Foreign Agricultural Service
GAIN Report
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Date: 9/11/2000

GAIN Report #BR0021

Brazil

Sugar

Semi-Annual

2000

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Report Highlights: ATO/São Paulo estimate for Brazilian sugarcane production for MY 2000/01 down 20 million metric tons (mmt) to 260 mmt due to dry weather and below average rainfall since early January. MY 2000/01 sugar production revised upward to 15.4 mmt, raw value due to revised sugarcane for sugar/alcohol breakdown to 43/57. Sugar exports estimated at 6.2 mmt, raw value, down 5.1 mmt from previous season due to lower availability of sugarcane for crushing and steady strong domestic sugar and alcohol prices. Alcohol supply and demand for current crop should be guaranteed through the reduction of the alcohol content in gasoline to 20 percent, the Government of Brazil and private owned alcohol stocks and larger amount of sugarcane going for alcohol production.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
São Paulo [BR3], BR

Executive Summary

ATO/São Paulo estimate for Brazilian sugarcane production for MY 2000/01 down 20 million metric tons (mmt) to 260 mmt due to dry weather and below average rainfall since early January. MY 2000/01 sugar production revised upward to 15.4 mmt, raw value due to revised sugarcane for sugar/alcohol breakdown to 43/57. Sugar exports estimated at 6.2 mmt, raw value, down 5.1 mmt from previous season due to lower availability of sugarcane for crushing and steady strong domestic sugar and alcohol prices. Alcohol supply and demand for current crop should be guaranteed through the reduction of the alcohol content in gasoline to 20 percent, the Government of Brazil and private owned alcohol stocks and larger amount of sugarcane going for alcohol production.

Statistical Tables

PSD Table						
Country	Brazil					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		05/1998		05/1999		05/2000
Area Planted	4600	4600	4700	4700	4700	4700
Area Harvested	4470	4470	4650	4650	4650	4650
Production	308000	308000	305000	305000	280000	260000
TOTAL SUPPLY	308000	308000	305000	305000	280000	260000
Utilization for Sugar	129000	129000	142000	142000	110000	112000
Utilizatn for Alcohol	179000	179000	163000	163000	170000	148000
TOTAL UTILIZATION	308000	308000	305000	305000	280000	260000

PSD Table						
Country	Brazil					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		05/1998		05/1999		05/2000
Beginning Stocks	560	560	1010	1010	1110	710
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	18300	18300	19700	20100	14500	15400
TOTAL Sugar Production	18300	18300	19700	20100	14500	15400
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	18860	18860	20710	21110	15610	16110
Raw Exports	5900	5900	6700	7400	4000	4200
Refined Exp.(Raw Val)	2850	2850	3800	3900	2000	2000
TOTAL EXPORTS	8750	8750	10500	11300	6000	6200
Human Dom. Consumption	9100	9100	9100	9100	9200	9250
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	9100	9100	9100	9100	9200	9250
Ending Stocks	1010	1010	1110	710	410	660
TOTAL DISTRIBUTION	18860	18860	20710	21110	15610	16110

Export Trade Matrix			
Country	Brazil		
Commodity	Centrifugal Sugar		
Time period	May-Apr.	Units:	Metric Tons
Imports for:	1998		1999
U.S.	172,616	U.S.	152,515
Russia	2,189,836	Russia	3,896,920
Egypt	939,352	Egypt	898,868
Iran	257,000	Iran	572,188
Nigeria	729,086	Nigeria	496,676
India	77,750	India	431,550
UAE	495,558	UAE	395,006
Canada	142,376	Canada	418,127
Sri Lanka	256,900	Sri Lanka	276,150
Morocco	366,403	Morocco	280,174
Saudi Arabia	152,000	Saudi Arabia	252,983
Others not Listed	3,076,969		3,075,842
Grand Total	8,855,845		11,146,999

