

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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GAIN Report Number:

Peru

Sugar Annual

Annual

Approved By:

Candice Bruce

Prepared By:

Gaspar E. Nolte

Report Highlights:

Cane sugar production for CY2012 is estimated at 1.15 MMT, up from 1.076 MMT in CY2011. Peruvian sugar exports in CY 2012 are forecast at 80,000 MT. In CY 2011 the United States was the largest market for Peruvian sugar with 56,186 MT.

Executive Summary:

Cane sugar production for CY2012 is estimated at 1.15 MMT, up from 1.076 MMT in CY2011. This 6 percent increase is explained by favorable weather conditions, particularly sufficient water supply, and investments in new plantations. Sugar cane production is forecast at 10.15 MMT in CY 2012. Sugar in Peru is produced in the rich northern valleys along the coast. Cane sugar consumption is forecast at 1.23 MMT in CY 2012, around 70 percent of which is for direct consumption and the remaining for industrial use. Peruvian sugar exports in CY 2012 are forecast at 80,000 MT. In CY 2011 the United States was the largest market for Peruvian sugar with 56,186 MT.

Commodities:

Select

Production:

Sugar Cane for Centrifugal Peru	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	84	85		85		86
Area Harvested	80	80		81		81
Production	10,100	9,857		10,150		10,150
Total Supply	10,100	9,857		10,150		10,150
Utilization for Sugar	10,050	9,807		10,100		10,100
Utilizatr for Alcohol	50	50		50		50
Total Utilization	10,100	9,857		10,150		10,150

1000 HA, 1000 MT

Sugar, Centrifugal Peru	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	20	20	5	10		34
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	1,016	1,038	1,145	1,076		1,150
Total Sugar Production	1,016	1,038	1,145	1,076		1,150
Raw Imports	14	12	15	12		10
Refined Imp.(Raw Val)	196	224	140	229		140
Total Imports	210	236	155	241		150
Total Supply	1,246	1,294	1,305	1,327		1,334
Raw Exports	84	113	100	63		80
Refined Exp.(Raw Val)	0	0	0	0		0
Total Exports	84	113	100	63		80
Human Dom. Consumption	1,157	1,171	1,200	1,230		1,230
Other Disappearance	0	0	0	0		0
Total Use	1,157	1,171	1,200	1,230		1,230
Ending Stocks	5	10	5	34		24
Total Distribution	1,246	1,294	1,305	1,327		1,334

1000 MT						

Cane sugar production for CY2012 is estimated at 1.15 MMT, up from 1.076 MMT in CY2011. This 6 percent increase is explained by favorable weather conditions, particularly sufficient water supply, and investments in new plantations. Post believes that Peru's sugar production will continue increasing in the foreseeable future due to ongoing investment in renewing fields, new plantations, and more efficient processing plants. Peru will probably become self sufficient, and even have a sugar surplus, in the upcoming years.

Sugar cane production is forecast at 10.15 MMT in CY 2012. Sugar in Peru is produced in the rich northern valleys along the coast. The region of La Libertad produces 51 percent of the Peruvian sugar, followed by Lambayeque and Lima with 27 percent and 15 percent respectively. Peru's milling capacity is 37,000 MT of cane per day. Since sugar cane in Peru is produced year round, mills do not need to be very large. Yields and cane age vary greatly from one producer to another. Yields range from 53 to 190 MT of cane per hectare and age varies from 13 to 18 months between cuts. Average yields in CY 2011 were 123 MT per hectare. Total harvested area in CY 2011 was 81,069 hectares.

Production costs also vary considerably, with fuel being one of the most important factors. Fuel utilization ranges from 5 to 90 gallons per metric ton of sugar produced. The Peruvian northern coast has excellent conditions for growing sugar cane due to high temperatures and lack of rain. All cultivation is surface irrigated, allowing producers to cut the supply of water at a given time to obtain higher sucrose yields. Under normal weather conditions, and provided the cane is milled on time, sucrose yields are around 12 percent.

