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# Brazil's Sugar Exports Reached New Record in 2020

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## Summary

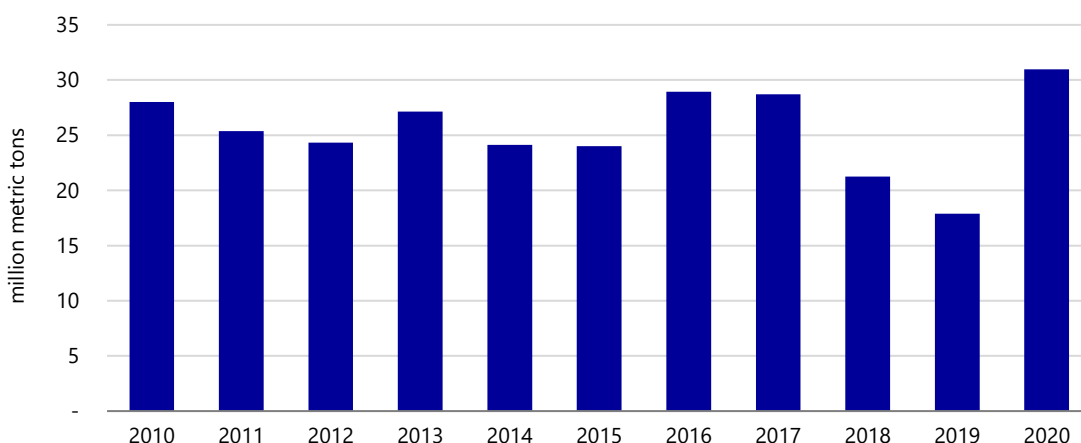
Brazil's sugar exports in calendar year 2020 reached 30.9m metric tons, a new record for the country that has long been the world's leading sugar exporter. It represents an increase of some 70% on 2019 exports.

Our preliminary view is that in 2021 the Centre/South will struggle to match the spectacular sugar production and export performance achieved in 2020.

## What's the Story Behind Such a Strong Surge in Exports?

Part of the reason behind Brazil's performance in 2020 was the spectacular harvest in the Centre/South region, which began in April 2020 and was more or less over by the end of November. Dry weather for most of the harvest period helped to boost cane quality (as measured by its total content of sugars, i.e. sucrose and others) to the highest level seen in more than a decade. In addition, despite the dry conditions, average cane yield did not suffer any decline, and was slightly higher than in the previous season.

Figure 1: Brazil – sugar exports by calendar year



Source: MAPA, SECEX 2021

## Increase in Volume and Quality of Cane Available for Milling

One of the commonly heard truisms of the sugar sector is that sugar is produced in the field, and is merely extracted in the mill. And in 2020 it was certainly the case that a bumper crop was produced in the field. Rabobank estimates that the 2020 harvest saw a 1.6% increase in the volume of cane available for milling, and a 4.7% increase in cane quality, in comparison with 2019. This means that the total sugars available to be processed into sugar or ethanol by the mills increased by 6.4% in 2020. However, this doesn't sound like a big increase in comparison with the 62% leap in sugar exports – so what else happened?

## Ethanol Market Turmoil

The ethanol market was in turmoil in the run-up to the onset of harvesting in 2020. In March, measures to combat the pandemic caused local fuel demand to plummet, and rock-bottom international oil prices suggested that fuel prices could be subdued for a long time. The prospects for ethanol prices and sales volumes looked uncertain, to put it mildly. Meanwhile, international sugar prices had also taken a hit, but the dramatic devaluation of the Brazilian real meant that, in local currency terms, sales of sugar to the world market looked very attractive.

As a result, mills opted to maximize the share of the cane crop processed for sugar, as markets gave them many opportunities to lock in very good prices – and not only for sugar produced in 2020, but also for forthcoming crops in 2021 and 2022. While in 2019, the share of total cane milled in the Centre/South used for sugar production was just 34% (with ethanol paying better than sugar), in 2020 this figure rose sharply to an estimated 46%.

With this swing in the industry's product mix, the region's sugar production rose from 26.5m metric tons in April-December 2019 to an estimated 38.2m metric tons in the same period of 2020, a gain of 44% and an increase in absolute terms of 11.7m metric tons. To put this gain in perspective, among other producers only India and the EU achieved an *annual output* of sugar higher than 11.7m metric tons in the international (Oct/Sep) 2019/20 crop year.

## Prospects for 2021/22

As 2021 begins, sugar market participants around the world will be doing the maths to determine the prospects for the 2021/22 Centre/South campaign, scheduled to begin in March/April. Our preliminary view is that in 2021 the Centre/South will struggle to match the spectacular sugar production and export performance achieved in 2020. More details will be available in our *Brazil Agribusiness Outlook 2021*, scheduled for release in late January.

# Imprint

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