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Report Highlights:

Brazil's Marketing Year (MY) 2020/21 sugarcane crush is estimated at 650 Million Metric Tons (mmt), virtually unchanged from MY 2019/20 crop (647 mmt). Good rainfall volumes during Jan-Mar 2020 offset any initial concerns about the dry spell in sugarcane fields during Aug-Oct 2019. The COVID-19 pandemic and the oil price war between Russia and Saudi Arabia will drastically change the dynamics for the Brazilian sugar/ethanol industry during the MY 2020/21, negatively affecting the ethanol industry, therefore significantly increasing sugar production. The projection for the total sucrose (total reducing sugar, TRS) content diverted to sugar and ethanol production for MY 2020/21 is initially set at 46 and 54 percent, respectively, as opposed to 35 and 65 percent, respectively, for MY 2019/20. As a consequence, sugar exports for MY 2020/21 are forecast at 28.85 mmt, raw value, a significant increase of 9.55 mmt, raw value, compared to revised exports for MY 2019/20 (19.3 mmt, raw value).

Production

The Agricultural Trade Office (ATO)/Sao Paulo forecasts Brazil's marketing year (MY April-March) 2020/21 sugarcane crop at 650 million metric tons (mmt), roughly unchanged from the final estimate for MY 2019/20 (647 mmt). The center-south (CS) region is expected to harvest 600 mmt of sugarcane, marginally up by 5 mmt compared to the revised figure for the previous season (595 mmt).

Good rainfall volumes during January-March 2020 offset any initial concerns about the dry spell in sugarcane fields during August-October 2019. Sugarcane development in some fields is delayed by one to two months; however, it's been steadily recovering. The larger volume of 18-month sugarcane variety, e.g., sugarcane planted during January-March 2019 to be harvested in 2020, after a 16-18 month development cycle, also supports post projections for the CS region.

The crushing started in March 2020 and post contacts report that plants are adopting preventive measures against the COVID-19 pandemic. There were initial concerns about the measures that would be taken by the governors of the State of Sao Paulo and Goias to restrict several economic activities in order to limit the flow of people. However, decrees signed by the aforementioned governors, include the sugar-ethanol-energy industry as essential activity for the states, therefore granting a waiver to sugar-ethanol plants to operate.

North-Northeastern (NNE) production for MY 2020/21 is projected at 50 mmt, a decrease of two (2) mmt compared to the previous crop (52 mmt), assuming that regular weather conditions prevail until the beginning of the crop in the second semester of the year.

Brazil's total sugarcane area for MY 2020/21 is projected unchanged at 9.9 million hectares (ha). Industry contacts report that total sugarcane area for crushing is projected at 9.45 million ha, a one percent increase compared to previous crop. 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 Sao Paulo Secretariat of Agriculture.

Area Harvested to Sugarcane (1,000 ha).							
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Brazil	8,810.80	9,004.50	8,654.80	9,049.20	8,729.50	8,589.20	8,481.20
Sao Paulo	5,501.90	5,539.70	5,605.70	5,569.20	5,601.20	5,644.90	5,608.60
Sources: CONAB, IEA.							

ATO/Sao Paulo estimates MY 2020/21 agricultural yield at 68.78 metric tons (mt)/hectare (ha), virtually unchanged from the previous crop (69.35 mt/ha). The MY 2020/21 industrial yield is forecast at 136.69 kg of TRS (total reducing sugars)/mt, one percent down vis-à-vis last crop (138.46 mt/ha) due to the steady and large rainfall volume during the first quarter of 2020. The following table shows historic Brazilian yields measured in TRS per metric ton of sugarcane.

Sugarcane Industrial Yields (kg TRS/metric ton)					
	MY 16/17	**MY 17/18**	**MY 18/19**	**MY 19/20 1/**	**MY 20/21 1/**
TRS/ton	133.14	136.45	137.52	138.46	136.69
Source: USDA/FAS/ATO/Sao Paulo 1/Estimate					

The following tables show monthly sugarcane crush data for the state of Sao Paulo and the CS region for MY 2016/17 through MY 2019/20 (April-March), as reported by the Brazilian Sugarcane Industry Association (UNICA).

