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Report Highlights:

FAS/San José expects Costa Rican sugar production in marketing year 2023/24 to recover from a 20-year low in the previous year and to continue to rise in marketing year 2024/25 on expanded area planted to sugarcane as producers in Guanacaste continue to abandon rice production. Some forecasters expect a La Niña weather cycle to return in 2024, driving up sugarcane production in marketing year 2024/25 while reducing industrial yields. FAS/San José expects Costa Rica to continue to have sufficient exportable supplies of raw and refined sugars to satisfy domestic demand as well as quota-limited export opportunities in high value markets, including the United States, in marketing year 2024/25.

Executive Summary

FAS/San José projects sugarcane and sugar production will increase in marketing year (MY) 2024/25, as some areas formerly planted to rice shift to sugar production in the Guanacaste region and on projections of fertilizer and fuel prices remaining at relatively lower levels. After a drier year in 2023, influenced by the effects of an El Niño weather pattern, meteorologists project precipitation levels returning to normal levels and possibly cycling into a La Niña pattern. Increased moisture typically has mixed effects on production (additional sugarcane volume with lower industrial yields), but the impact of additional moisture would vary widely across growing areas within Costa Rica which have a range of soil types, elevations, and micro-climates. Factors contributing to recent sugar production declines, such as high debt, inadequate replanting rates, and competition for land in urbanizing areas, are not expected to abate in 2024. The Costa Rican colón appreciated by 20 percent against the U.S. dollar in MY 2023/24, negatively affecting exporter revenues whose contracts are dollar-denominated. Producers have indicated that the lower price of inputs expressed in dollar-terms has not compensated for the lower value of sugar exports in colones, a situation eroding the competitiveness of Costa Rican agricultural exporters more broadly.

FAS/San José projects total sugar production will increase roughly 3 percent in MY 2024/25 to 430,000 metric tons (MT) on additional area planted in Guanacaste and a return to typical fertilization patterns resulting from lower input prices. Projected MY 2024/25 production levels should allow Costa Rica to continue to supply domestic demand, to satisfy quota allocations for exports to the United States, and to export on commercial terms to the European Union, Canada, and other markets.

FAS/San José expects Costa Rican sugar production to increase 19 percent during MY 2023/24 to 416,000 MT, rebounding from MY 2022/23, which marked a record low production level since MY 2000/01. Industry sources indicate relatively drier conditions in 2023 resulted in timely fertilization and better sugarcane production conditions. However, industrial yields were lower than expected.

Production

MY 2024/25

FAS/San José projects Costa Rican MY 2024/25 sugarcane production at 4.1 million MT and sugar production at 430,000 MT, on higher area planted in the Guanacaste region, improved agricultural practices by the larger growers, and relatively lower input prices (owing in part to the significant appreciation of the Costa Rican colón since July 2022). Considering the above, FAS/San José anticipates that sugarcane production will grow by about 3 percent, unless excessive rainfall later in the year negatively affects production yields in the main production region of Guanacaste.

The Costa Rican weather service (IMN) is expecting the current El Niño weather system to weaken between March and May of 2024, followed by a neutral stage starting in May, with the possibility of a La Niña cycle beginning by the end of 2024. The IMN expects the rainy season to start about a week earlier this year (see details by geographic region in figure 1). In previous years, excessive rainfall (associated with the occurrence of a La Niña) towards the end of the year, has resulted in negative effects on sugar

