

**Required Report:** Required - Public Distribution

**Date:** April 20, 2023

**Report Number:** CO2023-0009

## **Report Name:** Sugar Annual

**Country:** Colombia

**Post:** Bogota

**Report Category:** Sugar

**Prepared By:** FAS Bogota Staff

**Approved By:** Adam Klein

### **Report Highlights:**

In marketing year (MY) 2023/24, Colombia's sugar production is forecast to increase 2.2 percent to 2.35 million metric tons (MT), due to the end of "La Niña" weather phenomena and the beginning of "El Niño" weather phenomena. Although warmer weather conditions and rising international sugar prices are expected to support higher sugar production, the upward trend of input costs, primarily transportation and labor, as well as social unrest in some sugarcane planted areas, will likely prevent productivity increases in the second half of 2023 and 2024. Colombia's economy is projected to slow in 2023, after a GDP growth of 7.5 percent in 2022, as a result of high inflation and domestic monetary policy.

## Commodities

### Sugar centrifugal

#### Production

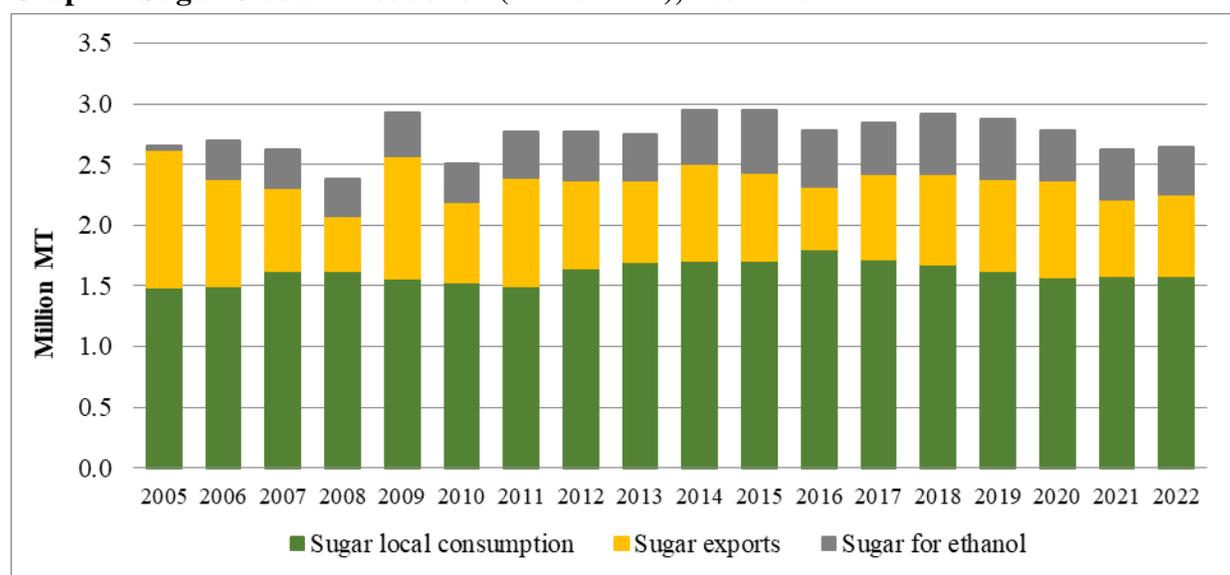
In MY 2023/24, Colombia sugar production is forecast to increase 2.2 percent to 2.35 million metric tons (MT) in raw value basis (RV), due to the end of *La Niña* weather phenomena and the beginning of *El Niño* phenomena, which is forecast to start by the second half of 2023, and will bring warmer weather and less precipitation. Harvested area is forecast to remain unchanged at 183,000 hectares (ha). Although warmer weather conditions and rising international sugar prices are expected to support higher sugar production, the upward trend of input costs, primarily transportation and labor, as well as social unrest in some sugarcane planted areas will likely prevent higher increases in productivity in the second half of 2023 and 2024.

