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Guatemala

Sugar Annual

Enter a Descriptive Report Name

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Report Highlights:

Sugar production for Marketing Year (MY 2011 November-October basis) is forecast at 2.47 million tons. Planted area has been increasing on the average of 4,000 Ha per year, and sugar cane yields have remained steady. Production for MY 2010 has been revised upward to 2.415 million tons, 5 per cent above the previous estimate. Total exports for MY 2011 are forecast at 1.6 million tons, with a considerable shift to increased exports of refined sugar. Major export destinations for Guatemalan raw sugar are the United States, Canada, and South Korea. Chile has become a major export market for refined sugar. Prices at the retail level during the beginning of FY 2010 experienced a considerable increase due to extra demand for roughly 300,000 MT by Mexico. The increase in refined exports is currently a major objective for the Guatemalan sugar industry.

Executive Summary:

Sugar production in Guatemala has grown slightly due to increases in planted area. In MY 2011, planted area is forecast at 241,000 hectares. Both sugarcane and sugar yields from cane are forecast to remain the same. The Guatemalan sugar industry continues to be one of the most efficient in terms of port loading (2,200 MT/Hour). Guatemala has the biggest storage capacity for the Central American region (431,000 MT).

Consumption for MY2011 is placed at 750,000 MT, close to Post's MY2011 estimate. This is directly related to an increase in industrial consumption for confectionary goods, given the expansion of bakery products for both domestic as export markets. Exports for MY2011 are forecast at 1.6 million tons. Guatemala continues exporting around 68 percent of its total production and is the world's fourth largest exporter (Guatemalan exports represent 3 percent of total world exports) and fourth biggest producer in Latin America. The U.S., Canada, and Korea continue to be major export markets for raw sugar. Refined exports to Chile, Taiwan, China, Malaysia, and Indonesia are also on the upswing. The Guatemalan sugar industry is now moving more into the exportation of refined sugar, which is a higher value-added product. To get into the refined business, Guatemala has opened a new export facility in Puerto Quetzal, with storage capacity for 66,000 MT of 50 Kg bags for container transportation. Less than ten years ago, raw sugar exports represented 89 percent of the export market for Guatemala. By MY 2010, raw sugar exports dropped to 59 percent, while refined sugar experienced a four fold increase in its market share, representing 41 percent of the export market. This evolution has increased the South American and Caribbean share in the Guatemalan export market, decreasing significantly Guatemalan sugar exports to Eastern and Central Europe.

Commodities:

Sugar, Centrifugal

Production:

For the MY 2011 crop, sugarcane yields are expected to average close to 93 MT/Ha. The highest sugarcane yield was reported in MY 2007, when it reached over 94 MT/Ha. The record sugar yield was reported for MY 2000, 115 Kg/MT. In subsequent years, the sugar yield fell but started to recover again in 2009. The loss in efficiency has been explained by the extended rainy seasons and reduced sunlight. MY 2010 was affected by the El Niño phenomenon, which reduced the total amount of rainfall and increased sunlight.

Table 1
Evolution of Guatemalan Sugar Industry over the last 15 years

| MY | Harvested Area (Ha) | Sugar Cane (1000 MT) | Sugar Cane Yield (MT/Ha) | Daily milling capacity of the industry (MT) | SUGAR PRODUCTION | | | Sugar Yield | |
|------|---------------------|----------------------|--------------------------|---|---------------------|-----------------|-----------|-------------------------|---------|
| | | | | | Quintal* (Millions) | Sacks (Million) | MT | (Pounds/Short Ton (ST)) | (Kg/MT) |
| 1985 | 84 | 5,570 | 66.3 | 53,093 | 11.95 | 11.00 | 549,831 | 197 | 99 |
| 1995 | 150 | 12,917 | 86.1 | 73,852 | 28.11 | 25.87 | 1,293,259 | 200 | 100 |
| 2000 | 180 | 14,339 | 79.7 | 116,747 | 35.98 | 33.10 | 1,655,235 | 231 | 115 |
| 2005 | 197 | 17,820 | 90.5 | 120,713 | 44.29 | 40.74 | 2,037,130 | 229 | 114 |
| 2006 | 194 | 16,367 | 84.4 | 127,597 | 40.16 | 36.95 | 1,847,402 | 226 | 113 |