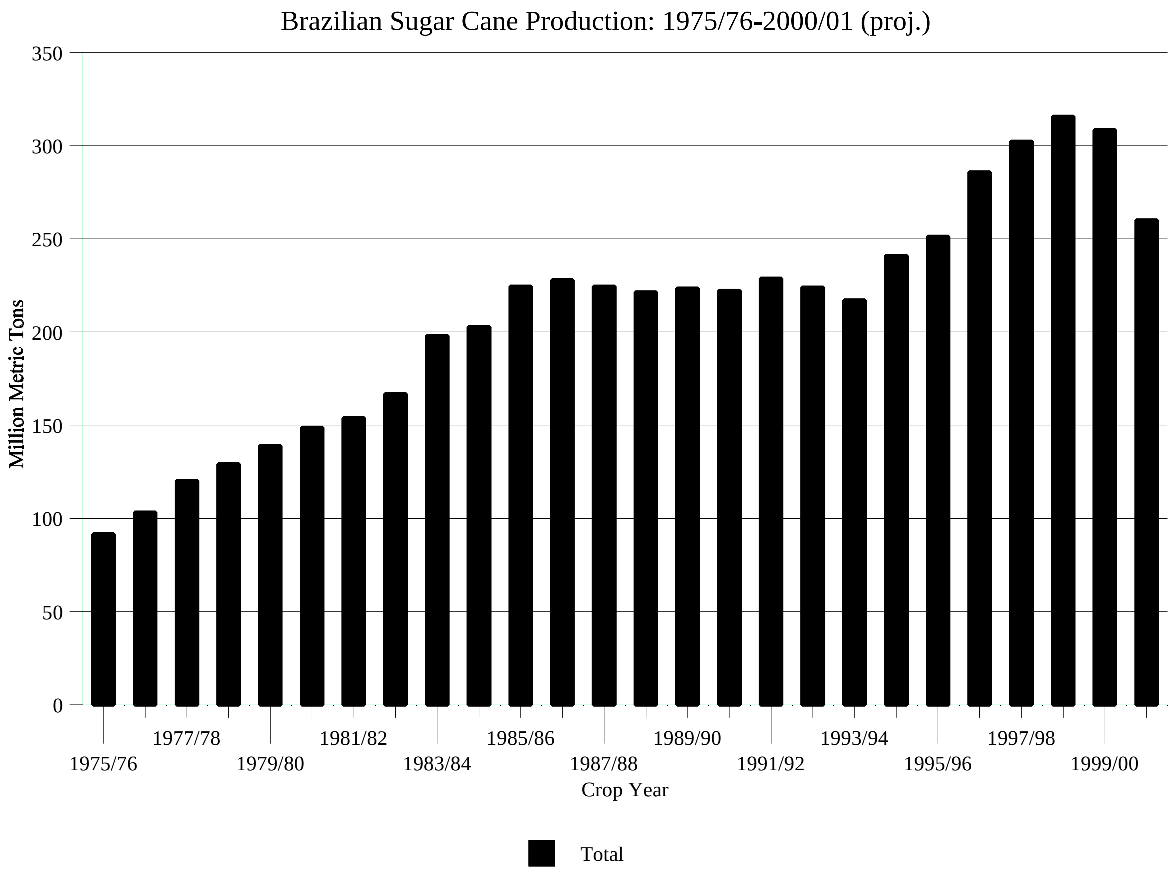
Prices Table			
Country	Brazil		
Commodity	Centrifugal Sugar		
Prices in	Reais	per uom	50-kg bags
Year	1999	2000	% Change
Jan	11.33	19.04	68.05%
Feb	12.05	19.81	64.40%
Mar	11.8	18.61	57.71%
Apr	9.68	18.63	92.46%
May	8.57	16.09	87.75%
Jun	8.94	18.86	110.96%
Jul	9.83	21.43	118.01%
Aug	10.32	25.43	146.41%
Sep	14.49	--	-100.00%
Oct	16.23	--	-100.00%
Nov	15.7	--	-100.00%
Dec	18.52	--	-100.00%
Exchange Rate	1.82	Local currency/US $	

Production

Sugarcane

Total Brazilian sugarcane production estimate for marketing year (MY) 2000/01 (May-Apr.) has been revised downward to 260 million metric tons (mmt). The center-south (CS) region is likely to contribute 212 mmt, a 11 percent drop compared to previous estimate and a 21 percent reduction relative to previous MY, due to below average rainfall since January and persistent dry weather in producing areas since April. The frost that occurred in mid-July affected to some extent sugarcane production in Parana and Mato Grosso do Sul, and marginally the state of São Paulo. On the other hand, north-northeastern (NNE) states are likely to account for 48 mmt, up 10 mmt from last season due to favorable weather that prevailed in producing areas this year.