In MY 2022/23, Post's revised production estimate remains unchanged from the previous year at 2.3 MT. Although excessive rains from *La Niña* between October 2022 and March 2023 affected the sucrose content and harvest processes, producers increased harvested area by nearly 7 percent which compensated lower productivity. The increase in harvested area was driven by rising sugar prices as a result of Colombia's peso devaluation and high international sugar prices, and the effects from the national strike in 2021, which delayed the harvest time of the preceding year. Since 2014, some sugarcane producing areas located in the north of the Cauca department and south of Valle department have been affected by social unrest due to land ownership issues. The Colombian Association of Sugar Producers (Asocaña) estimates nearly 6,000 to 7,000 ha are currently affected by land disputes. The expected fertilizer shortage from disruptions in supply chains caused by the Russian invasion of Ukraine did not materialize in the sugar sector as some of the largest sugar mills have managed to develop bio-fertilizers based on sugarcane sub-products to alleviate the rising input costs.

Colombia's 14 sugar mills and a majority (6 out of 7) of its ethanol facilities are in the Cauca River Valley, which spans six Colombian departments. There are about 245,000 hectares of sugarcane planted in the Cauca River Valley, which is close to the total agricultural land available that can be planted in the region. On average, and under normal weather conditions, the Cauca River Valley harvests about 80 percent of the available sugarcane area, and the rest of the land remains idle as part of a land management strategy. Approximately 70 percent of the sugarcane is harvested by machines with the remaining harvested by hand. According to local industry, Colombia's sugarcane sector generates 286,000 jobs. The Cauca River Valley is one of the most efficient sugarcane producing regions in South America. Average sugarcane yield is estimated at 113 MT per hectare. As area available for sugarcane is almost completely planted, changes in productivity are dependent on weather conditions and farmer application of technological improvements developed by the Colombian Sugar Industry Research Center (CENICAÑA).

Some of the facilities for ethanol and sugar production are located in close proximity, which allows sugarcane to be devoted for processing either product. Since distilleries began producing ethanol in 2005, domestic ethanol demand has offset sugar exports significantly, about 30 to 40 percent annually (see graph 1 below). In calendar year (CY) 2022, sugarcane crushing marginally increased 0.6 percent compared to the previous year. Local sugar consumption and production remain almost unchanged from the previous year, while ethanol production decreased 12.5 percent and sugar exports increased 7.6 percent. Under adverse weather conditions and high sugar prices, sugar producers preferred to prioritize sugar production over ethanol. As a result, Colombia’s ethanol blend mandate decreased from ten percent to lower levels, mostly four percent.

**Graph 1. Sugar Cluster Production (million MT), 2005 - 2022**



Source: Post calculations based on the information from the Colombian Association of Sugar Producers (Asocaña)

Since January 2001, local sugar prices in Colombia are subject to a price stabilization system called the Sugar Price Stabilization Fund (FEPA). More information can be found below in the Policy section. The Colombian government designed FEPA as a tool for protecting local producers from fluctuations in international sugar prices.

### Non-Centrifugal Sugar

In CY 2022, non-centrifugal sugar (known as panela) production decreased 7 percent from the previous year to 1.0 million MT with an estimated harvested area of 160,000 ha. Sugarcane for panela production was highly affected by increasing production costs, primarily labor, and wet weather conditions that affected productivity and harvest processes. Sugarcane for panela is planted in dispersed areas countrywide in highlands in 29 out of 32 departments of Colombia, with 80 percent of production concentrated in eight departments. According to the Panela Producers Association (Fedepanela), there are an estimated 18,500 crushing/milling facilities.

In 2022 panela prices started a downward trend to an average of COP \$3,098 per kilogram (\$0.81), a 5 percent decrease, due to slower demand given Colombia's high inflation rates and changes in consumption patterns.

## **Consumption**

Despite the entrance into force in the second half of 2023 of new taxes targeting sugar drinks and other nutrition regulations, such as mandatory front-of pack labeling for processed products with high content of added sugar (see [GAIN Report CO2022-0026](#)), in MY 2023/24, sugar consumption is forecast to marginally increase 1.8 percent, with a trend to stagnate. Despite the increased use of sweeteners in sugar drinks, warmer weather conditions due to *El Niño* and the increasing household consumption of sugar will offset the overall sugar consumption in Colombia's population.

