Required Report - public distribution

Date: 4/13/2018
GAIN Report Number: BR18004

Brazil

Sugar Annual

2018

Approved By:
Chanda Berk, Agricultural Consul

Prepared By:
Sergio Barros, Agricultural Specialist

Report Highlights:
Brazil's MY 2018/19 sugarcane crush is estimated at 628 mmt, a decrease of 11 million metric tons compared to the previous crop, mostly due to below average crop management and slower stock development as a result of dry weather conditions from July to September. Approximately 42.2 percent of the crop should be diverted to sugar, down 4.2 percentage points compared to MY 2017/18, due to the expected sugar surplus on the world market. Consequently, total exports are projected to decrease to 23.6 mmt, raw value, down fourteen percent from the previous marketing year.

Production

The Agricultural Trade Office (ATO) in Sao Paulo projects Brazil's marketing year (MY April-March, unless otherwise stated) 2018/19 sugarcane crush at 628 million metric tons (mmt), down two percent from the revised figure for MY 2017/18 (639 mmt). The center-south (CS) region is expected to harvest 583 mmt of sugarcane, a 12 mmt drop relative to the previous crop (595 mmt). Dry weather from July to September and below average exposure to sunlight in recent months have slowed the pace of sugarcane stock development. Financial constraints have also limited investment in crop management, therefore resulting in higher pest and weed pressures. In addition, several renewed sugarcane fields show sprouting failures, which were not adequately replaced due to cost constraints. The MY 2017/18 sugarcane crushing period ended on March 31.

North-Northeastern (NNE) production for MY 2018/19 is projected at 45 mmt, an increase of one mmt from MY 2017/18 (44 mmt) due to the overall favorable weather in the growing regions.

The total sugarcane area for MY 2018/19 is projected stable at 9.9 million hectares (ha). The table below shows the sugarcane harvested area, according to the Ministry of Agriculture, Livestock and Supply's (MAPA) National Supply Company (CONAB), and the Agricultural Economics Institute (IEA) of the State of São Paulo Secretariat of Agriculture.

Area Harvested to Sugarcane (1,000 ha).							
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017 1/**
Brazil	8,356.1	8,485.0	8,810.8	9,004.5	8,654.8	9,049.2	8,736.6
Sao Paulo	5,269.4	5,355.7	5,501.9	5,539.7	5,605.7	5,569.2	5,601.2
Sources: CONAB, IEA. 1/Estimate.							

The industrial yield for MY 2018/19 is forecast at 133.94 kg of TRS (total reducing sugars)/mt, a decrease of two percent compared to MY 2017/18, due to below average crop management, and assuming average rainfall volume during the crushing season. The following table shows historic Brazilian yields measured in TRS per metric ton of sugarcane.

Sugarcane Industrial Yields (kg TRS/metric ton)					
	MY 14/15	MY 15/16	MY 16/17	MY 17/18	MY 18/19 1/
TRS/ton	135.72	130.17	133.14	136.45	133.94
Source: USDA/FAS/ATO/Sao Paulo 1/Projection					

The following tables show monthly sugarcane crush data for the state of São Paulo and the Center-South (CS) region for MY 2014/15 through MY 2017/18 (April-March), as reported by the Brazilian Sugarcane Industry Association (UNICA).

Sugarcane crushed in the state of Sao Paulo (1,000 metric tons)				
Month	**14 /15**	**15 /16**	**16/17**	**17/18**
April	25,864	22,420	43,811	25,458
May	48,510	40,914	43,889	42,330
June	53,885	51,560	41,351	53,295
July	48,034	46,975	58,181	58,936
August	54,736	56,701	50,536	49,585

September	39,289	40,026	48,160	51,954
October	42,558	46,093	39,456	37,068
November	19,130	26,383	26,083	22,743
December	5,106	19,727	6,848	8,282
January	573	3,549	697	26
February	95	2,125	555	188
March	0	11,851	6,421	2,085
Cumulative	337,780	368,323	365,990	351,950
Source: Brazilian Sugarcane Industry Association (UNICA).				

Sugarcane crushed in Center-South Brazil (1,000 metric tons).				
Month	**14 /15**	**15 /16**	**16 /17**	**17 /18**
April	40,375	40,163	69,171	41,945
May	76,938	69,197	72,199	70,264
June	85,676	86,434	74,221	87,222
July	77,394	79,070	96,514	98,907
August	92,308	95,289	83,731	84,512
September	68,750	70,341	80,409	85,933
October	73,878	74,966	64,004	62,664
November	38,903	44,544	41,453	38,721
December	13,850	28,553	10,349	13,073
January	2,040	5,927	1,771	587
February	664	3,827	2,071	1,308
March	569	19,395	11,243	3,335
Cumulative	571,344	617,709	607,137	588,470
Source: Brazilian Sugarcane Industry Association (UNICA).				

