate, based on updated information from DAA/MICT (see table below). The ATO/Sao Paulo's forecast for total Brazilian sugar production for MY 1998/99 has been adjusted upward to 16.6 mmt (raw value), a 2 percent increase compared to the previous projection (16.3 mmt, raw value), and a 6 percent increase compared to MY 1997/98 (15.7 mmt, raw value). The Center-South and Center-West regions should account for 13.2 mmt, raw value, 80 percent of total sugar production, while the remaining 3.4 mmt should come from the North-Northeast.

The following table shows official sugar production figures published by MICT for their 1997/98 (Apr-Mar) trade year and 1998/99 (April to August 16).

Brazilian Sugar Production (Metric ton, tel quel - Apr/Mar).		
Region/State	1997/98	1998/99 1/
Center-South & Center-West	11,315,591	7,095,327
Sao Paulo	8,665,888	5,426,038
Parana	936,852	579,333
Minas Gerais	493,695	275,235
Rio de Janeiro	351,420	204,157
Goias	285,146	184,569
Mato Grosso	366,705	291,652
Mato Grosso do Sul	165,505	100,745
Espirito Santo	50,380	33,598
North-Northeast	3,532,854	86,137
Alagoas	1,779,166	0
Pernambuco	1,233,417	0
Bahia	151,322	62,868
Rio Grande do Norte	155,035	0
Paraiba	105,395	0
Sergipe	73,384	0
Maranhao	8,599	12,042
Ceara	21,801	11,227
Para	4,735	0
Total Brazil	14,848,445	7,181,464
1/ Cumulative production April 1998 to August 16, 1998.		
SOURCE: Department of Alcohol and Sugar (DAA)/Ministry		
of Industry, Commerce and Tourism (MICT).		

The following are monthly data on sugar production in the state of Sao Paulo and in the Center-South and Center-West regions for 1995/96, 1996/97, 1997/98, and 1998/99 (Apr-Mar), as reported by the Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).

Sugar Production in the State of Sao Paulo				
(Metric ton)				
Month	95/96	96/97	97/98	98/99
April	4,652	40,095	99,765	138,645
May	368,050	715,888	799,583	1,003,522
June	1,064,378	1,170,517	910,503	1,658,469
July	1,168,455	1,457,325	1,410,451	1,876,807
August	1,377,367	1,496,911	1,548,913	1,664,943
September	1,354,158	1,124,382	1,517,579	0
October	963,816	1,079,211	1,353,326	0
November	661,329	593,717	769,781	0
December	199,964	204,022	236,659	0
January	13,878	1,639	(17,840)	0
Cumulative	7,176,047	7,883,707	8,628,720	6,342,386
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).				

Sugar Production in the Center-South & Center-West regions				
(Metric ton)				
Month	95/96	96/97	97/98	98/99
April	7,634	57,508	135,655	192,555
May	452,172	877,101	1,088,324	1,318,881
June	1,362,320	1,568,797	1,229,731	2,169,685
July	1,554,100	1,977,254	1,884,058	2,481,906
August	1,813,968	2,016,019	2,074,203	2,200,853
September	1,772,199	1,516,568	1,982,392	0
October	1,220,196	1,379,280	1,708,634	0
November	801,404	775,991	912,213	0
December	255,630	254,399	279,590	0
January	7,785	7,809	(16,543)	0
Cumulative	9,247,409	10,430,726	11,278,257	8,363,880
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).				

As reported by MICT/DAA, cumulative Brazilian alcohol production for 1997/98 (April-March) is placed at

15.42 billion liters (blts.), over an 8 percent increase compared to 1996/97 (14.23 blts.). Total anhydrous alcohol production accounted for approximately 5.7 blts., a 24 percent increase compared to 1996/97 (4.6 blts.), while the remaining 9.72 blts represented hydrated alcohol production, a less than 1 percent increase compared to 1996/97 (9.63 blts.). These data demonstrate the upward trend in anhydrous alcohol production.