In MY2022/23, Post revised Colombian sugar consumption to 1.88 million MT, a 0.8 percent increase from the previous USDA official estimate, driven by the recovery of the economy and the increase in household consumption, which accounted for 60 percent of the total consumption in MY2022/23, according to Asocaña. The increase in household consumption has balanced the increasing use of sugar substitutes in the food sector, especially of sweeteners in sugar drinks manufacturing. In CY2022, Colombia's GDP grew 7.5 percent<sup>1</sup>, less than the 8.2 percent estimate, after the economic growth of 10.2 percent in CY 2021. For CY2023, Colombia's economic growth is projected at 2 percent, as a result of high inflation and the combination of domestic monetary policy, which will cause Colombian economic growth to slow. According to Asocaña, average per capita consumption of sugar is estimated at 75 pounds (34 kilograms). For panela, Colombian annual per capita consumption is estimated at 48 pounds (22 kilograms).

## **Trade**

In MY 2023/24, sugar exports are forecast to slightly increase to 680,000 MT driven by high international prices. In MY 2022/23, Post's export estimates are down 8 percent from 730,000 MT to 670,000 MT following lower production than expected and a recovery of domestic demand.

Colombia exports sugar to the United States under both the World Trade Organization (WTO) and the U.S. Colombia Trade Promotion Agreement (CTPA) quotas. In FY 2022, the WTO quota was 25,273 MT raw value (MTRV) and was fully subscribed. In CY 2022, the CTPA quota was 57,500 MT, and it was also fully subscribed. In CY 2023, Colombia will likely fill the CTPA quota of 58,250 MT, as well as the FY 2023 WTO quota of 25,819 MT with a 7,078 MT reallocation.

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<sup>1</sup> Colombian Department of Statistics (DANE), GDP estimates for 2022

**Table 1. Colombia Sugar Exports (Raw Value)**

Colombia Export Statistics							
Commodity: Sugar centrifugal, Sugar centrifugal							
Year Ending: September							
Partner Country	Unit (RV)	Total Exports (Raw value)			% Share		
		MY 2019/20	MY 2020/21	MY 2021/22	MY 2019/20	MY 2020/21	MY 2021/22
World	T	777,612	668,131	661,960			
United States	T	158,255	130,759	157,528	20%	20%	24%
Chile	T	155,476	138,724	113,830	20%	21%	17%
Haiti	T	67,689	74,524	78,320	9%	11%	12%
Peru	T	193,464	136,745	60,101	25%	20%	9%
Ecuador	T	22,880	24,165	41,928	3%	4%	6%
Cote d'Ivoire	T	23,567	-	26,751	3%	0%	4%
Others	T	156,281	163,214	183,502	20%	24%	28%

Source: Colombia Customs National Office (DIAN) – Trade Data Monitor.

In MY 2021/22, the United States became the top destination for Colombian sugar accounting for 24 percent of total sugar exports, followed by Chile (17%) and Haiti (12%). Exports to Ecuador continued recovering in MY 2021/22 after safeguards were implemented against Andean Community of Nations (CAN) countries, including Colombia. Seventy-four percent of Colombian sugar exports are refined sugar, with the remaining 26 percent in raw sugar.

In MY 2023/24, sugar imports are forecast to decrease 4 percent to 230,000 MT based on a higher national offer due to *El Niño*, despite high international prices. Post's revised import estimate for MY 2022/23 is down 6 percent from 265,000 MT to 240,000 MT due to a slight appreciation of the Colombian peso against the dollar during the second quarter of 2023, and the fall of sugar exports from some of Colombia's main suppliers in the first quarter of 2023. More than 98 percent of Colombia's sugar imports are refined sugar.