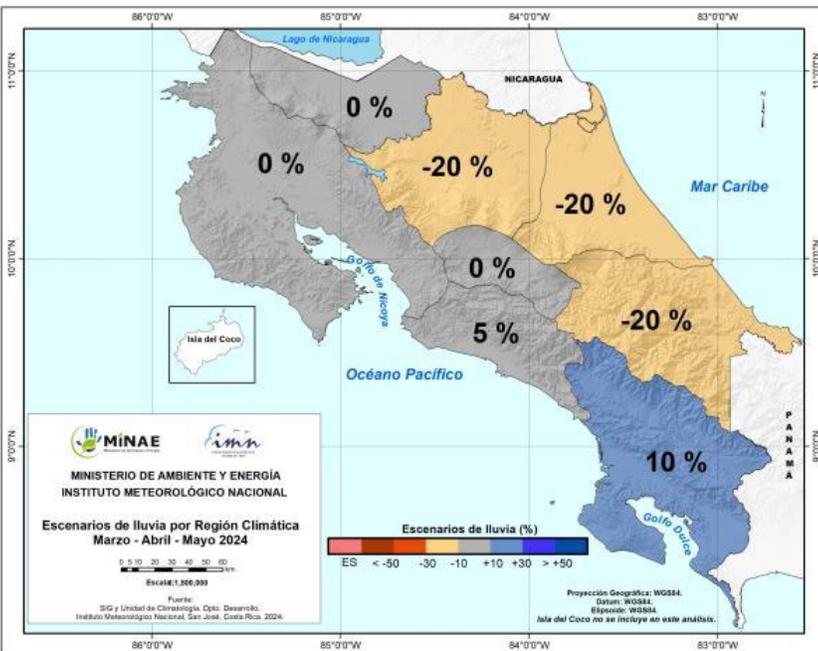
production, limiting the application and efficacy of fertilizer, reducing sugar concentration, and delaying harvest operations beyond optimal timing. As of late March 2024, rainfall in the primary sugar producing areas had been typical for the close of the MY 2023/24 harvest, except for the Southern Region which is expected to receive 10 percent higher rainfall than normal for this time of the year (see Figure 2).

Figure 1. Anticipated 2024 Rainy Season Start Dates (by region)



Source: IMN

Figure 2. Expected Deviation from Average Rainfall (March-May 2024)



Source: IMN

Note: the color scale on the map corresponds to the anticipated deviation from average rainfall for the specific regions; grey is roughly average, tan somewhat drier, and blue slightly wetter.

FAS/San José projects MY 2024/25 sugarcane area planted slightly higher at 61,000 hectares (ha) though sugarcane area planted remains under pressure from other agricultural and economic activities in different production regions. The exception is Guanacaste, where mills are attracting former rice producers into planting sugarcane. As reported in FAS/San José GAIN report [CS2022-0016](#), rice area planted has declined sharply following Costa Rica's August 2022 abandonment of a decades-old rice price floor policy, and some of that area has shifted to sugarcane production. The sugar mills in Guanacaste used to rotate sugar fields and rice as part of their agricultural practices with positive results on sugarcane productivity. However, according to the sugar industry, the new government rice policy has rendered rotations economically unprofitable, and they have basically eliminated or sharply reduced rice rotations. To overcome one-time rice farmers' reluctance to grow sugarcane, mills have rented the land and managed production at least during the first year to demonstrate the profitability and to train rice farmers in the practices of sugarcane production. Investments in equipment (particularly harvesters) for sugar production will present a sizable hurdle to fully converting rice farmers to sugarcane, but rice appears to remain economically nonviable for most producers in Costa Rica going forward.

Within the Central Valley and some smaller growing areas, the advance of urbanization appears inexorable over the medium-term, despite relatively high global sugar prices in 2023, as higher production costs, historical debt loads, and increasing land values are expected to extend the trend of production area losses. As an example of this trend, a new Free Trade Zone is being developed near Tacares, Grecia, on 130 ha of land previously planted to sugarcane. The Free Trade Zone is expected to generate 20,000 jobs over the next 15 years, with a projected investment of \$200 million. As construction of the Free Trade Zone advances, land prices in the surrounding areas have risen, driving additional agricultural land out of production. The Central Valley region lost 271 ha of sugarcane area in MY 2021/22, and 254 ha in MY 2022/2023 according to data from the Costa Rican Sugar League (LAICA). Another problem affecting smaller-sized sugarcane growers, which are typically too small to take advantage of mechanized harvesting equipment, has been the declining availability of seasonal migrant labor (largely from Nicaragua), who traditionally comprised most of the sugarcane harvest labor. According to industry sources, labor shortages have driven an increasing number of smaller producers, who are now competing with the tourism and construction sectors to attract a smaller pool of available workers, out of production.