Sugarcane Crushed in the State of Sao Paulo (1,000 metric tons)				
Month	**16 /17**	**17 /18**	**18/19**	**19/20**
April	43,811	25,458	36,990	25,180
May	43,889	42,330	46,306	50,390
June	41,351	53,295	53,019	52,524
July	58,181	58,936	54,203	52,662
August	50,536	49,585	44,695	53,390
September	48,160	51,954	38,841	43,676
October	39,456	37,068	27,946	42,907
November	26,083	22,743	20,397	17,106
December	6,848	8,282	6,855	1,261
January	697	26	173	20
February	555	188	65	0
March 1/	6,421	7,277	3,848	933
Cumulative	365,990	357,142	333,338	340,048
Source: Brazilian Sugarcane Industry Association (UNICA). 1/ March 2020 up to March 15.				

Sugarcane Crushed in Center-Southern Brazil (1,000 metric tons).				
Month	**16 /17**	**17 /18**	**18/19**	**19/20**
April	69,171	41,945	60,170	45,628
May	72,199	70,264	75,418	83,347
June	74,221	87,222	88,060	89,079
July	96,514	98,907	92,880	90,906
August	83,731	84,512	77,214	90,831
September	80,409	85,933	66,601	74,813
October	64,004	62,664	50,607	70,403
November	41,453	38,721	36,103	30,772
December	10,349	13,073	15,459	3,309
January	1,771	587	1,120	214
February	2,071	1,308	823	629
March 1/	11,243	11,195	8,714	2,992
Cumulative	607,137	596,330	573,169	582,922
Source: Brazilian Sugarcane Industry Association (UNICA). 1/ March 2020 up to March 15.				

Sugar and Ethanol

The COVID-19 pandemic and the oil price war between Russia and Saudi Arabia will drastically change the dynamics for the Brazilian sugar/ethanol industry during the MY 2020/21. The ethanol market should be negatively affected by:

1. The likely decrease in the Otto cycle fuels demand (gasoline and hydrous ethanol) due to the slowdown of the Brazilian economy. Note that gasoline in Brazil has a mandatory 27 percent anhydrous ethanol blend.

2. Hydrous ethanol is losing competitiveness relative to gasoline due to the sharp reduction in gasoline prices. Note that consumer decisions to buy hydrous ethanol or gasoline at the pump are mainly driven by the ratio between hydrous ethanol and gasoline prices. The 70 percent ratio between hydrous ethanol and gasoline prices is the rule of thumb in determining whether flex car owners choose to fill up with hydrous ethanol (price ratio below 70 percent) or gasoline (price ratio above 70 percent). This decision is tied to the energy content of each fuel and the fact that ethanol's energy content is approximately 30 percent lower than gasoline.

As a consequence, sugar-ethanol plants should divert more sugarcane towards sugar production although global sugar consumption may also be impacted by the slowdown in the Brazilian and the world economy. The impact of quarantine policies on sugar demand is still unclear and will largely depend on the consumption habits and the share of sugar that is consumed directly by consumers vis-a-vis processed products, in addition to other issues, such as urbanization rates. Moreover, logistics and distribution will likely represent extra burden as disruptions in the flow of the product (inland transportation, ports, etc) might be an issue.

Therefore, the ATO/Sao Paulo projection for the total sucrose (total reducing sugar, TRS) content diverted to sugar and ethanol production for MY 2020/21 is initially set at 46 and 54 percent, respectively, as opposed to 35 and 65 percent, respectively, for MY 2019/20. ATO/Sao Paulo forecasts sugar production for MY 2020/21 at 39.48 mmt, raw value, an increase of 9.55 mmt relative to MY 2019/20 (29.93 mmt). The CS states should account for 36.5 mmt, raw value, up 9.4 mmt compared to the previous crop (27.1 mmt). The NNE sugar production should remain relatively stable at 2.98 mmt of sugar, raw value as opposed to 2.83 mmt in the previous season. Ethanol from sugarcane production for MY 2020/21 is projected at approximately 28 billion liters, a decrease of 6.9 billion liters from MY 2019/20 (34.9 billion liters).