| | | | | | | | | | |
|-------------|-----|--------|------|---------|-------|-------|-----------|-----|-----|
| 2007 | 210 | 19,813 | 94.3 | 130,912 | 47.17 | 43.40 | 2,169,886 | 219 | 110 |
| 2008 | 216 | 19,957 | 92.4 | 135,593 | 46.07 | 42.39 | 2,119,357 | 212 | 106 |
| 2009 | 229 | 21,450 | 93.6 | 143,602 | 51.76 | 48.32 | 2,381,007 | 221 | 111 |
| 2010 | 235 | 21,955 | 93.5 | 151,610 | 52.50 | 49.33 | 2,415,032 | 220 | 110 |
| 2011 (e) | 241 | 22,292 | 92.5 | 160,065 | 53.79 | 49.49 | 2,474,412 | 220 | 111 |

* 1 Quintal = 0.046 MT or 1 MT=21.79 Quintales

Source: Guatemalan Sugar Association, ASAZGUA, 2010

The area planted to sugarcane for MY2011 is forecast at 241,000 hectares, up about 2 percent compared to 2010. Typically, changes in planted area directly respond to sugarcane contracts offered by sugar mills (based on both domestic and foreign demand) and the dry ethanol market. Producers are expanding planted area toward the borders with El Salvador. Lately, as the palm oil production is moving towards the eastern and northeastern part of the country, western areas toward the Mexican border might become available for sugar cane. There is also a relatively new planted area in the eastern part of the country, which is not in production yet.