The harvest season in the CS started in May-June, later than normal, and it is currently in progress. The end of the CS crushing period is likely to happen in October-November, earlier than previous crops, due to the lower availability of sugarcane. The NNE harvest season has just begun and should continue through February-March 2001.



Source: MinAg / Note: 2000/01 USDA projection.

The tables below show official sugarcane crush data, sugar and alcohol (anhydrous and hydrous) production by state for 1999/00 and 2000/01 crop years, as reported by the Brazilian Government's Ministry of Agriculture (MAA). Note that the official CS and NNE crop years are April-March and September-August, respectively. The figures show cumulative figures through mid-July for the 2000/01 crop.

Cane, Sugar and Alcohol Production by State and Region: 1999/2000 Crop					
(000 MT and Million Liters)					
			Alcohol		
State/Region	Cane	Sugar	Total	Anhydrous	Hydrous
Alagoas	19,315.2	1,215.5	550.5	332.4	218.1
Paraiba	3,418.5	78.0	201.6	98.1	103.5
Pernambuco	13,295.4	856.0	340.4	153.8	186.7
Rio Grande do Norte	1,892.6	96.8	68.8	34.6	34.1
Sergipe	1,163.3	48.5	46.8	19.1	27.8
Bahia	2,187.6	144.9	65.3	34.1	31.2
Ceara	131.2	8.2	2.4	--	2.4
Maranhão	938.2	23.5	57.2	43.4	13.7
Para	521.3	16.0	25.5	14.2	11.3
Piaui	218.0	--	15.4	6.5	9.0
Tocantins	--	--	--	--	--
NNE	43,081.3	2,487.3	1,374.1	736.2	637.9
Espirito Santo	2,126.9	45.3	126.2	88.7	37.5
Goias	7,152.1	368.5	314.9	127.5	187.4
Minas Gerais	13,538.9	802.1	643.8	373.8	270.0
Mato Grosso do Sul	7,786.5	319.7	371.0	180.7	190.3
Mato Grosso	10,131.0	485.1	544.2	319.8	224.4
Parana	24,311.2	1,430.2	1,050.3	411.6	638.7
Rio de Janeiro	4,887.4	353.6	116.7	70.3	46.4
Rio Grande do Sul	64.0	--	4.0	--	4.0
Santa Catarina	--	--	--	--	--
São Paulo	197,006.0	13,088.1	8,527.3	3,826.6	4,700.7
C-S	267,004.1	16,892.7	11,698.5	5,399.0	6,299.4
TOTAL	310,085.3	19,380.0	13,072.5	6,135.2	6,937.3
Source: MinAg, Sec. de Produção e Comercialização, Dept. do Açúcar e Álcool, 16/07/00					

Cane, Sugar and Alcohol Production by State and Region: 2000/01 Crop (000 MT and Million Liters)					
			Alcohol		
State/Region	Cane	Sugar	Total	Anhydrous	Hydrous
Alagoas	--	--	--	--	--
Paraiba	--	--	--	--	--
Pernambuco	--	--	--	--	--
Rio Grande do Norte	--	--	--	--	--
Sergipe	--	--	--	--	--
Bahia	454,310	48.3	9.8	5.4	4.4
Ceara	15,919	1.2	--	--	--
Maranhão	176,220	0.8	9.3	7.7	1.7
Para	38,975	--	2.5	--	2.5
Piaui	--	--	--	--	--
Tocantins	--	--	--	--	--
NNE	685,424	50.2	21.6	13.1	8.5
Espirito Santo	849,266	20.5	49.7	28.1	21.6
Goias	2,727,591	146.7	123.2	55.5	67.7
Minas Gerais	4,494,078	235.3	168.2	94.2	74.0
Mato Grosso do Sul	1,645,361	55.7	85.7	53.0	32.7
Mato Grosso	4,069,904	188.8	206.4	128.2	78.1
Parana	5,111,459	264.9	250.2	77.8	172.4
Rio de Janeiro	1,672,167	129.2	39.2	27.7	11.5
Rio Grande do Sul	--	--	--	--	--
Santa Catarina	--	--	--	--	--
São Paulo	55,402,150	3,450.2	2,344.9	1,238.3	1,106.6
C-S	75,971,976	4,491.2	3,267.6	1,702.7	1,564.8
TOTAL	76,657,400	4,541.4	3,289.1	1,715.8	1,573.4
Source: MinAg, Sec. de Produção e Comercialização, Dept. do Açúcar e Álcool, 16/07/00					