According to MICT/DAA, cumulative alcohol production for 1998/99 for the period April to August 16 is approximately 5.9 blts. (2.3 and 3.6 blts. of anhydrous and hydrated alcohol production, respectively). As reported by UNICA, cumulative alcohol production for 1998/99 (April to September 1) for the Center-South and Center-West regions is approximately 6.8 blts., a 15 percent drop compared to 1997/98 (8 blts.). Anhydrous alcohol production for 1998/99 has slightly increase (2.6 blts.) compared to 1997/98 (2.5 blts.), whereas hydrated alcohol production for 1998/99 has sharply decreased (4.2 blts.) related to the previous season (5.5 blts.).

ATO/Sao Paulo's forecast for area planted to sugarcane for the 1998/99 crop remains unchanged at 4.47 million hectares, almost a 2 percent increase compared to 1997, based on information provided by contacts, State Secretariats of Agriculture and the Brazilian Institute of Geography and Statistics (IBGE). No significant area expansion has been reported by Post's contacts.

The ATO/Sao Paulo's forecast for sugarcane yields for the 1998/99 crop remains unchanged at approximately 67 tons per hectare, over a 1 percent reduction compared to last season due to the expected reduction in the North-Northeast production. The Center-South and Center-West should yield 73.5 tons per hectare, while the North-Northeast yield is likely to drop to 46 tons per hectare. Sugarcane yields for the 1999/2000 crop are likely to be lower, since sugarcane growers have postponed crop renovation and decreased the use of inputs in order to reduce costs.

Consumption

The ATO/Sao Paulo's forecast for MY 1998/99 Brazilian sugar consumption remains unchanged at 9.1 mmt, raw value, over a 3 percent increase compared to MY 1997/98. Sugar is considered a relatively inelastic product regarding its demand price elasticity. Thus, despite the increase in domestic unemployment, financial problems faced by Brazilians and the expected reduction in the Brazilian Growth Domestic Product (GDP), sugar consumption is expected to rise with population growth and buying shifts toward basic products. Retail prices of sugar and sugar containing products have declined in recent months.

The industrial use of sugar -- raw material for sugar containing products such as soft drinks, ice cream and candy -- has exceeded 45 percent of total consumption, continuing an upward trend. Post contacts' estimates for domestic sugar consumption for industrial use vary from 45 to 50 percent. The retail market absorbs the remainder.

Trade

Exports

ATO/Sao Paulo revised upward the total Brazilian sugar export estimate for MY 1997/98 (May-Apr) to 7.2 mmt, raw value, over a 7 percent increase compared to the previous estimate, and over a 24 percent increase compared to MY 1996/97 (5.8 mmt). This revision is based on steady sugar exports in the initial months of 1998. Sugar-alcohol millers have been facing financial problems. Thus, exporting available surpluses, even with lower profit, was common in order to maintain cash flow.

The MY 1998/99 sugar exports are forecast to remain stable at near 7.2 mmt, up 100,000 tons from the previous projection. Despite the steady price reduction in the international sugar market, sugar-alcohol millers in the Center-South and Center-West regions have shifted from alcohol to sugar production, thus increasing the product availability and the exportable surplus. Nevertheless, total domestic sugar exports should be partially restrained by an expected lower export projection for the Northeast region (see below).

As part of the privatization/modernization program of the Port of Santos in the state of Sao Paulo, Brazil's largest port, a 20-year-use concession was granted to private companies which have invested in the remodeling old sugar terminals and construction of new ones. Significant reductions in export costs have been achieved, thus increasing Brazilian competitiveness in the international market. Currently, there are four sugar terminals managed by companies such as Cargill, Coopersucar, Cosan Group and Nova America Group. The Port of Santos is the main export point for sugar produced in the Center-South and Center-West regions.

