

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Argentina**

## **Sugar Annual**

**2011**

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**Report Highlights:**

Argentine sugar exports for marketing year 2011/12 are forecast to increase to 280,000 metric tons (raw value basis). Contacts indicate that the government is expected to closely control sugar exports as it wants to secure a well supplied domestic market. Production is expected to grow as a result of more cane area and less severe cold weather during harvest. Planted area is estimated to grow significantly as a consequence of good returns and the expansion of the official ethanol mandate under the biofuels law. Post is reducing sugar exports for marketing year 2010/11 from 340,000 tons to 205,000 tons due to lower than expected production.

## **Commodities:**

Sugar, Centrifugal

Sugar Cane for Centrifugal

## **Production:**

Argentine sugar production for marketing year (MY) 2011/12 is projected up at 2.2 million metric tons (raw value basis). There has been a considerable increase in cane planted area and replanting has been significant. If weather during winter is normal, there would be sufficient cane to produce sugar for the domestic market, for exports to neighboring countries, to fulfill the US tariff rate quota, and to produce ethanol for the biofuel domestic mandate.

Returns in the coming crop are expected to be very good, after the significant increase in prices during 2010 and 2011. Mills, independent growers and outsiders, who believe there is a very good future tied to the sugar and biofuels business, are expanding cane area. Although there is still no precise data, contacts estimate that there are 15-30,000 additional hectares with new cane, most of it in Tucuman. The majority is land coming back from soybean production. In the northern provinces of Salta and Jujuy the growth was smaller as the land available for expansion is quite limited.

Conditions for the current crop in Tucuman are so far good. However, in Salta and Jujuy plantations suffered some drought. During last year's harvest, the sugar cane region was affected by significant cold weather. Tucuman suffered an unusual snowfall followed by a severe frost. This resulted in poorer cane quality and less sugar production, affecting primarily export surpluses and ethanol output. Expected good returns in MY 2011/12 made growers take more intensively care for their plantations, using agricultural chemicals and inputs as needed. Sugar cane production in the coming crop is forecast to be a record, with a strong increase of cane produced for ethanol to comply with the domestic mandate, which was set at 211 million liters for 2011. However, due to high sugar prices, some mills could be tempted to produce more sugar instead of ethanol to comply with their quota under the mandate. At current prices, ethanol is less profitable than sugar. Five mills in Tucuman and four in Salta and Jujuy will participate under the mandate in 2011.

The current domestic price for sugar ranges between US\$850-950 per ton (in 50-kilo bags at the plant, without VAT). During the harvest season the price of sugar was roughly US\$ 330 per ton in 2009, compared to US\$610 per ton in 2010. Contacts indicate that the price is expected to drop during the first part of the harvest, when growers and mills sell significant volumes to pay for production costs, but then it should rebound to some extent. High sugar prices are expected to more than offset higher production costs in MY 2011/12.

Apart from the large investment in expanding the area with cane, growers are incorporating new equipment and machinery. Sugar mills continue to invest in making their processing more efficient. They are focusing primarily in environmental problems, which the government urges them to solve. A few mills are investing in the cogeneration of energy using bagasse as feedstock to use for their own plant needs and to sell to the grid.

Also there is investment in the expansion of ethanol production and storage to comply with the domestic mandate.

Tucuman has 15 sugar mills and accounts for 63 percent of the country's sugar production. There are around 5500 cane growers, of which the largest 80 (plus the sugar mills) account for approximately 90 percent of the total. Then follow Salta and Jujuy provinces which have 5 mills and account for 36 percent of the country's production. Most cane is in the hands of these large mills. The balance is produced in three small mills in Misiones and Santa Fe provinces.

### **Consumption:**

Sugar domestic consumption for MY 2011/12 is projected at 1.83 million metric tons (raw value basis).

Consumption grows every year at a small rate. The market for household sugar accounts for about 35 percent of the total, while the balance is consumed by the food and beverage industry. A few years ago the government agreed with the local mills that 25 percent of the sugar sold in the retail market should be sold at a special low price, followed by a selective product (accounting for 25 percent of the household market) sold at a price 50 percent higher than the latter, and premium sugar which accounts for 50 percent of the market and sold roughly 45 percent more expensive than the latter. The market for industrial use operates freely.