The tables below show monthly sugar production for the state of Sao Paulo and the CS region for MY 2016/17 through MY 2019/20 (April-March), as reported by UNICA

Sugar Production in the State of Sao Paulo (Metric tons, tel quel)				
Month	**16 /17**	**17 /18**	**18/19**	**19/20**
April	2,300,450	1,288,587	1,587,271	896,261
May	2,664,338	2,661,791	2,344,445	2,460,600
June	2,567,001	3,713,219	3,000,593	2,832,346
July	4,050,934	4,424,127	3,443,977	3,035,918
August	3,780,409	3,837,644	2,783,609	3,223,921
September	3,597,998	4,117,046	2,341,665	2,646,859
October	2,948,163	2,654,635	1,373,240	2,458,387
November	1,701,824	1,334,388	959,922	775,230
December	358,447	399,326	256,274	28,022
January	23,158	2	2,185	0
February	12,987	3,328	680	0
March 1/	242,435	157,300	84,132	23,596
Cumulative	24,248,144	24,591,393	18,177,993	18,381,140
Source: Brazilian Sugarcane Industry Association (UNICA). 1/ March 2020 up to March 15.				

Sugar production in Center-Southern Brazil (Metric tons, tel quel)				
Month	**16 /17**	**17 /18**	**18/19**	**19/20**
April	3,251,370	1,839,645	2,250,044	1,382,273
May	3,758,251	3,874,688	3,261,570	3,475,214
June	4,005,985	5,373,876	4,273,632	4,082,023
July	5,958,645	6,538,817	5,017,555	4,423,054
August	5,527,064	5,715,100	4,098,579	4,651,032
September	5,381,011	5,996,254	3,446,968	3,835,497
October	4,317,215	3,881,055	2,082,798	3,432,103
November	2,503,409	1982,544	1,419,066	1,135,970
December	506,695	627,383	496,701	63,172
January	46,854	6,623	18,281	7,922
February	28,310	9,641	2,876	2,508
March 1/	342,710	213,881	147,911	40,832
Cumulative	**35,627,519**	**36,059,507**	**26,515,981**	**26,531,600**
Source: Brazilian Sugarcane Industry Association (UNICA). 1/ March 2020 up to March 15.				

According to MAPA, cumulative sugar production for the 2019/20 crop (from April 1, 2019 to March 01, 2020) was 29.43 mmt, tel quel. The table below shows sugarcane, sugar, and ethanol production by state for MY 2019/20, as reported by MAPA.

Cane, Sugar & Ethanol Production: 2019/20 Crop (MT and 1,000 Liters)					
			Ethanol		
State/Region	**Cane**	**Sugar**	**Anhydrous**	**Hydrous**	**Total**
Espirito Santo	2,883,950	137,546	105,342	13,576	118,918
Goias	74,506,184	1,777,169	775,063	4,671,470	5,446,533
Minas Gerais	67,268,039	3,124,364	1,022,456	2,532,205	3,554,661
Mato Grosso Sul	44,673,330	722,121	641,550	2,523,464	3,165,014
Mato Grosso	17,538,794	404,862	706,284	1,592,810	2,299,094
Parana	33,976,989	2,191,576	559,349	1,095,396	1,654,745
Rio de Janeiro	845,835	4,363	0	57,374	57,374
Rio Grande Sul	30,957	0	0	1,638	1,638
Sao Paulo	339,141,073	18,305,292	5,640,126	10,717,815	16,357,941
Center South	**580,865,151**	**26,667,293**	**9,450,170**	**23,205,748**	**32,655,918**
Acre	0	0	0	0	0
Amazonas	290,448	12,323	0	8,816	8,816
Ceara	0	0	0	0	0
Maranhao	2,338.551	23,313	142,248	25,813	168,061
Para	1,194,952	55,609	42,634	15,667	58,301
Piaui	1,249,037	84,029	16,804	29,653	46,457
Rondonia	86,419	0	0	4,623	4,623
Tocantins	2,241,059	0	81,536	84,835	166,371
North	**7,400,466**	**175,274**	**283,222**	**169,407**	**452,629**
Alagoas	15,929,424	1,269,310	197,069	278,432	475,501
Bahia	4,104,969	118,628	83,381	165,640	249,021
Paraiba	6,332,703	136,199	191,640	232,753	424,393
Pernambuco	12,295,971	848,469	112,294	319,864	432,158
Rio Grande Norte	2,781,391	137,433	22,861	100,826	123,687
Sergipe	1,937,251	82,152	21,997	88,423	110,420
Northeast	**43,381,709**	**2,592,191**	**629,242**	**1,185,938**	**1,815,180**
TOTAL	**631,647,326**	**29,434,758**	**10,362,634**	**24,561,093**	**34,923,727**
Source: Ministry of Agriculture, Livestock and Supply-Sugar, Alcohol Dept, 03/01/2020					

Sugarcane and Sugar Prices in the Domestic Market

Sugarcane prices received by third party suppliers for the major producing states are based on a formula that takes into account prices for sugar and ethanol in both in the domestic and international markets. The State of Sao Paulo Sugarcane, Sugar and Ethanol Growers Council (CONSECANA) was the first to develop this formula, and it is used for the state of Sao Paulo, which comprises 60 percent of center-south production.