The Northeast which has notably increased sugar exports in recent years due to modernization of its sugar terminals and reduced operational costs is likely to decrease its MY 1998/99 sugar exports. International sugar prices are not attractive and could even drop below the production cost break-even point. Production costs for Northeastern Brazil are higher than those for the Center-South and Center-West regions, due to poor soils and less efficient infrastructure. In addition, sugar-alcohol millers in the Northeast get a subsidy from the Brazilian Government for producing alcohol. Therefore, they might convert a greater part of local sugarcane production to alcohol.

The following tables show Brazilian sugar exports by country of destination for MY 1997/98 (May-Apr) and 1998/99 (May-June), as reported by the Brazilian Government's Department of Foreign Trade (DECEX). Please refer to BR8009 for equivalence between the old (NBM) and new (NCM) import/export tariff code system.

MY 1998/99 sugar exports to Russia, Brazil's major client, have been undermined by the economic and financial problems there. However, exports to the Middle East countries, such as Saudi Arabia and United Arab Emirates (UAE), which have recently invested in the construction of sugar refineries, have notably increased.

Brazilian Sugar Exports by Country of Destination 1/				
(Metric ton, tel quel, 1,000 USD$ FOB, May-Apr)				
	1997/98		1998/99 2/	
Country	Quantity	Value	Quantity	Value
RUSSIA	1,694,100	432,719	371,750	80,245
UAE	479,206	120,525	32,000	7,086
UNITED STATES	294,744	123,002	3,520	1,487
EGYPT	280,263	72,751	1,000	249
MOROCCO	265,401	68,469	--	--
BULGARIA	145,000	36,391	12,000	2,251
IRAN	114,867	29,972	--	--
CANADA	114,464	29,055	18,750	4,575
YEMEN	99,375	29,021	--	--
SRI LANKA	75,000	21,158	--	--
URUGUAY	66,454	17,294	8,916	1,946
ALGERIA	60,500	15,824	--	--
UKRAINE	50,000	13,140	45,800	9,597
SOMALIA	42,300	12,095	--	--
IRAQ	40,250	11,604	--	--
INDONESIA	39,150	10,524	--	--
BANGLADESH	34,762	10,133	--	--
NIGERIA	34,500	10,058	--	--
BELARUS	32,019	8,488	--	--
GAMBIA	30,995	8,939	--	--
TUNISIA	28,000	7,147	--	--
PERU	27,202	8,028	3	905
INDIA	26,100	7,387	--	--
SAUDI ARABIA	25,500	5,670	72,000	15,236
TANZANIA	24,885	6,696	--	--
LITHUANIA	24,749	6,249	--	--
PORTUGAL	22,550	9,025	--	--
ANGOLA	22,306	6,708	12	5
CHINA	21,808	5,711	--	--

Brazilian Sugar Exports by Country of Destination 1/				
(Metric ton, tel quel, 1,000 USD$ FOB, May-Apr)				
	1997/98		1998/99 2/	
Country	Quantity	Value	Quantity	Value
LATVIA	19,000	5,005	--	--
MOZAMBIQUE	17,000	4,297	--	--
GREECE	15,323	4,046	--	--
NORTH KOREA	15,000	3,725	--	--
PAKISTAN	14,350	3,935	--	--
KENYA	14,300	3,990	--	--
SOUTH AFRICA	14,000	3,907	--	--
MALAYSIA	14,000	3,920	14,000	3,627
TRINIDAD & TOBAGO	14,000	3,561	--	--
TURKEY	14,000	4,060	--	--
PHILIPPINES	14,000	3,632	--	--
ESTONIA	14,000	3,531	--	--
ARGENTINA	13,850	3,794	5,000	1,399
JAPAN	13,019	3,164	--	--
JAMAICA	11,500	2,814	--	--
GEORGIA	11,000	2,862	--	--
GHANA	10,613	3,072	--	--
ROMANIA	7,000	1,846	28,000	6,197
CAMEROON	6,300	1,764	--	--
OTHERS	30,735	5,469	12,817	2,982
TOTAL	4,499,439	1,219,643	625,568	137,789
Source: Brazilian Department of Foreign Trade (DECEX)				
Obs. Numbers may not add due to rounding.				
Note: "O" means less than 0.5 tons and "-" means no exports.				
1/ NCM: 1701.11.00				
2/ May to June.				

