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Report Highlights:

Sugar production in marketing year (MY) 24 is estimated at 787,000 metric tons (MT), while production for MY23 reached 765,000 MT. Continued international prices have eased the financial burden exerted by the high cost of inputs on the sugar sector. However, inflationary concerns due to the continued Ukrainian crisis has led the Government of El Salvador (GOES) to include sugar in a basket of basic food products with a reduction to zero percent import duty until March 2025.

Executive Summary:

Improved seeds, more access to irrigation systems, continued investment in energy production, new milling technology, and rum production will continue to benefit El Salvador's sugar industry over the next three to five years. However, uncertain future international prices and abnormal weather conditions due to a possibility of El Niño will continue to be obstacles for the sector.

Sugarcane production for the MY24 harvest is estimated at 6.75 million metric tons (MMT). Based on new data provided by the Salvadoran Sugar Council (CONSAA), production for MY23 has been revised downward to 6.56 MMT.

Boosted by attractive internal prices, exports under free trade agreements and additional access to the U.S. market, the sector is recovering after sustained economic losses due to natural disasters, high transportation costs and lack of government assistance. Ultimately the success of the industry will depend on continued improvements in yields, increased diversification into energy co-generation projects and final approval of an ethanol law that encourages investment. However, uncontrolled sugarcane burning, higher input costs (specially fertilizers), possible increases in the minimum wage, increased transportation costs and climate change, and the lingering economic impact caused by the Ukraine conflict and high inflation, will continue to be major concerns for the sector. In addition, the Government of El Salvador continues to include sugar in the basket of products that had their import tariffs reduced to zero to combat inflation. (See Policy)

Production:

Sugar production in MY24 is estimated at 787,000 metric tons (MT). Production continues to improve because of continued investments in irrigation, refining equipment, and improved seeds. Estimated sugar production for MY23 is 765,000 MT. New data provided by CONSAA show exports reaching 505,029 MT for MY23 and are estimated at 495,000 MT for MY24.

Recent production numbers compiled by FAS/El Salvador show that the MY24 sugarcane harvest is expected to reach 6.75 MMT. This production forecast is higher than in MY23 because of a continued rebound in economic growth after the adverse effects of COVID-19 on the overall Salvadoran economy, including the sugar sector.

Planted area is expected to remain at 79,000 hectares during MY24 mainly due to a continued stabilization of producers joining the sector. Planted area could increase in the near future if the security situation continues improving in rural areas, sugar prices increase, and the ethanol production law is implemented. There are approximately 300,000 hectares of idle land in the country that could be devoted to increased sugarcane production. However, the Government of El Salvador (GOES) seems to be more focused on improving basic grain, vegetable, fruit, dairy, and meat production through a national agricultural recovery program to combat inflation and improve food security.

Grower prices continue to be set according to the sugar content of the cane. In 2019, CONSAA agreed to increase the share that producers receive of total sugar sales from 54.5 to 56 percent, with the other 44 percent going to the sugar mills. The mills distribute this sales income among sugar producers based on the amount of sugarcane provided. Continued investment in sugar mills has reduced downtime during the milling process, and increased sugar recovery rates to a more competitive position within the region.

The following are areas where the sugar industry continues working to improve sugar profitability:

- Increased extraction rates
- Investment in irrigation systems
- Diversification into energy generation
- Improved sugarcane varieties
- Research and technology exchange with other sugar producing countries
- Introduction of pest and disease-resistant sugarcane varieties
- Rum production
- Coordination with law enforcement to diminish the impact of sugarcane burning

Consumption:

Due to a rebound in economic growth domestic sugar consumption is expected to increase reaching 275,000 MT in MY23. Post estimates that due a slight increase in sugar demand, mainly in the foodservice and confectionary sectors, consumption is forecast to continue increasing to 277,000 MT in MY24.

Trade:

Exports for MY24 are expected to reach 495,000 MT; the export forecast for MY23 decreased to 505,029 MT due to sudden drop in sales to China.

The GOES imposes a 40 percent ad-valorem import tariff on all sugar. The bound rate is 70 percent as the GOES considers sugar politically sensitive because it is an important driver of rural income and employment. Even though CAFTA-DR encouraged regional tariff harmonization to avoid triangulations and market disruptions, the Central American region still has not agreed on a harmonized import tariff for sugar. In August 2018, El Salvador joined the Customs Union with Guatemala and Honduras; however, sugar is not one of the products that will benefit from duty-free trade. However, due to inflationary pressure on the Salvadoran economy, in March 2024, the GOES decided to include sugar in the list of products that enjoys a 0 percent import duty for an additional period of one year.

The United States, Canada, South Korea, and Taiwan are major destinations for Salvadoran sugar. Other export destinations in MY23 for Salvadoran sugar were Haiti, Italy, Peru, Spain, the United Kingdom, and Belgium.