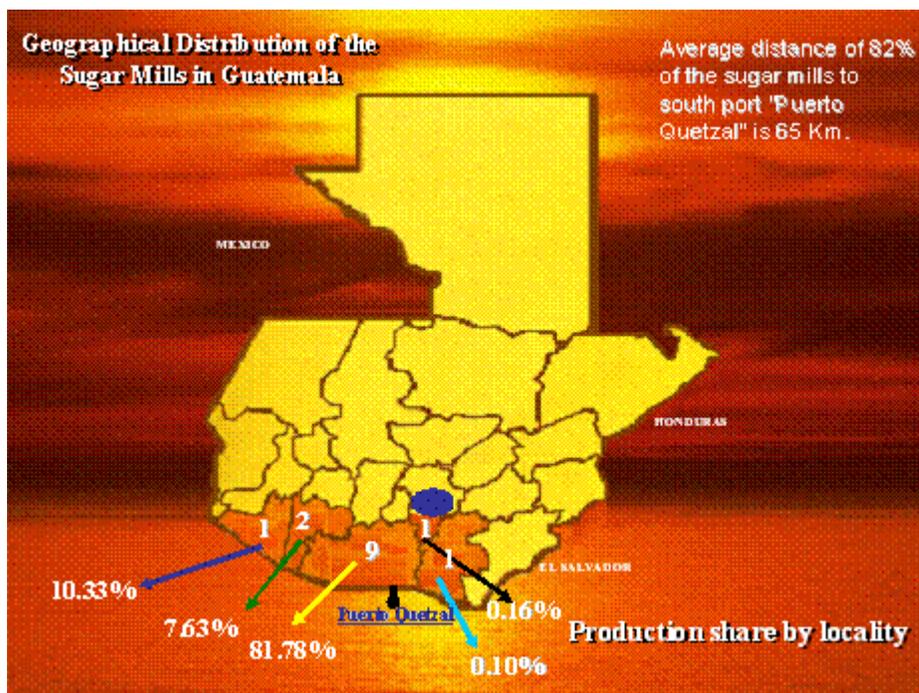
Table 2
PS&D for 2009-2011

| Sugar, Centrifugal | Guatemala | 2009 | | | 2010 | | | 2011 | | |
|------------------------|-----------|-----------------------------|-------|----------|-----------------------------|-------|----------|-----------------------------|-------|----------|
| | | 2008/2009 | | | 2009/2010 | | | 2010/2011 | | |
| | | Market Year Begin: Nov 2008 | | | Market Year Begin: Nov 2009 | | | Market Year Begin: Nov 2010 | | |
| | | USDA Official Data | | New Post | USDA Official Data | | New Post | USDA Official Data | | New Post |
| | | | | Data | | | Data | | | Data |
| Beginning Stocks | | 609 | 466 | 609 | 622 | 479 | 592 | 469 | 546 | |
| Beet Sugar Production | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Cane Sugar Production | | 2,247 | 2,247 | 2,381 | 2,250 | 2,250 | 2,415 | 2,300 | 2,474 | |
| Total Sugar Production | | 2,247 | 2,247 | 2,381 | 2,250 | 2,250 | 2,415 | 2,300 | 2,474 | |
| Raw Imports | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Refined Imp.(Raw Val) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Imports | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Supply | | 2,856 | 2,713 | 2,990 | 2,872 | 2,729 | 3,007 | 2,769 | 3,020 | |
| Raw Exports | | 745 | 745 | 968 | 750 | 750 | 968 | 770 | 985 | |
| Refined Exp.(Raw Val) | | 745 | 745 | 686 | 765 | 765 | 686 | 820 | 695 | |
| Total Exports | | 1,490 | 1,490 | 1,654 | 1,515 | 1,515 | 1,654 | 1,590 | 1,680 | |
| Human Dom. Consumption | | 744 | 744 | 744 | 745 | 745 | 747 | 747 | 750 | |
| Other Disappearance | | 0 | 0 | 0 | 0 | 0 | 60 | 0 | 0 | |
| Total Use | | 744 | 744 | 744 | 745 | 745 | 807 | 747 | 750 | |
| Ending Stocks | | 622 | 479 | 592 | 612 | 469 | 546 | 432 | 590 | |
| Total Distribution | | 2,856 | 2,713 | 2,990 | 2,872 | 2,729 | 3,007 | 2,769 | 3,020 | |

The Guatemalan Sugarcane Research Center, CENGICAÑA, supports the industry with research and technical assistance. Its objective is to improve and increase sugarcane and by-product production and yields, by generating and transferring quality technology for the profitable and sustainable development of the industry. Its main goals are to increase sugar yields and to improve varieties through research programs. CENGICAÑA's assistance has been very valuable to the sugar industry in keeping yields at acceptable levels despite poor weather conditions. In January 2007, CENGICAÑA was ISO 9001:2000 certified. In 2007 it started the ISO 17025:2005 certification process for its agricultural laboratory, and is already implementing ISO 14000 environmental certification. According to officials at CENGICAÑA, the total potential area that could be planted to sugarcane is 350,000 hectares, which could yield up to 30 million MT of sugarcane. However, it is unlikely that all this land will be used for cane, but provides a rough estimate of the country's potential.

CENGICAÑA is aware of the need to invest in biotechnology to improve yields and efficiency. The country is losing competitiveness as the adoption of new technology is temporarily impeded due to the lack of science-based regulations to plant genetically modified organisms. CENGICAÑA understands that efficiency in both the sugar as the ethanol industry heavily relies on the use of improved plants. There are 14 active sugar mills in the country, 82% of which are located very close to Puerto Quetzal. They are, on average, 65 Km. away from the port (please see map). Combined milling capacity is close to 150,000 MT per day. MY 2011 sugar production is forecast at 2.47 million metric tons.

Figure 1
Geographical Distribution of the Sugar Mills in Guatemala



Source: Guatemalan Sugar Association, ASAZGUA, 2010

There are already 5 sugar mills currently producing alcohol: Palo Gordo (100,000 liters/day), Magdalena & Madre Tierra (300,000 liters/day), DARSA (100,000 liters/day), and Pantaleon -Bio-Etanol Co. (150,000 liters/day initial capacity). Most

of the alcohol is exported to the European Union, Central America and Mexico. Other mills are adding alcohol refineries, and the industry hopes to increase ethanol production for use as motor fuel. Guatemala is interested in supplying locally produced alcohol from domestic sugarcane and, potentially, might be able to provide the entire region with enough ethanol to account for a 10% blend with gasoline.

Approximately 40 percent of Guatemalan sugarcane is irrigated. The sugar industry generates around 62,000 full-time jobs, which support around 250,000 people. In addition, the sugar industry generates employment indirectly for another 350,000 people, 33,000 of whom are sugarcane harvesters. The sugar industry also contributed with 300 MW of energy potency during 2009, supplying around 21 per cent of energy to the national grid system.

The Guatemalan Sugar Association, (“Asociación de Azucareros de Guatemala” - ASAZGUA), through a price formula set sometime before the harvest season starts, determines the price for sugarcane. The price is based on a minimum of 87.5 kilos of sugar per metric ton of sugarcane. For sugar content above the basis, the producer receives a proportional upward adjustment.