MY 2023/24

As of March 22, 2024, the MY 2023/24 sugarcane harvest and sugar processing were less than a month away from concluding in Guanacaste, close to completion in the Southern region of the country, and still underway in the Juan Viñas, Central Valley, and San Carlos regions. LAICA preliminary data project sugarcane and sugar production at 3.98 million MT and 416,000 MT respectively during MY 2023/24, rebounding from the record low production in MY 2022/23. Sugar production from Guanacaste's mills is projected higher in MY 2023/24, in part due to additional area planted, but primarily because of better weather conditions during calendar year 2023. Drier weather resulted in increased solar hours, while various forms of irrigation provided the sugarcane with the right amount of water at the right time in conjunction with optimal levels of fertilization. LAICA has preliminarily estimated the MY 2023/24 national average sugarcane yield at 74 MT/ha, up 15 percent from MY 2022/23.

The MY 2023/24 average sugar processing yield is expected to increase 2 percent to 104 kg/MT, as lower industrial yields in Guanacaste, Puntarenas, and the Southern region have offset some of the better growing conditions in 2023. Industry sources point to two clear factors underlying lower than expected industrial yields. First, the El Niño cycle pushed night temperatures higher than average, reducing the day-night temperature differential below optimal levels for sugarcane ripening. Second, unusually high levels of precipitation in Guanacaste, Puntarenas, and the Southern region in October and November 2023 – just before harvest – are suspected of suppressing sucrose accumulation in sugarcane during a key developmental stage. Conversely, in the San Carlos region of northern central Costa Rica, rainy season precipitation tapered off earlier than usual, resulting in less biomass produced in the region – most notably in the Los Chiles area near the border with Nicaragua. Industry sources expect the above factors will put MY 2023/24 sugarcane production at/near projected levels, with sugar production 5 to 6 percent below initial estimates.

According to preliminary data, FAS/San José expects sugarcane area planted to increase to 61,000 ha in MY 2023/24.¹ Sugarcane area planted declined to 58,917 ha in MY 2022/23, falling from 59,836 ha in MY 2021/22. The additional area planted is primarily rice area that has been shifted to sugarcane.

Table 1. Costa Rica: Sugarcane and Sugar Production

Marketing Year	Sugarcane (MT)	Sugar (MT)	Processing Yield
2016/17	4,343,890	452,160	10.41%
2017/18	4,054,141	431,109	10.63%
2018/19	4,025,447	442,187	10.98%
2019/20	4,092,123	440,393	10.76%
2020/21	3,995,020	425,178	10.64%
2021/22	3,987,888	415,897	10.43%
2022/23	3,422,767	350,242	10.23%
2023/24*	3,988,818	416,000	10.43%

* Preliminary data.

Source: Costa Rican Sugar League (LAICA)

Background

According to LAICA, there were 4,321 sugarcane producers in MY 2022/23, down from the MY 2013/14 high of 7,830, as smaller sugarcane farmers have aged out of the industry and successive generations have sold or leased sugarcane area to remaining growers. The sector is comprised of primarily small producers, with 90 percent of farms delivering less than 500 MT of sugarcane annually to the mills. While most producers plant less than 7 ha of sugarcane, 15 producers delivered more than 5,000 MT of sugarcane in MY 2022/23.

Sugarcane is grown in six regions with different climates, altitudes, and topography: Guanacaste and Puntarenas on the Pacific side of the country; the Northern Region, near the border with Nicaragua; the Central Valley; Turrialba; and the Southern Region, near the border with Panama. Sixty-six percent of the sugar production is concentrated in the provinces of Guanacaste in the Northern Pacific (33,217 ha) and

Puntarenas (5,840 ha) along the Central and Southern Pacific regions. Production in the other five regions is distributed more evenly, ranging from 5 to 16 percent of the total. According to data from LAICA, roughly 80 percent of sugarcane is expected to have been harvested mechanically during MY 2023/24. Of total sugarcane production in MY2022/23, 68 percent was owned or produced by the mills, while the rest was produced by independent producers.

Consumption

FAS/San José projects total Costa Rican domestic sugar consumption to rise to 235,000 MT in MY 2024/25, as the broader economy continues to grow and sectors such as food, beverage, and alcohol manufacturing grow at relatively steady rates. The Costa Rican population growth rate has been trending downward since at least 2001 and is expected to remain just above 1 percent over the medium term. On an estimated 2024 population of 5.3 million people (extrapolated from recent growth rate trends), FAS/San José projects annual per capita consumption at approximately 43 kg. While Costa Rica's per capita consumption remains relatively high, it has fallen by nearly a third since MY 1997/98, as public health campaigns combatting diabetes and changing cultural norms have helped drive down sugar consumption while supporting consumption of sugar alternatives.