**Table 2. Colombia Sugar Imports (Raw Value) in Marketing Years**

Colombia Import Statistics							
Commodity: Sugar centrifugal, Sugar centrifugal							
Year Ending: September							
Partner Country	Unit (RV)	Total Imports (Raw value)			% Share		
		MY 2019/20	MY 2020/21	MY 2021/22	MY 2019/20	MY 2020/21	MY 2021/22
World	T	286,244	264,961	222,560			
Bolivia	T	93,429	110,780	87,342	33%	42%	39%
Guatemala	T	5,387	7,000	46,090	2%	3%	21%
Mexico	T	-	3,120	32,926	0%	1%	15%
Peru	T	87,728	53,624	22,748	31%	20%	10%

Ecuador	T	2,552	17,744	13,949	1%	7%	6%
Others	T	97,148	72,693	19,505	34%	27%	9%

Source: Colombia Customs National Office (DIAN) – Trade Data Monitor

In MY 2021/22, Guatemala and Mexico displaced Peru and Brazil as the second and third largest suppliers of sugar centrifugal to Colombia, respectively. In MY 2021/22, Bolivia, Guatemala and Mexico made up 75 percent of total Colombian imports. Sugar imports from Bolivia enters Colombia duty-free under CAN trade preferences, while they are excluded from the preferential trade agreements signed between Colombia, Mexico, and Guatemala, for which they are subject to an Andean External tariff of 15 percent.

### **Stocks**

In MY 2023/24, ending stocks are expected to increase to 199,000 MT due to an increase in production based on improved weather conditions, while consumption will remain flat. This quantity would satisfy approximately one month of domestic consumption. There are no Colombian government programs or incentives for sugar mills to manage inventories as Colombia is able to produce sugar year-round.

### **Policy**

#### The Sugar Price Stabilization Fund (FEPA for its acronym in Spanish)

The Price Stabilization Fund was established in 1993 through Law 101: General Law of Agricultural Development. The fund specifically for sugar or FEPA was established through Decree 569 of 2000. It was created by the Colombian government to avoid oversupply and low prices in the domestic sugar market by maintaining a price equilibrium. Asocaña administers this fund. The Colombian Minister of Agriculture chairs FEPA’s board, and its members include the Colombian Minister of Trade and 11 sugarcane growers and mills.

FEPA provides incentives for sugar exports by hedging against domestic and international market price differentials, setting a market weighted average price (MWAP). Historically, domestic sugar prices are higher than export prices (except for U.S. export prices under quota).

Milling operations that sell sugar at prices above the MWAP, or typically the domestic market, will contribute the difference to FEPA. Conversely, those that sell sugar at prices below the MWAP will receive the difference in compensation from the FEPA. Asocaña conducts a monthly calculation to determine contribution and/or compensation values for each sugar mill.

#### Price Band System

Sugar imports from CAN countries (i.e., Peru, Ecuador, and Bolivia) are allowed duty-free entry into Colombia. Imports from outside CAN are subject to a variable duty under the price band system. The basic duty rate on imports of raw and refined sugar from non-CAN countries is 15 percent.

The CAN revises the price band, both ceiling and floor, every April. The duty adjustment is made based on whether a reference price is above, below, or within the ceiling and floor price. The reference price is adjusted every two weeks. If the reference price falls within the floor and ceiling price band, the sugar import duty is set at 15 percent of the invoice value. When the reference price falls below the floor price, a variable surcharge based upon the difference between the floor price and the reference price is assessed. When the reference price exceeds the ceiling price, however, a reduction is made to the applied duty rate based on the difference between the reference and the ceiling price.

The CAN price band to be applied for the period of April 2023 to March 2024 is illustrated below:

**Table 3: CAN Floor and Ceiling Prices for Sugar (USD per ton)**

	Floor Price CIF	Ceiling Price CIF
<b>Refined Sugar</b>	\$483	\$548
<b>Raw Sugar</b>	\$390	\$448

*Source: Resolution 2307/2022, CAN*

For the second half of April 2023, reference prices for raw (\$492/ton) and refined sugar (\$631/ton) are above the ceiling prices. Thus, Colombia’s current variable effective duty on imports of sugar is 0 percent.