Area

Post estimate for area planted to sugarcane for the MY 2000/01 crop remains unchanged at 4.7 million hectares. Industry contacts indicate that the sugarcane replanting rate has occurred at a higher pace than usual since the beginning of the year, to partially offset the lower renewal rate of the last few season. Improved domestic sugar and alcohol prices have supported cane planting activities. Many producers have chosen "annual cycle" sugarcane varieties which will already yield in next crop season as opposed to "long cycle" varieties which would be ready to cut in about 18 months. The availability of sugarcane seedstock could limit replanting. Sugarcane production for MY 2001/02 should be similar to the current crop, since growers still have to balance their area for production and area for replanting ratio, especially in the CS region.

Yields

The average yield for sugarcane production in MY 2000/01 is forecast at 55.9 tons per hectare, down 15 percent from previous season, mainly due to weather problems in the CS region, low sugarcane replanting rate and lower level of input utilization the past few years. The industrial yield is expected to be slightly above last crop due to expected higher sucrose and low cane water content levels, a result of the dry weather that has prevailed since April.

Genetically Modified Varieties (GMV)

As reported by COPERSUCAR, its research center has conducted tests for GMV for insect and disease resistance. All experiments are registered at the National Technical Committee for Biosafety (CTN-Bio), the Brazilian Government institution responsible for biotechnological issues. COPERSUCAR reports that no "commercial" use of such varieties has been done yet, since the commercialization of such products has not yet been approved by the GOB.

Sugar and Alcohol

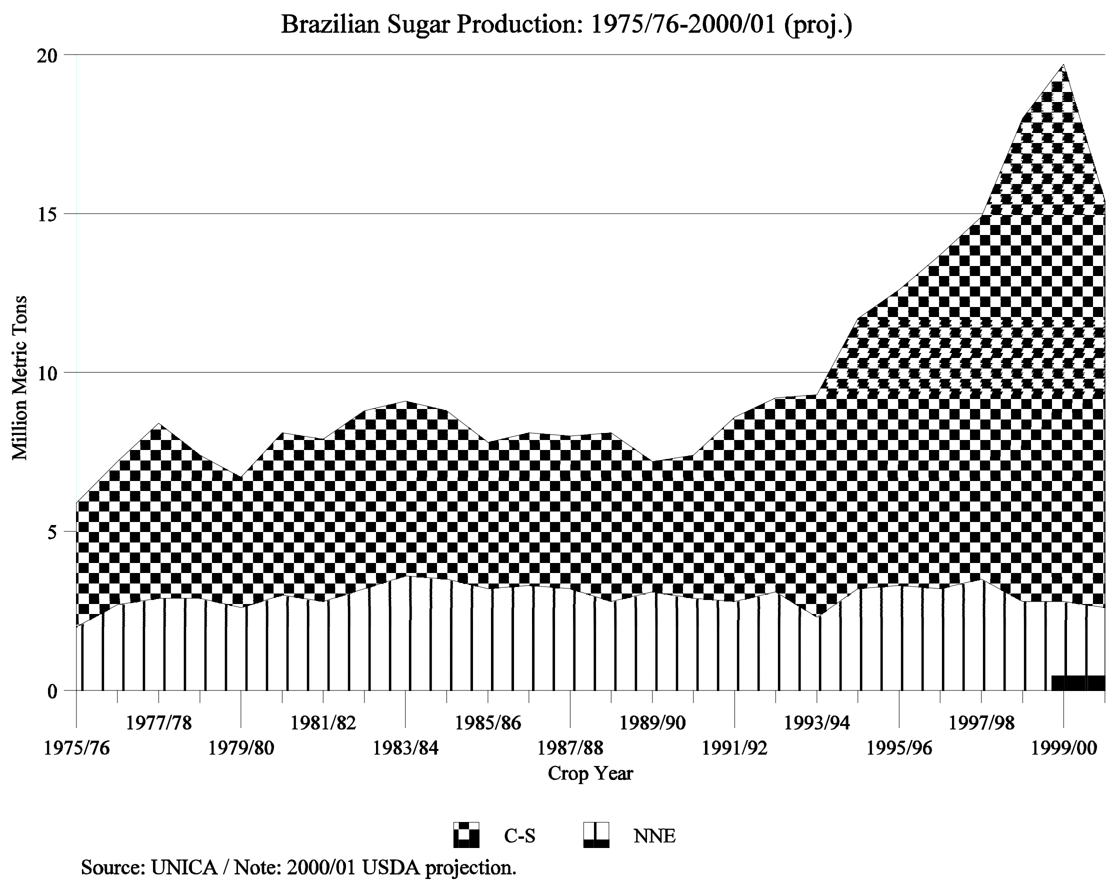
ATO/São Paulo estimates that 112 mmt of cane, approximately 43 percent of total sugarcane production, will be directed to sugar production in MY 2000/01, whereas the remainder will go for alcohol production. The expected sugarcane to sugar/alcohol ratio reverts the upward trend in sugar production that characterized the past crops. According to post contacts, total reduced sugar (TRS) production for MY 2000/01 is estimated to be 20 percent lower than the previous crop for the CS region.