The decision by the GOES to break diplomatic relations with Taiwan and recognize China created enormous uncertainty in the sugar sector. El Salvador and Taiwan had a Free Trade Agreement (FTA) that includes favorable terms for Salvadoran sugar exports. However, in December 2018, the GOES notified Taiwan that El Salvador would withdraw from the FTA.

El Salvador also benefits from the World Trade Organization (WTO) quota that allows Salvadoran sugar duty-free entry to the United States. El Salvador was allocated 27,971 Metric Tons (MT), and an additional reallocation of 9,428 MT for a total of 37,399 MT under the WTO quota for the period October 1, 2023 - September 30, 2024.

Export Trade Matrix El Salvador Centrifugal Sugar (Metric Tons)			
	MY		MY
Exports for:	2023		2024
U.S.	134,171	U.S.	140,000
Others		Others	
Canada	148,600	Canada	100,000
South Korea	64,000	South Korea	63,000
China	0	China	45,000
Peru	27,136	Peru	26,000
Belgium	22,360	Belgium	22,000
Haiti	19,827	Haiti	18,000
United Kingdom	15,295	United Kingdom	15,000
Spain	13,841	Spain	13,000
Italy	12,588	Italy	12,000
Spain	11,651	Spain	11,000
Taiwan	10,136	Taiwan	9,500
Jamaica	5,832	Jamaica	5,000
Trinidad & Tobago	3,584	Trinidad & Tobago	3,000

Guyana	1,877	Guyana	1,500
Ireland	1,259	Ireland	1,000
Total for Others	357,986		345,000
Others not Listed	12,872		10,000
Grand Total	505,029		495,000

Source: Trade Data Monitoring

Stocks:

Ending stocks in MY24 are estimated at 35,000 MT. Contraband sugar from neighboring countries is negligible and causes no disruption to the local market. The national sugar law states that all sugar sold locally must carry a safety seal provided by CONSAA.

Policy:

The GOES continues to require that all sugar sold in the local market be fortified with vitamin A. Producers and millers share this cost. The GOES has not designed a specific production support or assistance program for the sugar sector; instead, limiting market access through import tariff protection continues to be the leading support mechanism.

Under the national sugar law, CONSAA is in charge of regulating the sector. CONSAA has a board of directors that includes members from government, sugar producers, and sugar mills.

A draft law to produce alternative fuels, including ethanol, which was drafted in 2009, is still on hold. The sugar industry and the GOES have discussed setting a 10 percent blend for ethanol in gasoline, but the current administration has not enacted this law because it says it needs to analyze the impact on the environment and consumers. The ruling party currently enjoys a super-majority in the National Assembly, which provides the opportunity for this pending law to pass.

Due to increased inflationary pressure on the basic food basket, in March 2022, the GOES passed a temporary law that decreases the import duty to zero percent for a list of basic products, including sugar. This law will be in force until March 2025. Thus far there have not been any sugar imports derived from the reduction in the import duty and CONSAA does not foresee any sugar coming into the market in the

near future. Industry representatives cite the high cost of transportation and logistics and the requirement to add vitamin A to all sugar sold in the market as major roadblocks for sugar imports, even from within the Central American region. FAS/San Salvador will continue to monitor the data to detect any increases in sugar imports.

Production, Supply and Distribution

Sugar Cane for Centrifugal	2022/2023		2023/2024		2024/2025	
	Oct 2022		Oct 2023		Oct 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Begin Year	Oct 2022		Oct 2023		Oct 2024	
El Salvador	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	79	79	79	79	0	79
Area Harvested	78	78	78	78	0	78
Production	6830	6762	6840	6560	0	6757
Total Supply	6830	6762	6840	6560	0	6757
Utilization for Sugar	6830	6762	6840	6560	0	6757
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	6830	6762	6840	6560	0	6757
(1000 HA), (1000 MT)						
Sugar, Centrifugal	2022/2023		2023/2024		2024/2025	
	Oct 2022		Oct 2023		Oct 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Begin Year	Oct 2022		Oct 2023		Oct 2024	
El Salvador	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	24	24	14	34	0	29
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	785	788	805	765	0	787

Total Sugar Production	785	788	805	765	0	787
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	809	812	819	799	0	816
Raw Exports	469	401	487	393	0	402
Refined Exp. (Raw Val)	55	104	57	102	0	102
Total Exports	524	505	544	495	0	504
Human Dom. Consumption	271	273	272	275	0	277
Other Disappearance	0	0	0	0	0	0
Total Use	271	273	272	275		277
Ending Stocks	14	34	3	29	0	35
Total Distribution	809	812	819	799	0	816
(1000 MT)						

Attachments:

No Attachments