*U.S.-Colombia Trade Promotion Agreement (CTPA)*

On May 15, 2012, the CTPA went into force. The CTPA eliminated the price band duty for imports from the United States. From CY 2021, the import tariff-rate-quota for glucose, which includes high-fructose corn syrup, is unlimited. In CY 2023, the Colombia sugar export quota under the CTPA is 58,250 MT, which is usually fully subscribed. It increases by 750 MT annually.

*Andean Community of Nations (CAN) and Southern Common Market (MERCOSUR)*

CAN member countries (i.e., Ecuador, Peru, and Bolivia) have duty free access to Colombia’s sugar market. Under the CAN Agreement, Ecuador and Peru imposed safeguards and tariffs to 10 Colombian agricultural products, including sugar and sugar containing products, as a retaliation measure to Colombia for not allowing rice imports from these origins. These restrictive measures were removed after Colombia agreed to grant access for Ecuadorian and Peruvian rice. However, as Colombia had not imported rice as committed, in early 2022, [Ecuador](#) and [Peru](#) were authorized by the Andean Community Court of Justice to apply a 10 percent tariff on ten categories of goods from Colombia in response to a ruling against Colombia’s restrictions on Peruvian and Ecuadorian rice. In the second semester of 2022, Colombia lifted the last restrictions against Peruvian rice, and it is expected to do the same with Ecuadorian rice in 2023. As a result, by 2023 Ecuador and Peru are not applying any safeguard against Colombian sugar and sugar containing products, however they are still authorized to do so in case Colombia restricts access for Ecuadorian and Peruvian rice again.

Colombia maintains the price band system; there was no agreement reached on the timing of tariff reduction under the Colombia MERCOSUR free trade agreement. However, Colombia continues to grant trade preferences under previous bilateral agreements, where MERCOSUR members pay only a percentage of the basic duty rate. Colombia's current total effective duty on Brazilian imports of raw sugar is 4.4 percent and for refined sugar 0 percent.

### Production, Supply and Distribution Data Statistics:

Table 4. Production, Supply and Distribution Estimates: Sugar, Centrifugal

Sugar, Centrifugal Market Year Begins	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
Colombia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks</b>	219	219	211	209	0	194
<b>Beet Sugar Production</b>	0	0	0	0	0	0
<b>Cane Sugar Production</b>	2300	2300	2300	2300	0	2350
<b>Total Sugar Production</b>	2300	2300	2300	2300	0	2350
<b>Raw Imports</b>	12	12	5	10	0	10
<b>Refined Imp. (Raw Val)</b>	260	211	260	230	0	220
<b>Total Imports</b>	272	223	265	240	0	230
<b>Total Supply</b>	2791	2742	2776	2749	0	2774
<b>Raw Exports</b>	200	183	210	180	0	180
<b>Refined Exp. (Raw Val)</b>	510	480	520	490	0	500
<b>Total Exports</b>	710	663	730	670	0	680
<b>Human Dom. Consumption</b>	1865	1865	1865	1880	0	1890
<b>Other Disappearance</b>	5	5	5	5	0	5
<b>Total Use</b>	1870	1870	1870	1885	0	1895
<b>Ending Stocks</b>	211	209	176	194	0	199
<b>Total Distribution</b>	2791	2742	2776	2749	0	2774

(1000 MT)

Table 5. Production, Supply and Distribution Estimates: Sugarcane

<b>Sugar Cane for Centrifugal Market Year Begins</b>	<b>2021/2022</b>		<b>2022/2023</b>		<b>2023/2024</b>	
	<b>Sep 2021</b>		<b>Sep 2022</b>		<b>Sep 2023</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Colombia</b>						
<b>Area Planted</b>	240	240	0	240	0	240
<b>Area Harvested</b>	200	170	0	183	0	183
<b>Production</b>	24000	22900	0	23000	0	23500
<b>Total Supply</b>	24000	22900	0	23000	0	23500
<b>Utilization for Sugar</b>	19500	18000	0	18700	0	19000
<b>Utilization for Alcohol</b>	4500	4900	0	4300	0	4500
<b>Total Utilization</b>	24000	22900	0	23000	0	23500

(1000 HA), (1000 MT)

**Attachments:**

No Attachments