Post estimates total Brazilian sugar production at 15.4 mmt, raw value, up 900,000 mt compared to previous season, but down 4.7 mmt from revised estimate for MY 1999/00 (20.1 mmt, raw value). This shift toward alcohol production reflects the need to increase domestic alcohol production to supply the domestic market. Industry contacts estimate total alcohol production ranging between 11.5 and 12 billion litters.

Sugar and Alcohol Prices in the Domestic Market

Crystal Sugar Index released by the College of Agriculture “Luiz de Queiroz” (ESALQ) follows. The Crystal Sugar Index tracks crystal sugar prices in the domestic spot market. Note the reversion of the downward trend in sugar prices related to the beginning of the CS harvest as of May. The increase in international sugar prices strengthened domestic prices during the following months.

The following table shows alcohol prices in the domestic market since 1998. The sharp increase in July and August 2000 prices is a consequence of the initially expected shortage of alcohol supply. Sugar and alcohol prices have increased since June 1999 due to the expected and currently confirmed drop in the MY 2000/01 crop. These price levels allow sugar/alcohol producers to pay their short term debts and invest in replanting and crop management, characterizing a recovery scenario for the sector. Post contacts also report that sugarcane prices for the current crop have been R$ 30-35 per ton, thus capitalizing growers.



Sugar Prices in the Domestic Market (Real, 50kg/bag, including tax).				
Period	1997	1998	1999	2000
January	n/a	15.74	11.33	19.04
February	n/a	15.86	12.05	19.81
March	n/a	16.35	11.80	18.61
April	n/a	18.32	9.68	18.63
May	13.80	15.46	8.57	16.09
June	12.90	12.76	8.94	18.86
July	12.70	11.44	9.83	21.43
August	12.98	11.56	10.32	25.43
September	13.93	11.41	14.49	--
October	14.93	9.73	16.23	--
November	15.36	10.31	15.70	--
December	15.32	11.12	18.52	--

Source: USP/ESALQ/CEPEA
1/ August price refers to average price between Aug. 23 and Aug 30.

Fuel Alcohol Prices: State of São Paulo (R$/000 liters).						
	Anhydrous			Hydrated		
Month	1998	1999	2000	1998	1999	2000
January	n/a	297.32	458.85	n/a	413.40	549.72
February	n/a	292.60	456.63	n/a	250.29	549.49
March	n/a	271.70	463.37	n/a	227.60	547.88
April	n/a	238.56	472.14	n/a	176.55	539.22
May	364.20	200.67	467.00	413.40	165.32	525.20
June	363.20	262.64	477.28	413.40	213.76	525.24
July	356.00	308.65	635.34	413.40	226.59	702.03
August 1/	350.70	297.61	666.98	413.40	224.53	752.13
September	331.60	324.99	--	413.40	328.19	--
October	292.30	374.57	--	413.40	394.59	--
November	256.00	428.22	--	413.40	518.81	--
December	259.80	452.71	--	413.40	539.44	--

Source: USP/ESALQ/CEPEA
1/August 2000 refers to week of 21-25.