Brazilian Sugar Exports by Country of Destination 1/				
(Metric ton, tel quel, 1,000 USD$ FOB, May-Apr)				
	1997/98		1998/99 2/	
Country	Quantity	Value	Quantity	Value
NIGERIA	609,655	179,507	136,700	34,723
RUSSIAN	414,089	107,731	24,000	5,416
JORDAN	377,495	108,043	61,750	15,308
YEMEN	220,625	63,930	--	--
MOROCCO	199,673	51,542	22,570	5,507
EGYPT	194,500	54,892	46,500	10,913
GHANA	156,689	47,152	44,200	10,254
INDIA	76,125	22,020	17,800	3,977
ALGERIA	69,650	19,474	--	--
IRAQ	65,250	19,313	13,125	3,006
ANGOLA	57,332	17,207	788	192
CHILE	48,972	14,753	1,512	373
MEXICO	47,500	12,483	--	--
SRI LANKA	45,500	13,117	13,750	3,162
SOMALIA	43,500	12,665	14,000	3,269
PERU	41,000	12,018	--	--
INDONESIA	30,918	9,158	--	--
IRAN	28,700	8,591	--	--
PAKISTAN	28,000	8,029	--	--
TUNISIA	26,950	8,009	--	--
LIBYA	25,750	7,709		
TURKEY	24,000	7,340	--	--
URUGUAY	22,184	5,868	7,165	1,680
ARGENTINA	21,700	6,185	--	--
TANZANIA	18,115	5,310	--	--
VENEZUELA	18,000	4,464	--	--
SAUDI ARABIA	16,000	5,036	--	--
ARUBA	14,000	4,074	--	--
BANGLADESH	14,000	4,025	--	--
KENYA	14,000	4,019	--	--

Brazilian Sugar Exports by Country of Destination 1/				
(Metric ton, tel quel, 1,000 USD$ FOB, May-Apr)				
	1997/98		1998/99 2/	
Country	Quantity	Value	Quantity	Value
ITALY	14,000	3,934	--	--
SYRIA	14,000	4,054	--	--
CHINA	14,000	4,309	--	--
SENEGAL	9,600	2,873	--	--
HAITI	8,750	2,630	--	--
GREECE	7,494	2,218	452	110
UAE	7,000	2,042	--	--
IVORY COAST	6,000	1,749	--	--
SPAIN	1,991	649	--	--
NETHERLANDS	440	220	100	50
PORTUGAL	430	154	--	--
JAMAICA	342	113	241	79
UNITED STATES	200	100	60	30
SOUTH AFRICA	86	31	--	--
CZECH REP.	78	24	--	--
CANADA	64	20	258	84
GERMANY	20	10	--	--
FRANCE	20	10	--	--
DENMARK	20	10	--	--
PARAGUAY	1	1	108	25
UNITED KINGDOM	--	--	14,000	3,428
GAMBIA	--	--	5,000	1,190
JAPAN	--	--	18	14
BOTSWANA	--	--	13,125	3,130
TOTAL	3,054,410	868,814	437,222	105,921
Source: Brazilian Department of Foreign Trade (DECEX)				
Obs. Numbers may not add due to rounding.				
Note: "O" means less than 0.5 tons and "-" means no exports.				
1/ NCM: 1701.11.00				
2/ May to June.				

Brazilian Sugar Exports by Country of Destination 1/				
(Metric ton, tel quel, 1,000 USD$ FOB, May-Apr)				
	1997/98		1998/99 2/	
Country	Quantity	Value	Quantity	Value
PERU	4,713	1,414	--	--
COLOMBIA	195	58	--	--
PARAGUAY	32	45	4	5
CHILE	1	0	1	1
ITALY	0	3	--	--
ANGOLA	0	0	--	--
TOTAL	4,941	1,521	4	6
Source: Brazilian Department of Foreign Trade (DECEX)				
Obs. Numbers may not add due to rounding.				
Note: "O" means less than 0.5 tons and "-" means no exports.				
1/ NCM: 1701.11.00				
2/ May to June.				