Local sugar prices (in U.S. dollars) for MY 2010 are as follows:

| At Mill | Wholesaler | Retailer |
|--------------|--------------|--------------|
| \$0.26/pound | \$0.33/pound | \$0.37/pound |

During the first semester of MY 2010, the average price of sugar for the final consumer reached \$ 0.37/pound. Sugar prices in Guatemala have been historically the second cheapest in Central America after Nicaragua (\$ 0.28/pound). Within the region, El Salvador has had historically the highest sugar prices available for the final consumer (\$ 0.39/pound). MY 2010 has been particular atypical due to the sugar deficit in Mexico. Guatemala exported close to 300,000 MT to Mexico during CY 2009. According to post contacts and given the favorable retail prices for sugar in Mexico (\$0.44/pound), close to 60,000 MT were reported smuggled to Mexico in between November of 2009 and January of 2010. Contra-band at the Guatemalan-Mexican border has been a constant challenge for the authorities of both countries.

Consumption:

Consumption for MY2011 is expected to increase to 750,000 MT as a result of the stronger demand by the local confectionary industry, which has been expanding its operations to supply both the local and export markets. Per capita consumption of sugar is almost 53 Kg.

“Comercializadora de Guatemala” (COMETRO) maintains a legal oligopoly on the domestic wholesale and retail markets, established by government decree in 1997. COMETRO markets and distributes to retailers through 38 warehouses strategically located throughout the country. Competition from other retailers has forced COMETRO to come out with new marketing strategies in order to compete with small retailers offering lower prices due to lower costs in packaging, transportation, and others.

In Guatemala almost all wholesale sugar is sold through COMETRO. There are ways of buying wholesale from mills, but it is very difficult and the amounts are very small. However, in the retail market, anyone can sell.

Alternative sweeteners and other alternative sugar products are not a detrimental or significant factor in total domestic sugar consumption. Sugar confectionery imports and sugar smuggling to Mexico have had a neutral effect on sugar consumption. Currently, domestic consumption is split 28% for industrial and 72% for human. The soft drink industry is the major industrial consumer of sugar, followed by confectioneries, bakeries, juice makers, dairy producers, and pharmaceutical companies.

Trade:

| Export Trade Matrix | | | |
|-----------------------------|-------------------|-----------------------------|-----------|
| Country | Guatemala | | |
| Commodity | Centrifugal Sugar | | |
| Time period | Jan-Dec | | |
| 2008 | | 2009 | |
| U.S. (including re-exports) | 459,629 | U.S. (including re-exports) | 164,271 |
| Others | | Others | |
| Chile | 279,371 | Chile | 209,144 |
| Canada | 219,963 | Canada | 140,487 |
| South Korea | 85,707 | South Korea | 360,588 |
| Jamaica | 69,543 | Mexico | 298,491 |
| Haiti | 43,322 | Malaysia | 95,713 |
| Taiwan | 25,601 | Indonesia | 91,315 |
| Peru | 19,472 | Taiwan | 83,534 |
| Puerto Rico (U.S.) | 19,302 | China | 53,370 |
| Venezuela | 18,885 | Jamaica | 37,091 |
| Trinidad | 15,066 | Venezuela | 26,742 |
| Dominican republic | 11,774 | Trinidad | 20,356 |
| Total for others | 808,006 | Total for others | 1,416,830 |
| Others not listed | 65,878 | Others not listed | 73,865 |
| | | | |
| Grand Total | 1,333,513 | Grand Total | 1,654,966 |

During CY 2009, Guatemala exported almost US\$ 509 million in raw and refined sugar, representing the second biggest agricultural source of foreign exchange for the country, after coffee (US\$ 582 million in CY 2009). Guatemala is the fourth largest exporter and the fourth largest producer in Latin America and the Caribbean. In CY2009 Guatemala exported 1.65 million MT. Exports for MY2011 are forecast at 1.68 million tons. Guatemala continues exporting around 70% of its total production. The U.S., Chile, Canada, and South Korea continue to be major export markets for raw sugar. Refined exports to Mexico, Taiwan, China, Malaysia, and Indonesia are also on the upswing. The Guatemalan sugar industry is focusing its exports more on refined sugar, which is a higher value added product. To get into the refined sugar business, Guatemala has opened a new facility in Puerto Quetzal, with a capacity for 66,000 MT, of 50 Kg bags for container transportation.