Consumption

ATO/São Paulo has adjusted upward the total Brazilian sugar consumption estimate for MY 2000/01 to 9.25 mmt, raw value, up 50,000 mt from previous estimate to reflect the Brazilian net population growth. According to industry contacts, approximately 35-45 percent of domestic sugar consumption is industrial, mainly to the soft drink sector, but also to the chocolate, ice-cream, cracker and "pasta" (massas) sectors; while the remaining 55-65 percent is direct consumption.

Trade

Exports

ATO/São Paulo has revised upward total Brazilian sugar exports for MY 2000/01 to 6.2 mmt, raw value, up 200,000 mt from previous estimate, but down 5.1 mmt from revised estimate for MY 1999/00. The smaller sugarcane crop, and current favorable domestic sugar and alcohol prices are likely to result in lower availability of the product for export markets. According to industry contacts, approximately 80 percent of this volume has already been contracted.

The following tables show Brazilian sugar exports by destination for MY 1998/99 and 1999/2000 (May-April), as reported by the Brazilian Secretariat of Foreign Trade (SECEX).

Brazilian Sugar Exports by Country of Destination. Sugar (NCM 1701.11.00, Metric Ton, Tel Quel, 1,000 US$ FOB)

	MY 1998/99 1/		MY 1999/2000 1/	
Country	Quantity	Value	Quantity	Value
Russia	2,002,836	367,336	3,701,135	518,397
Egypt	346,897	68,740	444,088	57,591
Iran	180,900	34,461	429,395	57,929
Canada	133,406	27,332	397,797	53,724
UAE	490,658	99,541	388,501	50,571
Morocco	300,577	57,476	273,674	37,544
Saudi Arabia	152,000	32,285	247,983	33,443
Malaysia	89,388	18,101	245,376	34,413
Romania	106,020	21,621	171,637	24,751
Bulgaria	71,400	12,900	166,824	21,411
United States	169,544	72,533	146,256	57,908
Others	976,424	206,949	867,740	129,195
Total	5,020,050	1,019,275	7,480,405	1,076,876
Source: Brazilian Secretariat of Foreign Trade (SECEX) Obs. Numbers may not add due to rounding; 1/May-April.				

Brazilian Sugar Exports by Country of Destination. Sugar, Others (NCM 1701.99.00, MT, Tel Quel, 1,000 US$ FOB)				
	MY 1998/99 1/		MY 1999/2000 1/	
Country	Quantity	Value	Quantity	Value
Nigeria	715,086	165,123	459,426	79,123
Egypt	592,455	126,071	454,780	75,518
India	77,750	17,309	397,950	63,986
Sri Lanka	228,900	46,760	248,150	37,386
Yemen	167,450	35,143	218,300	33,860
Russia	187,000	33,906	195,785	25,176
Argelia	73,100	16,113	169,500	27,360
Somalia	105,750	22,506	161,402	24,388
Iran	76,100	14,542	142,793	25,503
Ghana	163,350	36,743	127,270	21,623
Canada	8,970	2,159	20,330	3,800
Others	1,439,884	313,127	1,070,908	185,827
Total	3,835,794	829,502	3,666,594	603,551
Source: Brazilian Secretariat of Foreign Trade (SECEX) Obs. Numbers may not add due to rounding; 1/May-April.				