Company	Harvested Area 2011	
	Hectares	%
Casa Grande	15,075	18.6
Cartavio	11,551	14.2
Laredo	9,882	12.2
Paramonga	9,341	11.5
Tumán	9,237	11.4
Pomalca	8,592	10.6
Pucalá	8,341	10.3
San Jacinto	6,013	7.4
Andahuasi	2,471	3.0
Chucarapi	565	0.7
Total	81,069	

Source: Peruvian Sugar Cane and Biofuels Producers (APPAB)

Peru's sugar industry continues its consolidation process. Coazucar, owned by Peru's largest dairy processor Gloria, owns Casa Grande, Cartavio and San Jacinto. Casa Grande has access to 30,000 hectares, but only about 18,000 hectares are under production. Casa Grande could at least double its sugar production very rapidly by both planting currently idle lands and

improving yields through technological changes. Ethanol production is also an important project that investors are evaluating.

The Peruvian northern coast continues undergoing an economic improvement process driven by private investment. Land is being purchased by Peruvian and foreign investors, and property is being consolidated. The efficiency brought about by economies of scale is improving return rates, which attracts more investment, generating a beneficial cycle. It is quite common to see bulldozers flattening sand dunes to plant more sugar in the desert. This process is undoing the damage done by the catastrophic 1968 land reform that expropriated land to give to workers in socialist type cooperatives.

However there still are two mills, Pomalca and Tuman, where the government has shares and that have not been able to find a strategic partner to improve its efficiency and economic results. In an effort to encourage investment in these companies, the government is auctioning its shares to interested private sector companies. Government acquired shares were the result of a conversion of unpaid taxes.

Production by Company (2011)		
Company	Market Share (%)	Cummulative Market Share (%)
Casa Grande	22.6	22.6
Cartavio	16.6	39.2
Laredo	11.7	50.9
Paramonga	11.2	62.1
Tumán	9.5	71.6
Pucalá	9.5	81.1
Pomalca	8.7	89.8
San Jacinto	6.6	96.4
Andahuasi	3.1	99.5
Chucarapi	0.5	100.0

Consumption:

Cane sugar consumption is forecast at 1.23 MMT in CY 2012, around 70 percent of which is for direct consumption and the remaining for industrial use. As the Peruvian economy improves, sugar demand will increase, especially for sugar based beverages and confectionary products. Average retail price in CY 2011 was \$1.05 per kilogram, up 11 percent from the previous year.

Retail Sugar Price in 2011 (U.S. \$ per Kilogram)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Refined	1.24	1.24	1.24	1.23	1.23	1.22	1.20	1.20	1.20	1.20	1.19	1.19
Brown	1.06	1.06	1.06	1.06	1.05	1.05	1.04	1.04	1.04	1.05	1.05	1.05

Source: Ministry of Agriculture

Trade:

Peruvian sugar exports in CY 2012 are forecast at 80,000 MT. In CY 2011 the United States was the largest market for Peruvian sugar with 56,186 MT, followed by Colombia with 6,370 MT. The U.S. sugar tariff-rate quota (TRQ) is an important incentive for Peruvian exporters. The U.S. TRQ is distributed among the sugar mills by the Ministry of Agriculture, in coordination with the Peruvian Sugar and Biofuels Producers Association (APPAB).

Due to increased production, sugar imports in CY 2012 are forecast to fall to 140,000 MT. With a market share of 46 percent, Colombia continued to be the lead sugar exporter to Peru in CY 2011.

U.S. – Peru Trade Promotion Agreement (TPA)

The U.S. - Peru Trade Promotion Agreement includes five-year linear tariff reductions for glucose and fructose. These reductions start at a tariff level of 17 percent and 30 percent for glucose and fructose, respectively, with duty free access in six years. However, since the Agreement entered into force, Peru unilaterally eliminated import duties for sugar.

Export Trade Matrix	
Country	Peru
Commodity	Sugar, Centrifugal
Time Period	CY 2011
Imports from:	
U.S.	56,189
Others	
Colombia	6,370
Total for Others	6,370
Others not Listed	822
Grand Total	63,381

Policy:

In April 2010, due to the unusual price increase of local sugar, when international sugar prices were falling, the government published a Supreme Decree declaring the sugar sector in emergency. What this means is that no sugar exports were allowed without previous clearance by the Ministry of Agriculture and making available government credit lines for importing sugar. However, no credit transaction was approved and the situation went back to normal in June.

As a result of this situation, the Ministry of Agriculture established a sugar monitoring committee (Technical Group) to “assess, evaluate and propose alternatives to improve the performance of the sugar industry.” This committee drafts a supply and demand report before approving shipments for export, including to the United States under the TRQ. The committee is formed by representatives of the Ministry of Agriculture and private sector.

Sugar import tariffs into Peru come in duty free.