Costa Rican mills produce different types of sugar for the domestic market, including raw sugar, white sugar, refined sugar, white special, and organic sugar.

Trade

FAS/San José projects Costa Rican raw value basis sugar exports to climb to 190,000 MT in MY 2024/25 on expected production recovery discussed above. Based on historical export patterns, FAS/San José expects the United States, Europe (primarily Spain, United Kingdom, and Germany), and the Bahamas to remain the leading destinations for Costa Rican sugar exports. Exports to the United States include sugar quota volumes allocated within the U.S. commitments under World Trade Organization (WTO) Agreement and negotiated in the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) as well as sugar for re-export.

Table 2: Centrifugal Sugar Export Volume Matrix (Oct/Sep Marketing Year, MT)

Country of destination	2020/2021	2021/2022	2022/2023
United States	78,008	103,968	110,943
South Korea	70,694	35,000	0
United Kingdom	6,261	13,232	6,437
Spain	72	9,981	2,234
Bahamas	3,916	3,594	4,161
Germany	11,563	3,773	8,248
Netherlands	2,969	3,020	1,893
Others	49,191	9,411	7,312
Total	222,674	181,979	141,228

Source: Costa Rica's Customs Department

FAS/San José expects Costa Rican sugar exports to increase to 175,000 MT in MY 2023/24, up 24 percent from MY 2022/23, largely on production rebounding. As of March 22, 2023, Costa Rica had already exported its full WTO sugar quota – 16,137 MT raw value allocated volume and plans to export and additional 2,811 MT raw value of reallocated quota volume – to the United States for U.S. fiscal year (FY) 2024, which corresponds to sugar MY 2023/24.

FAS/San José projects MY 2023/24 sugar imports at 2,000 MT based on available trade data and recent trade patterns. Though imports are generally negligible, white sugar for direct consumption from Brazil was relatively high during the 2015-2020 period. The Government of Costa Rica imposed a safeguard measure on Brazilian refined sugar to limit import growth in August 2020, pushing the import duty on imported refined sugar from 45 percent to 72.68 percent. The safeguard has already been lifted by Costa Rica, following WTO agreements. After peaking at 12,771 MT in 2020, imports from Brazil were 7,136 MT in 2021, 130 MT in 2022, and 78 MT in 2023 according to Costa Rica's Customs Department. Total sugar imports were flat at 1,063 MT in 2022 and 1,089 MT in 2023.

Stocks

FAS/San José projects MY 2024/25 sugar ending stocks at 333,000 MT. Costa Rican sugar ending stock volumes reflect a residual of export and consumption projections and estimates.

Table 3: Sugarcane for Centrifugal Sugar: Supply and Utilization

Sugar Cane for Centrifugal Market Year Begins Costa Rica	2022/2023		2023/2024		2024/2025	
	Oct 2022		Oct 2023		Oct 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	60	59	60	60	0	61
Area Harvested (1000 HA)	55	53	55	54	0	55
Production (1000 MT)	3460	3423	3850	3989	0	4100
Total Supply (1000 MT)	3460	3423	3850	3989	0	4100
Utilization for Sugar (1000 MT)	3460	3423	3850	3989	0	4100
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	3460	3423	3850	3989	0	4100

(1000 HA) ,(1000 MT)

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

Sugar, Centrifugal Market Year Begins Costa Rica	2022/2023		2023/2024		2024/2025	
	Oct 2022		Oct 2023		Oct 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	325	325	335	314	0	326
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	365	350	400	416	0	430
Total Sugar Production (1000 MT)	365	350	400	416	0	430
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	5	1	5	1	0	2
Total Imports (1000 MT)	5	1	5	1	0	2
Total Supply (1000 MT)	695	676	740	731	0	758
Raw Exports (1000 MT)	130	131	170	165	0	175
Refined Exp.(Raw Val) (1000 MT)	10	10	15	10	0	15
Total Exports (1000 MT)	140	141	185	175	0	190
Human Dom. Consumption (1000 MT)	220	221	225	230	0	235
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	220	221	225	230	0	235
Ending Stocks (1000 MT)	335	314	330	326	0	333
Total Distribution (1000 MT)	695	676	740	731	0	758

(1000 MT)

Attachments:

No Attachments