Sugar and Ethanol

Total sucrose (total reducing sugar, TRS) content diverted to sugar and ethanol production for MY 2018/19 is forecast at 42.2 and 57.8 percent, respectively, as opposed to 46.4 and 53.6 percent, respectively, for MY 2017/18, a consequence of reduced sugar prices on the world market. Industry contacts report a shift in the world sugar supply from roughly a four mmt deficit for MY 2016/17 (using October-September data) to a surplus of four mmt in MY 2017/18 (October-September). Moreover, hydrated ethanol has become price competitive due to the steady increase in gasoline prices in recent months, therefore attracting more sugarcane crushing for ethanol production.

ATO/São Paulo forecasts sugar production for MY 2018/19 at 34.2 mmt, raw value, down 4.7 mmt relative to MY 2017/18 (38.9 mmt). The CS states should account for 31.7 mmt, raw value, a decrease of 13 percent vis-à-vis MY 2017/18 (36.4 mmt). The NNE sugar production should remain stable at 2.5 mmt of sugar, raw value. Ethanol production for MY 2018/19 is projected at 29 billion liters, an increase of 1.1 billion liters from MY 2017/18 (27.9 billion liters).

The tables below show monthly sugar production for the state of São Paulo and the CS region for MY 2014/15 through MY 2017/18 (April-March), as reported by UNICA.

Sugar production in the state of Sao Paulo (Metric tons, tel quel)				
Month	**14 /15**	**15 /16**	**16/17**	**17/18**
April	1,077,798	918,009	2,300,450	1,288,587
May	2,874,125	2,214,282	2,664,338	2,661,791
June	3,564,842	3,123,877	2,567,001	3,713,219
July	3,407,713	3,009,722	4,050,934	4,424,127
August	4,003,035	3,948,623	3,780,409	3,837,644
September	2,734,179	2,719,062	3,597,998	4,117,046
October	2,894,877	3,056,703	2,948,163	2,654,635
November	1,136,646	1,318,035	1,701,824	1,334,388
December	203,879	755,491	358,447	399,326
January	9,542	80,523	23,158	2
February	2,485	41,441	12,987	3,328
March	20	381,687	242,435	32,270
Cumulative	21,909,141	21,567,455	24,248,144	24,466,363
Source: Brazilian Sugarcane Industry Association (UNICA).				

Sugar production in Center-South Brazil (Metric tons, tel quel)				
Month	**14 /15**	**15 /16**	**16/17**	**17/18**
April	1,499,504	1,448,957	3,251,370	1,839,645
May	3,935,971	3,198,629	3,758,251	3,874,688
June	4,905,573	4,507,387	4,005,985	5,373,876
July	4,787,076	4,256,943	5,958,645	6,538,817
August	5,815,997	5,733,292	5,527,064	5,715,100
September	4,137,377	4,067,628	5,381,011	5,996,254
October	4,404,882	4,279,266	4,317,215	3,881,055
November	1,952,698	1,909,386	2,503,409	1,982,544
December	506,583	1,032,089	506,695	620,147
January	28,066	120,054	46,854	6,623
February	6,250	62,677	28,310	9,641
March	7,120	605,179	342,710	46,849
Cumulative	31,987,097	31,221,487	35,627,519	35,885,239
Source: Brazilian Sugarcane Industry Association (UNICA).				

According to the Ministry of Agriculture, Livestock and Supply (MAPA), cumulative sugar production for the 2017/18 crop (from April 1, 2017 to March 15, 2018) was 37.7 mmt, tel quel. Ethanol production was reported at 27.3 billion liters - 10.96 billion liters of anhydrous ethanol and 16.63 liters of hydrated ethanol. The table below shows sugarcane, sugar and ethanol production by state for MY 2017/18, as reported by MAPA.

Cane, Sugar & Ethanol Production: 2017/18 Crop (MT and 000 Liters)					
			Ethanol		
State/Region	**Cane**	**Sugar**	**Anhydrous**	**Hydrous**	**Total**
Espirito Santo	2,380,655	126,842	7,737	13,282	90,652

