

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Peru

## Sugar Annual

## Annual

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**Report Highlights:**

Cane sugar production for MY (May/April) 2015 is forecast at 1.24 MMT, up from 1.22 MMT in MY2014. The industry continues renewing plantations, increasing harvested areas and upgrading mills to improve efficiency. FAS/Lima estimates that Peru's sugar production will continue to increase in the foreseeable future due to this ongoing investment.

### Executive Summary:

Cane sugar production for MY (May/April) 2015 is forecast at 1.24 MMT, up from 1.22 MMT in MY2014. 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 this ongoing investment. Cane sugar consumption is forecast at 1.3 MMT in MY 2015, around 70 percent of which is for direct consumption and the remaining for industrial use.

Peruvian sugar exports in MY 2015 are forecast at 110,000 MT. In CY 2014 the Colombia was the largest market for Peruvian sugar, with 50 percent of total Peruvian sugar exports, followed by the United States with 48 percent.

### Commodities:

Select

### Production:

Cane sugar production for MY (May/April) 2015 is forecast at 1.24 MMT, up from 1.22 MMT in MY2014. 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 investment. Peru will probably become self-sufficient, and even have a sugar surplus, in the upcoming years.

Sugar, Centrifugal Peru	2013/2014		2014/2015		2015/2016	
	May 2013		May 2014		May 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	109	109	89	89	0	89
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1,150	1,150	1,200	1,220	0	1,240
Total Sugar Production	1,150	1,150	1,200	1,220	0	1,240
Raw Imports	5	5	10	10	0	10
Refined Imp.(Raw Val)	210	210	180	180	0	160
Total Imports	215	215	190	190	0	170
Total Supply	1,474	1,474	1,479	1,499	0	1,499
Raw Exports	100	100	100	110	0	110
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	100	100	100	110	0	110
Human Dom. Consumption	1,285	1,285	1,290	1,300	0	1,300
Other Disappearance	0	0	0	0	0	0
Total Use	1,285	1,285	1,290	1,300	0	1,300
Ending Stocks	89	89	89	89	0	89
Total Distribution	1,474	1,474	1,479	1,499	0	1,499
1000 MT						

Sugar cane production is forecast at 12.2MMT in MY 2015, an increase of 5 percent from MY 2014. 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 2014 was 126 MT per hectare. Total harvested area in CY 2014 was 90,400 hectares; up from 82,200 hectares in CY 2013, this increase is due newly planted areas.

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
<b>Total</b>	82,205	

Source: FAS/Lima estimates

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 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.

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 sand dunes 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 1.3 MMT in MY 2015, 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 prices in CY 2014 were \$0.88 per kilogram for refined sugar and \$0.74 per kilogram for brown sugar.

Retail Sugar Price in 2014 (U.S. \$ per Kilogram)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Refined</b>	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.87	0.87	0.87	0.88	0.88
<b>Brown</b>	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.73	0.74	0.74	0.74	0.75

Source: Ministry of Agriculture

### Trade:

Peruvian sugar exports in MY 2015 are forecast at 110,000 MT. In CY 2014 the Colombia was the largest market for Peruvian sugar with 50 percent of total Peruvian sugar exports, followed by the United States with 48 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.

#### *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 2014
Imports from:	
U.S.	63,990
Others	
Colombia	66,859
Italy	1,834
Total for Others	68,693
Others not Listed	1,698
Grand Total	134,368

Source: Peruvian Customs

### Policy:

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.