CONSECANA reports that the average sugarcane price (cumulative through February 2020) for the state of Sao Paulo for the 2019/20 crop was R$0.6487 per kg of TRS, or approximately R$90.00 per ton of sugarcane.

Preliminary estimates from the Program for Continued Education in Economics and Business Management (PECEGE) connected to Escola Superior de Agricultura "Luiz de Queiroz" (ESALQ) shows that the price of total reducing sugar (TRS)/metric ton of sugarcane, e.g., the amount of sugar in the sugarcane available for sugar/ethanol production per metric ton, will drop sharply in the MY 2020/21 crop compared to initial projections earlier this year.

In January 2020 PECEGE projected the price of TRS R$ 0.7196/mt of sugarcane in the State of Sao Paulo for MY 2020/21. Recent projection indicates a drop of 16 percent in the TRS price to R$ 0.6012/mt. As a result, sugarcane suppliers (or third party sugarcane growers) in Sao Paulo should receive lower prices for the product delivered in the mills compared to the previous crop (TRS for MY 2019/20 is estimated at R$ 0.6487/mt).

The National Federation of Sugarcane Growers (Feplana), which represents roughly 60,000 third party suppliers/growers, forecast a sharp drop of 16 percent in sugarcane average prices for Brazil compared to last year.

The Crystal Sugar and Ethanol Indexes released by (ESALQ) track crystal sugar, anhydrous, and hydrated ethanol prices received by producers in the domestic spot market. It notes the sharp increase in sugar prices in the end of the Center-South MY 2019/20 crop due to expectations of a higher world sugar deficit for MY 2019/20 (October - September). It was projected at around 10-11.5 mmt, where it is currently estimated at roughly 7-8 mmt.

Crystal Sugar Prices - Domestic Market (Real, 50kg/bag, including tax).					
Period	**2016**	**2017**	**2018**	**2019**	**2020**
January	83.75	88.02	60.88	68.81	73.97
February	81.25	83.22	53.23	68.32	78.25
March	77.46	77.48	51.32	67.91	77.97
April 1/	76.00	74.28	54.89	68.45	77.83
May	75.68	76.96	54.27	69.09	
June	83.94	72.25	57.80	62.55	
July	86.65	61.18	55.11	59.70	
August	85.89	54.42	51.49	60.06	
September	87.83	52.41	60.68	61.68	
October	97.93	54.64	64.36	65.33	
November	98.06	64.40	67.73	66.13	
December	92.06	68.54	68.57	70.26	
Source: USP/ESALQ/CEPEA. 1/ April 2020 refers to April 6					

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
January	2.43	2.66	4.04	3.13	3.16	3.65	4.25
February	2.33	2.88	3.98	3.10	3.24	3.74	4.50
March	2.26	3.21	3.56	3.17	3.32	3.90	5.20
April 1/	2.24	2.98	3.45	3.20	3.48	3.94	5.25
May	2.24	3.18	3.60	3.26	3.74	3.94	
June	2.20	3.10	3.21	3.30	3.86	3.83	
July	2.27	3.39	3.24	3.13	3.75	3.76	
August	2.24	3.65	3.24	3.15	4.14	4.14	
September 1/	2.45	3.98	3.25	3.17	4.00	4.16	
October	2.44	3.86	3.18	3.27	3.72	4.00	
November	2.56	3.85	3.40	3.26	3.86	4.22	
December	2.66	3.90	3.47	3.31	3.87	4.03	
Source: Brazilian Central Bank (BACEN) - Last day of month. 1/ refers to April 6							

Consumption

There is no official source for domestic consumption of sugar in Brazil. ATO/Sao Paulo forecasts Brazilian sugar consumption for MY 2020/21 unchanged from the MY 2019/20 estimate at 10.65 mmt, raw value, given that according to the Brazilian Government, the Brazilian Gross Domestic Product (GDP) should remain flat during 2020 because of the COVID-19 pandemic.