In MY 2010, raw sugar exports represented 59%, while refined sugar represented 41% of the exports market, a substantial increase from 2000. This evolution has increased the South American and Caribbean share in Guatemalan export market, decreasing significantly exports of raw sugar to Eastern and Central Europe. Guatemala is very disappointed that negotiations for the Free Trade Agreement with Europe have not led to the opening of an attractive quota for sugar.

Stocks:

MY 2011 ending stocks are expected to be similar from those of MY 2010. Domestic stocks are held in warehouses managed by COMETRO throughout the country. All exported sugar is held in warehouses managed by EXPOGRANEL, located at Puerto Quetzal. Its warehousing capacity has increased to 365,000 MT for bulk sugar, and 66,000 MT for refined sugar (50 Kg sacks). It has a loading capacity of 2,200 MT per hour, comparable to Brazil and Australia. Port improvements are under way, opening the possibilities to increase export competition, as bigger vessels will have access, thus reducing transportation costs.

The U.S. assigned Guatemala a raw sugar tariff rate quota (TRQ) of 50,546 MT for FY 2010. As of April, Guatemala had already exported its full quota. USTR assigned an extra quota of 4,162 MT of sugar, to be exported before end of FY 2010.

Policy:

The Sugar Board of Guatemala, which includes representatives from the Ministry of Economy, sugarcane producers, and sugar mills, establishes production goals, sets sugarcane prices, and allocates the U.S. sugar quota to the different sugar mills. The allocation to each mill is based on past production performance, previous quotas, and milling capacity. According to the law, all sugar sold domestically must be enriched with vitamin A. The industry claims to invest \$3.5 million a year in vitamin A. Presently, Guatemala has no quotas for imported sugar. All imports are assessed a tariff of 20 percent and must comply with the enrichment law.

The sugar industry is increasingly more involved in social responsibility projects. The social responsibility arm of the sugar industry, FUNDAZUCAR, has received high local recognition for its support and impact on health and education in the communities that have developed around the sugar production sites. FUNDAZUCAR has a highly specialized hospital with ophthalmological services, between others. FUNDAZUCAR is member of the Business Social Responsibility Association (RSE) and was awarded in 2009 for several of its projects.

Marketing:

ASAZGUA is continuing its marketing strategy designed to maintain domestic sugar consumption, in response to the increasing presence of artificial sweeteners. Both by radio and visual media, the sugar industry is promoting the fact that natural sugar contains “just 16 calories per teaspoon”. The industry has been very successful with this approach. The main export strategy is geared to increase refined sugar exports.

Production, Supply and Demand Data Statistics:

| Sugar, Centrifugal | Guatemala | 2009 | | | 2010 | | | 2011 | | |
|------------------------|-----------|-----------------------------|-------|----------|-----------------------------|-------|----------|-----------------------------|-------|----------|
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| Total Sugar Production | | 2,247 | 2,247 | 2,381 | 2,250 | 2,250 | 2,415 | | 2,300 | 2,474 |
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| Total Imports | | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| Total Supply | | 2,856 | 2,713 | 2,990 | 2,872 | 2,729 | 3,007 | | 2,769 | 3,020 |
| Raw Exports | | 745 | 745 | 968 | 750 | 750 | 968 | | 770 | 985 |
| Refined Exp.(Raw Val) | | 745 | 745 | 686 | 765 | 765 | 686 | | 820 | 695 |
| Total Exports | | 1,490 | 1,490 | 1,654 | 1,515 | 1,515 | 1,654 | | 1,590 | 1,680 |
| Human Dom. Consumption | | 744 | 744 | 744 | 745 | 745 | 747 | | 747 | 750 |
| Other Disappearance | | 0 | 0 | 0 | 0 | 0 | 60 | | 0 | 0 |

| | | | | | | | | | |
|--------------------|-------|-------|-------|-------|-------|-------|--|-------|-------|
| Total Use | 744 | 744 | 744 | 745 | 745 | 807 | | 747 | 750 |
| Ending Stocks | 622 | 479 | 592 | 612 | 469 | 546 | | 432 | 590 |
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