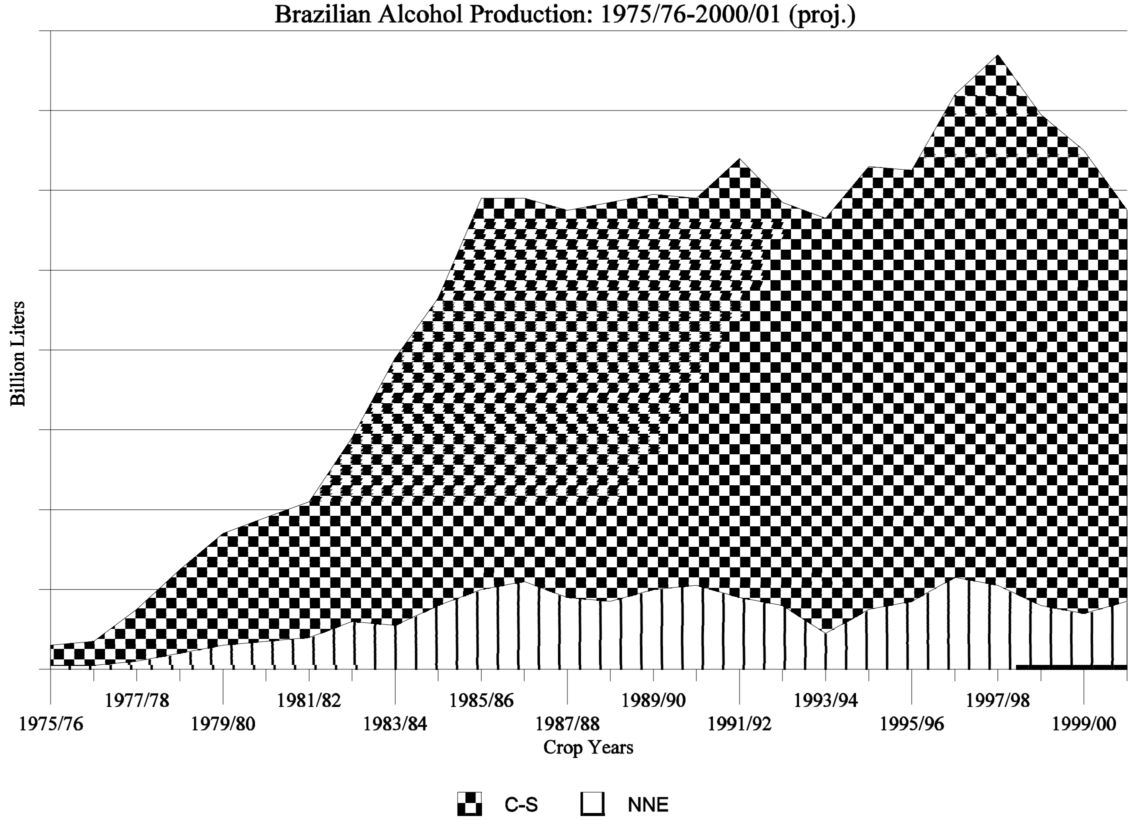
Stocks

ATO/São Paulo has revised downward domestic carrying over stocks for MY 1999/2000 to 710,000 mt, raw value due to higher than expected sugar exports. Sugar ending stocks for MY 2000/01 are projected at 660,000 mt, raw value, up 200,000 mt from previous estimate, due to higher than expected sugar production.

Policy

On August 4, the GOB reduced the alcohol content in the gasoline from 24 to 20 percent to balance the alcohol supply and demand and reduce upward trend on local alcohol prices and the related impact on the inflation rate. On August 17, the GOB sold approximately 100 million litters of hydrous alcohol from its stocks through an official auction in order to supply the market. The auctions should continue through the season. The private company “Brasil Alcool”, owned by sugar/alcohol producers, also decided to sell its alcohol stocks to supply the market According to industry contacts, the aforementioned measures plus the 43/57 percent sugarcane breakdown for sugar/alcohol should guarantee domestic alcohol domestic supply for the current season. While press sources indicate that ADM sold 200 million gallons of alcohol to Brazil, local contacts in the industry and Petrobras, the national petroleum company, are unable to verify the transaction and buyer.

Brazilian Alcohol Production: 1975/76-2000/01 (proj.)



Source: UNICA / Note: 2000/01 USDA projection.

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)				
Month	1997	1998	1999	2000
January	1.05	1.12	1.92	1.80
February	1.05	1.13	2.03	1.77
March	1.06	1.14	1.77	1.75
April	1.06	1.14	1.66	1.81
May	1.07	1.15	1.72	1.82
June	1.08	1.16	1.77	1.80
July	1.08	1.16	1.79	1.78
August	1.09	1.18	1.81	1.82
September	1.10	1.19	1.92	--
October	1.10	1.19	1.95	--
November	1.11	1.20	1.92	--
December	1.12	1.21	1.79	–