Exports

Brazilian Sugar Exports (NCMs 1701.11, 1701.13 & 1701.14, MT, tel quel, US$ 1,000 FOB)						
	MY 2017/18 1/		MY 2018/19 1/		MY 2019/20 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Algeria	2,202	814,094	2,229	633,539	2,45	697,608
Bangladesh	2,615	963,895	1,987	551,993	1,916	534,611
Saudi Arabia	1,075	397,568	1,052	297,521	1,67	460,679
Nigeria	1,255	459,621	1,192	325,276	1,6	432,100
China	110	39,432	888	243,256	1,375	382,169
Iraq	1,26	469,114	1,159	339,444	1,1	300,386
India	2,31	828,174	1,656	464,177	902	261,176
Morocco	1,053	376,012	927	257,034	866	241,309
Un. Arab Emirates	1,435	535,022	1,041	290,249	703	192,129
Canada	978	382,067	806	242,188	597	167,931
Others	8,325	3,127,896	4,41	1,287,900	3,692	1,097,856
Total	22,618	8,392,895	17,347	4,932,576	16,870	4,767,954
Source : Trade Data Monitor (TDM) based on the Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may add due to rounding 1/ April - March						

Brazilian Sugar Exports (NCM 1701.99.00, MT, tel quel, US$ 1,000 FOB)						
	MY 2017/18 1/		MY 2018/19 1/		MY 2019/20 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Angola	402	173,379	292	92,005	285	91,261
Benin	382	154,081	271	84,602	210	66,202
Yemen	415	168,209	136	47,026	200	62,176
Togo	248	99,857	129	39,137	173	54,365
Venezuela	28	16,361	19	8,148	142	71,826
Ghana	241	98,411	109	34,4	141	45,043
Guinea	112	46,451	81	25,674	137	44,797
Gambia	162	65,505	113	35,149	110	34,243
United States	111	83,277	124	96,205	91	67,14
Senegal	147	65,934	10	3,075	81	28,705
Others	3,027	1,222,881	1,106	402,761	538	196,082
Total	5,276	2,194,346	2,389	868,182	2,107	761,839
Source : Trade Data Monitor (TDM) based on the Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may add due to rounding 1/ April - March						

On February 2019, Brazil filed a World Trade Organization (WTO) dispute related to the alleged domestic support provided by India in favor of agricultural producers of sugarcane and sugar. In January 2020, during President's Jair Bolsonaro trade mission to India, the Brazilian president decided to reassess the critical issue of sugarcane subsidies and pricing policies through bilateral consultations (see Sugar Semi Annual Report - BR2019-0018 for additional information).

Stocks

Post forecasts total sugar ending stocks for MY 2020/21 at 175,000 mt, a drop of 20,000 mt from the revised estimate for MY 2019/20 (195,000 mt). There is no official source for carry-over stocks of sugar in Brazil.

PS&D Statistics

SugarCane Centrifgal	2018/2019		2019/2020		2020/2021	
Market Begin Year	Apr 2018		Apr 2019		Apr 2020	
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	9330	9330	0	9450
Production	620000	620000	635000	647000	0	650000
Total Supply	620000	620000	635000	647000	0	650000
Utilization for Sugar	222580	222580	222250	226450	0	299000
Utilization for Alcohol	397420	397420	412750	420550	0	351000
Total Utilization	620000	620000	635000	647000	0	650000
(1000 HA) ,(1000 MT)						

Sugar, Centrifugal	2018/2019		2019/2020		2020/2021	
Market Begin Year	Apr 2018		Apr 2019		Apr 2020	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	920	920	220	220	0	195
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	29500	29500	29350	29925	0	39480
Total Sugar Production	29500	29500	29350	29925	0	39480
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	30420	30420	29570	30145	0	39675
Raw Exports	15680	15680	14896	15440	0	23080
Refined Exp.(Raw Val)	3920	3920	3724	3860	0	5770
Total Exports	19600	19600	18620	19300	0	28850
Human Dom. Consumption	10600	10600	10650	10650	0	10650
Other Disappearance	0	0	0	0	0	0
Total Use	10600	10600	10650	10650	0	10650
Ending Stocks	220	220	300	195	0	175
Total Distribution	30420	30420	29570	30145	0	39675
(1000 MT)						

Attachments:

No Attachments