Stocks

ATO/Sao Paulo has revised downward ending sugar stocks for MY 1997/98 to 560,000 mmt, raw value, a 35 percent reduction compared to the previous estimate, due to a sharp increase in sugar exports. Ending sugar stocks for MY 1998/99 are forecast at 860,000 mmt, raw value.

The Brazilian Government has recently announced the intention to purchase 0.5 blts. of hydrated alcohol at the official price (R$ 0.41 per liter) to reduce the high stocks which have led millers to sell their product at low prices (R$ 0.20 to 0.30 per liter) in order to reduce carrying costs and maintain cash flow. According to Post contacts, over 50 percent of this volume has already been purchased by the Brazilian Government. Refer to BR8009 for explanation of high MY 1997/98 ending stocks for alcohol.

Policy

The Brazilian Government has taken some measures to continue its fuel alcohol program (Proalcool) by promoting the increase of both hydrated and anhydrous alcohol consumption. The major fundamentals supporting the program are: (1) alcohol is a strategic source of energy, (2) the direct employment of approximately 1.4 million people by the sugar-alcohol industry and the generation of approximately 3.6 million indirect positions, (3) the expected trade balance benefits of both foreign reserve savings related to holding down petroleum imports and the foreign currency earned by sugar exports, (4) fuel alcohol is less polluting than petroleum fuel, and (5) the possibility of co-generation of electrical energy through the use of biomass.

The percentage of anhydrous alcohol blended with gasoline for “gasoline” powered vehicles was increased from 22 to 24 percent. This measure was approved by the Brazilian Government in May and became effective June 15, 1998. The MICT estimates that this higher percentage will demand an additional 500 million liters of anhydrous alcohol.

In order to reduce the economic losses of the sugar-alcohol industry, whose average income has steadily decreased in the past years, the Brazilian Government postponed to November 1998 the hydrated alcohol price deregulation and set its price at R$ 0.41 per liter. Prices were scheduled to be deregulated as of May 1, 1998. However, average prices received by producers have varied from R$ 0.21 to 0.30 per liter, due to high stocks from the previous season and the need to maintain cash flow. Hydrated alcohol is utilized by “alcohol” powered vehicles, or a 100 percent alcohol.

The Brazilian Government recently announced the intention to purchase 0.5 blts. of hydrated alcohol from the Center-South and Center-West regions to reduce the high stocks in the producers’ hands. According to Post contacts, over 50 percent of this volume has already been purchased by the Brazilian Government.

According to Post contacts, the Brazilian Government will likely approve in the near future the mixing of hydrated alcohol with diesel fuel. Preliminary results show that a 3 percent mixture of hydrated alcohol is feasible with no significant risk to engine performance, no significant loss in fuel efficiency and with less pollution. Post contacts indicated that the proportion of hydrated alcohol mixed with diesel could vary from 3 to 12 percent.

The Brazilian Government recently transferred payment of the alcohol subsidy from fuel distributors to alcohol producers. Post contacts indicate the Government will establish a maximum amount of subsidy to be paid and set subsidized production quotas per mill. Excess alcohol production will not be subsidized by the Brazilian Government.

Automobile manufacturers (Fiat and Volkswagen) are reported likely to re-start alcohol powered car production reaching 300,000 cars by 2003, which is roughly equivalent to the yearly replacement needs of the alcohol powered fleet combined with the Government’s demand for alcohol powered cars. The Brazilian Government has mandated that 100 percent of the official fleet be alcohol powered by 2003. Automobile manufacturers would benefit from incentives given by the Brazilian Government like exemption from the Manufactured Products Tax (IPI) which is currently set at approximately 6 percent.