Goias	70,342,396	2,234,055	1,086,005	3,529,351	4,615,356
Minas Gerais	64,213,875	4,219,282	1,003,539	1,683,373	2,686,912
Mato Grosso de Sul	45,737,941	1,476,472	851,209	1,711,361	2,562,570
Mato Grosso	16,078,165	410,524	568,908	897,929	1,466,837
Parana	37,233,352	2,925,115	577,873	697,449	1,275,322
Rio de Janeiro	872,099	35,374	0	46,416	46,416
Rio Grande Sul	44,822	0	0	2,485	2,485
Sao Paulo	345,407,446	23,763,568	5,930,253	6,982,446	12,912,699
Center South	**582,310,751**	**35,191,232**	**10,025,524**	**15,564,092**	**25,589,616**
Acre	0	0	0	0	0
Amazonas	222,127	11,866	0	4,845	4,845
Ceara	0	0	0	0	0
Maranhao	2,220,470	22,574	142,972	19,688	162,660
Para	976,712	45,851	43,472	8,086	51,558
Piaui	850,019	63,022	19,577	823	20,400
Rondonia	78,038	0	0	4,444	4,444
Tocantins	2,187,596	0	115,747	60,566	176,313
North	**6,534,962**	**143,313**	**321,768**	**98,452**	**420,220**
Alagoas	13,331,698	1,043,713	212,555	104,393	316,948
Bahia	3,539,738	160,067	74,714	105,931	180,645
Paraiba	5,764,236	158,982	181,061	177,223	358,284
Pernambuco	10,769,235	756,813	91,845	223,894	315,739
Rio Grande Norte	2,450,593	156,720	31,585	43,296	74,881
Sergipe	1,718,787	96,242	24,031	46,113	70,144
Northeast	**37,574,287**	**2,372,537**	**615,791**	**700,850**	**1,316,641**
TOTAL	**626,420,000**	**37,707,082**	**10,963,083**	**16,363,394**	**27,326,477**
Source: Ministry of Agriculture, Livestock and Supply-Sugar, Alcohol Dept, 03/29/2018					

Sugar and Ethanol Prices in the Domestic Market

The Crystal Sugar and Ethanol Indexes released by the University of Sao Paulo's College of Agriculture "Luiz de Queiroz" (ESALQ) follow. The Indexes track crystal sugar, anhydrous, and hydrated ethanol prices received by producers in the domestic spot market. Note the steady downward trend in sugar prices in the domestic market as of July 2017, due to the expected surplus in the world market for MY 2017/18 (October – September).

Crystal Sugar Prices - Domestic Market (Real, 50kg/bag, including tax).					
Period	**2014**	**2015**	**2016**	**2017**	**2018**
January	50.29	51.05	83.75	88.02	60.88
February	50.38	50.11	81.25	83.22	53.23
March	51.86	50.97	77.46	77.48	51.32
April 1/	51.70	51.57	76.00	74.28	53.52
May	51.49	51.20	75.68	76.96	
June	49.54	49.03	83.94	72.25	
July	47.07	47.85	86.65	61.18	

August	45.54	46.90	85.89	54.42	
September	44.76	51.06	87.83	52.41	
October	47.62	64.98	97.93	54.64	
November	50.97	76.44	98.06	64.40	
December	52.12	80.57	92.06	68.54	
Source: USP/ESALQ/CEPEA. 1/ April 2018 refers to April 3					

Consumption

There is no official source for domestic consumption of sugar in Brazil. ATO/São Paulo forecasts Brazilian sugar consumption for MY 2018/19 at 10.67 mmt, slightly up from MY 2017/18 (10.6 mmt), due to the expected improvement of the Brazilian purchasing power and natural population growth.

Exports

The sugar-ethanol industry remains driven by the continued estimated deficit in the international sugar market. Brazilian sugar exports for MY 2018/19 are projected to drop significantly to 23.6 mmt, raw value, from 28.2 mmt in MY 2017/18. Despite the fact that Brazil remains competitive on the global sugar market, the projected world sugar surplus has affected sugar-ethanol mill intentions to produce sugar for exports. Raw sugar exports should account for 18.88 mmt, raw value, whereas the remainder represents exports of refined sugar.

The following tables show Brazilian sugar exports by destination for MY 2016/2017, 2018/18 (April-February) and calendar year (CY) 2017, as reported by the Brazilian Secretariat of Foreign Trade (SECEX). Bangladesh, India, Algeria, and Malaysia are the major export destinations for Brazilian sugar.