The household market of sugar grows slower than that of the industrial use. People tend to consume somewhat less sugar and more alternative low-calories sweeteners. Private sources estimate that imports of saccharin, aspartame, sucralose and cyclamates total the equivalent of 500,000 tons of sugar, showing roughly a 50 percent increase in the last ten years.

Argentina has five companies which produce high fructose corn syrup. There are two companies which dominate the market and contacts indicate that they are all operating at full capacity. One of the leading companies will expand its capacity by 40-50 percent in 2011, focusing primarily in the domestic market which is operating with strong demand as the high fructose corn syrup price is currently lower than sugar. There are no reliable data on production.

### **Trade:**

Argentine total sugar exports for MY 2011/12 are forecast at 280,000 tons (raw value basis). This shows a significant increase from the previous year primarily because an expected larger production and very good world sugar prices. Raw exports will primarily fulfill the US tariff rate quota, and refined sugar will be primarily exported to neighbors Chile and Uruguay.

Until 2010, sugar exports were not controlled by the government. The government has a policy of delinking world food and feed prices from prices paid in the domestic market. Last year, when the sugar cane harvest was ending and the damage of the frost and freezes was known, prices in the domestic market increased significantly due to the combination of higher international prices and a sense of scarce supply in the local market. The government then implemented a system (used for other commodities as well) by which sugar exports have to be approved by the government, based on how well the domestic market is supplied. Local

contacts indicate that exports in 2011/12 to the US under the tariff rate quota and some 15-20,000 tons of organic sugar would not be affected by the export limitation. The government will probably wait until September, when practically the harvest is over to estimate the surplus which will be finally allowed to be exported.

Sugar exports in 2010/11 will be about 205,000 tons (raw sugar basis), significantly lower than post's initial forecast due to the drop in sugar output because of severe weather during harvest.

Sugar stocks in the hands of a few large growers and distributors waiting for higher prices, growing prices, and very tight stocks forced the largest local sugar mill to import about 50,000 tons in the period December 2010-April 2011 to bridge with the new harvest. Most imports came from Brazil, followed by Guatemala and Honduras.

**Stocks:**

Ending stocks in MY 2011/12 are forecast to recover at 135,000 tons (raw value basis). The past two years finished with very tight stocks, forcing mills to import sugar to bridge with the coming crop. Contacts indicate that because of high domestic prices, the government will want to secure good stocks to take pressure off the market and have a normal supply. Ending stocks could range between 120-150,000 tons, roughly the use of one month.

**Production, Supply and Demand Data Statistics:**

Sugar, Centrifugal Argentina	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jun 2009		Market Year Begin: Jun 2010		Market Year Begin: Jun 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	226	226	-34	-12		45
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	2,230	2,230	2,290	2,010		2,200
Total Sugar Production	2,230	2,230	2,290	2,010		2,200
Raw Imports	0	0	0	0		0
Refined Imp.(Raw Val)	10	23	5	52		0
Total Imports	10	23	5	52		0
Total Supply	2,466	2,479	2,261	2,050		2,245
Raw Exports	400	412	200	115		90
Refined Exp.(Raw Val)	360	339	140	90		190
Total Exports	760	751	340	205		280
Human Dom. Consumption	1,730	1,730	1,760	1,790		1,820
Other Disappearance	10	10	10	10		10
Total Use	1,740	1,740	1,770	1,800		1,830
Ending Stocks	-34	-12	151	45		135
Total Distribution	2,466	2,479	2,261	2,050		2,245

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Sugar Cane for Centrifugal Argentina	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jun 2009		Market Year Begin: Jun 2010		Market Year Begin: Jun 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	322	322	335	330		350
Area Harvested	310	310	325	325		345
Production	20,660	21,060	21,600	19,600		21,800
Total Supply	20,660	21,060	21,600	19,600		21,800
Utilization for Sugar	20,260	20,660	20,100	18,900		19,800
Utilizatn for Alcohol	400	400	1,500	700		2,000
Total Utilization	20,660	21,060	21,600	19,600		21,800

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