

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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GAIN Report Number:

Peru

Sugar Annual

Annual

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Report Highlights:

Sugar production in Peru is forecast at 1.5 MMT in MY 2016, an increase of 13 percent compared to the previous year. Investments in new lands and mill improvements will stimulate Peruvian sugar production in the upcoming years, possibly leading to self-sufficiency within the next three years.

Executive Summary:

Cane sugar production for MY (May/April) 2016 is forecast at 1.5 MMT, up from 1.35 MMT in MY2015. Sugar cane production is forecast at 11.5MMT in MY 2016, an increase of 13 percent from MY 2015. Cane sugar consumption is forecast at 1.6 MMT in MY 2016, around 70 percent of which is for direct consumption and the remaining volume is for industrial use.

Peruvian sugar exports in MY 2016 are forecast at 85,000 MT. In CY 2015 the United States was the largest market for Peruvian sugar with 60 percent of total Peruvian sugar exports, followed by Colombia with 38 percent. Sugar imports into Peru in MY reached only 361 TMT.

Commodities:

Select

Production:

Cane sugar production for MY (May/April) 2016 is forecast at 1.5 MMT, up from 1.35 MMT in MY2015. The industry continues renewing plantations, increasing harvested area, and upgrading mills to improve efficiency. FAS/Lima believes that Peru's sugar production will continue to increase in the foreseeable future due to ongoing investments. Peru will probably become self-sufficient, and even have a sugar surplus, in the upcoming years.

Sugar, Centrifugal Market Begin Year	2014/2015		2015/2016		2016/2017	
	May 2014		May 2015		May 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Peru						
Beginning Stocks	89	89	89	42	0	97
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1220	1480	1240	1350	0	1500
Total Sugar Production	1220	1480	1240	1350	0	1500
Raw Imports	10	10	10	10	0	10
Refined Imp.(Raw Val)	179	177	190	361	0	150
Total Imports	189	187	200	371	0	160
Total Supply	1498	1756	1529	1763	0	1757
Raw Exports	110	134	110	86	0	85
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	110	134	110	86	0	85
Human Dom. Consumption	1299	1580	1330	1580	0	1600
Other Disappearance	0	0	0	0	0	0
Total Use	1299	1580	1330	1580	0	1600
Ending Stocks	89	42	89	97	0	72
Total Distribution	1498	1756	1529	1763	0	1757

(1000 MT)

Sugar cane production is forecast at 11.5MMT in MY 2016, an increase of 13 percent from MY 2015. Cane production and processing fell in MY 2015 due to technical problems in the two largest mills that led to shut downs for over a month. This 13 percent increase in MY 2016 it is just a recovery to normal production levels.

Sugar in Peru is produced in the northern valleys along the coast. The region of La Libertad produces 49 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 yield in CY 2015 was 121 MT per hectare. Total harvested area in CY 2015 was 84,600 hectares; down from 90,400 hectares in CY 2014, this decrease is due renovation of fields.

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 the lack of rain. Peru’s sugar cane is entirely surface irrigated, allowing producers to cut the supply of water at a given time in order 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 2013	
	Hectares	%
Casa Grande	15,450	18.8
Cartavio	11,890	14.5
Laredo	10,046	12.2
Paramonga	9,600	11.7
Tumán	9,237	11.2
Pomalca	8,592	10.5
Pucalá	8,341	10.1
San Jacinto	6,013	7.3
Andahuasi	2,471	3.0
Chucarapi	565	0.7
Total	82,205	

Source: FAS/Lima estimates

Peru’s sugar industry continues consolidating. 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 15,450 hectares are under production. Casa Grande could 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. Coazucar purchased Maple ethanol operation in 2015. Currently these sugar fields undergoing a renovation process to plant cane for sugar production. The mill is also being modified to produce cane sugar.

Private investors continue to finance economic development in the Peruvian northern coast. Land is being purchased by Peruvian and foreign investors, who then consolidate the property. The efficiency brought about by economies of scale is improving return rates, which in turn attracts more investment and benefits. Bulldozers flattening massive sand dune “mountains” to plant more sugar in the desert are common sites. 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. The mills have not found investment partners to finance improvements in efficiency and profits. In an effort to encourage investment in these companies, the government is auctioning its shares to interested private sector companies. Government owned shares were the result of a conversion of unpaid taxes.

Consumption:

Cane sugar consumption is forecast at 1.6 MMT in MY 2016, around 70 percent of which is for direct consumption and the remaining for industrial use. As the Peruvian economy improves, sugar demand will increase, particularly for sugar-based beverages and confectionary products. Average retail prices in CY 2015 were \$0.89 per kilogram for refined sugar and \$0.74 per kilogram for brown sugar.

Retail Sugar Price in 2015 (U.S. \$ per Kilogram)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Refined	0.83	0.81	0.81	0.81	0.84	0.95	0.98	0.96	0.96	0.95	0.92	0.90
Brown	0.70	0.69	0.69	0.69	0.73	0.79	0.80	0.78	0.79	0.78	0.75	0.74

Source: Ministry of Agriculture

Trade:

Peruvian sugar exports in MY 2016 are forecast at 85,000 MT. In MY 2015 the United States was the largest market for Peruvian sugar with 60 percent of total Peruvian sugar exports, followed by Colombia with 38 percent. 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 industry.

Sugar imports into Peru in MY reached 361 TMT. Peru’s main sugar suppliers were Colombia, Brazil in Nicaragua with 63 percent, 19 percent and 17 percent of total sugar imports respectively.

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 2015
Imports from:	
U.S.	51,666
Others	
Colombia	32,897
Others not Listed	1,760
Grand Total	86,323

Policy:

The government of Peru published on March 28, 2016, Supreme Decree 055-2016-EF amending the methodology to determine the Peruvian Price Band (PPB) and establishing new tables to calculate the actual surcharge assessed under the PPB. This regulation effectively reduces the additional duty assessed to sugar. The floor price of the band has fallen from \$648 to \$518 while the ceiling price has dropped from \$778 to \$644. Currently the additional duty is \$93 per MT a significant reduction from \$223 assessed under the previous methodology.

In April 2010, due to the unusual price increase of local sugar while international sugar prices were falling, the government published a Supreme Decree declaring the sugar sector “in emergency”. 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.