Brazilian Sugar Exports (NCMs 1701.11, 1701.13 & 1701.14, MT, tel quel, US$ 000 FOB)						
	MY 2016/17 1/		**MY 2017/18 1/**		**CY2017 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Bangladesh	1,825,246	676,460	2,352,705	881,219	2,832,295	1,079,501
India	2,313,705	898,670	2,209,631	815,467	2,415,885	924,065
Algeria	1,837,426	686,752	1,996,733	747,517	2,146,778	847,702
Malaysia	1,514,460	560,014	1,489,157	557,765	1,684,211	651,317
Egypt	664,714	252,958	1,422,069	531,120	1,496,579	561,385
Iraq	863,439	300,289	1,176,014	442,461	1,391,837	527,005
UAE	600,820	226,887	1,418,905	529,368	1,305,214	491,095
Nigeria	1,217,473	462,383	1,181,111	435,931	1,191,662	475,634
Morocco	967,347	383,977	936,595	335,842	1,138,552	443,944
Saudi Arabia	966,757	377,028	1,041,405	386,669	1,049,329	420,641
Others	9,167,144	3,386,414	5,942,349	2,276,307	6,678,957	2,619,890
Total	21,938,533	8,211,832	21,166,674	7,939,665	23,331,299	9,042,181
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may add due to rounding 1/ April - Feb - 2/Jan - Dec.						

Brazilian Sugar Exports (NCM 1701.99.00, MT, tel quel, US$ 000 FOB)						
	MY 2016/17 1/		MY 2017/18 1/		CY2017 2/	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
UAE	782,778	316,564	985,738	371,929	978,134	379,615
Angola	299,003	135,630	368,863	160,929	420,296	192,480
Yemen	440,336	189,249	404,876	164,555	429,608	178,847
Saudi Arabia	206,473	92,412	295,212	112,481	346,802	138,753
South Africa	240,548	124,696	219,713	91,195	301,373	137,420
Benin	105,059	45,040	336,246	137,900	277,197	121,138
Myanmar	341,396	157,334	54,945	27,156	199,449	105,723
Ghana	117,842	52,807	212,796	88,624	237,807	105,458
Togo	129,351	59,305	226,428	92,219	206,384	90,696
United States	95,204	64,742	101,820	76,311	106,828	78,866
Others	1,993,640	871,268	1,664,358	723,496	1,858,449	835,822
Total	4,751,630	2,109,048	4,870,994	2,046,795	5,362,325	2,364,820
Source : Brazilian Foreign Trade secretariat (SECEX)						
Note : Numbers may add due to rounding 1/ April - Feb - 2/Jan - Dec.						

Stocks

Post forecasts total sugar ending stocks for MY 2018/19 at 850,000 mt, a decrease of 70,000 mt from the revised estimate for MY 2017/18 (920,000 mt). There is no official source for carry-over stocks of sugar in Brazil.

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
January	1.74	1.99	2.43	2.66	4.04	3.13	3.16
February	1.71	1.98	2.33	2.88	3.98	3.10	3.24
March	1.82	2.01	2.26	3.21	3.56	3.17	3.32
April 1/	1.89	2.00	2.24	2.98	3.45	3.20	3.31
May	2.02	2.13	2.24	3.18	3.60	3.26	--
June	2.02	2.22	2.20	3.10	3.21	3.30	--
July	2.05	2.29	2.27	3.39	3.24	3.13	--
August	2.04	2.37	2.24	3.65	3.24	3.15	--
September	2.03	2.23	2.45	3.98	3.25	3.17	--
October	2.03	2.20	2.44	3.86	3.18	3.27	--
November	2.10	2.32	2.56	3.85	3.40	3.26	--
December	2.04	2.34	2.66	3.90	3.47	3.31	--
Source : Brazilian Central Bank (BACEN) - Last day of month. 1/ April 2018 refers to April 3							

PS&D Statistics

Sugar Cane for Centrifugal	2016/2017		2017/2018		2018/2019	
Market Begin Year	Apr 2016		Apr 2017		Apr 2018	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	9900	9900	9900	9900	0	9900
Area Harvested	9450	9450	9450	9450	0	9450
Production	651500	651500	645000	639000	0	628000
Total Supply	651500	651500	645000	639000	0	628000
Utilization for Sugar	305553	305553	311535	296496	0	265016
Utilization for Alcohol	345947	345947	333465	342504	0	362984
Total Utilization	651500	651500	645000	639000	0	628000
(1000 HA) ,(1000 MT)						

Sugar, Centrifugal	2016/2017		2017/2018		2018/2019	
Market Begin Year	Apr 2016		Apr 2017		Apr 2018	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	750	750	850	850	0	920
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	39150	39150	40200	38870	0	34200
Total Sugar Production	39150	39150	40200	38870	0	34200
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	39900	39900	41050	39720	0	35120
Raw Exports	22800	22800	23680	22560	0	18880
Refined Exp.(Raw Val)	5700	5700	5920	5640	0	4720
Total Exports	28500	28500	29600	28200	0	23600
Human Dom. Consumption	10550	10550	10600	10600	0	10670
Other Disappearance	0	0	0	0	0	0
Total Use	10550	10550	10600	10600	0	10670
Ending Stocks	850	850	850	920	0	850
Total Distribution	39900	39900	41050	39720	0	35120

(1000 MT)