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Report Name: Sugar Annual

Country: Honduras

Post: Tegucigalpa

Report Category: Sugar

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Report Highlights:

Sugar production and exports are projected slightly up in marketing year (MY) 2023 (October 2022 to September 2023) because of the increase in productivity yields, harvested area, additional investments in the sugar sector and increased exports as the Honduran Sugar Industry recovers from the impact of hurricanes ETA and IOTA in November 2020. MY 2022/23 revised estimates show an increase of 0.74% for sugar production and 1.15% in sugar exports. Recovery efforts are expected to last until the end of Fiscal Year (FY) 2023, however the sugar industry is already reaching production levels similar to those reached in FY 2020. Therefore, MY 2023 forecasts signal a rebound to pre-hurricane estimates: 5.28 million MT of sugarcane harvested, 548,000 MT of sugar produced, and 176,000 MT of sugar exported.

Executive Summary:

The marketing year (MY) 2023 (October 2022 to September 2023) forecast for sugarcane harvested area is expected to increase to 57,000 hectares (HA) of land. The sugar industry in Honduras is aiming for a complete recovery of the sugar mills impacted by hurricanes Eta and Iota (November 2020) for fiscal year FY 2023 and is already reaching production levels similar to those reached in FY 2020.

MY 2023 sugarcane production is estimated to rebound to 5.28 million metric tons (MT) from 5.1 million MT revised estimate (3.53% increase) for MY 2022, which consequently increased 23.78% from 4.12 million MT in MY 2021.

Sugar production forecast for MY 2023 is 548,000 MT, up 3.39% from the previous MY 2022 estimate (530,000 MT) estimate and up 36.46% from MY 2021 levels (401,556 MT). The 2.57% drop in MY 2022 initial and previous production estimate (544,000 MT) was a direct consequence of ETA/IOTA hurricane damage to planted area and sugar mills in the Sula Valley.

The sugar export forecast for MY 2023 is 176,000 MT, down 0.28% from the revised MY 2022 estimate (176,500 MT) and similar to the previous MY 2022 forecasted figures (177,000 MT). Domestic sugar consumption significantly increased in MY 2022 and is in line with forecasted MY 2023 levels due to the increase in COVID-19 vaccination process that refueled the economy with an increase in consumption, higher labor mobility and higher trade of goods between commercial partners. Honduras utilizes its full TRQ allocations under bilateral and multilateral trade agreements.

Production: Sugarcane

Sugarcane planted area is estimated at 57,000 HA for MY 2023, up 1.78% from the MY 2022 estimate. The estimated increase will be driven by recovery of production areas affected by hurricanes Eta and Iota. The Agrarian Reform Law of 1974 (<https://www.tsc.gob.hn/biblioteca/index.php/leyes/70-ley-de-reforma-agraria>) establishes a ceiling on how much land mills can own. As a result, the sugar industry has focused on ramping up productivity by investing in drip irrigation, water harvesting technologies, better seeds, and fertilizers. The mills also provide technical assistance and irrigation systems to independent producers. As a result, sugarcane yield has increased 24% from FY 2020 to 2022 (Figure 2). Planted area has increased 3.63% from FY 2020 to 2022 which shows an improvement in productivity (Figure 1).

From the area harvested, 96 percent of the sugarcane land is destined for production and 4 percent goes to research and replanting. The sugarcane harvest forecast for MY 2023 is 5.28 million MT, up 3.53% from the revised estimate in MY 2022.

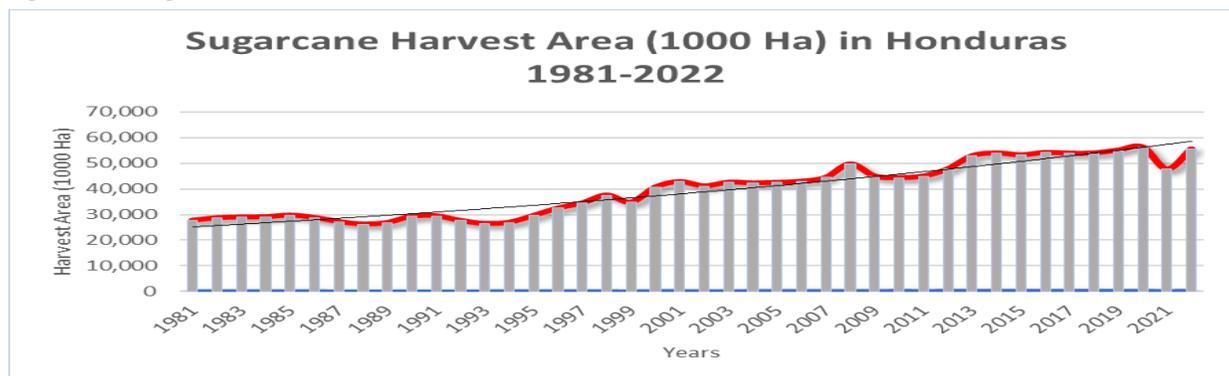
The increase in production is due to an improved productivity in sugar mills, with better drip irrigation systems, better sugar cane varieties and agriculture precision systems. The sugar mills have improved

their extraction capacity, time and production logistics and invested in new production equipment. The sugarcane harvest process has been conducted under biosecurity protocols to contain the spread of COVID-19 with no perceptible impact on productivity. As of the month of June, 100% percent of the sugarcane had been harvested. All seven sugar mills are operational, all harvested sugarcane has been processed for the 2021-2022.

Seven (7) sugar mills are currently in production in Honduras:

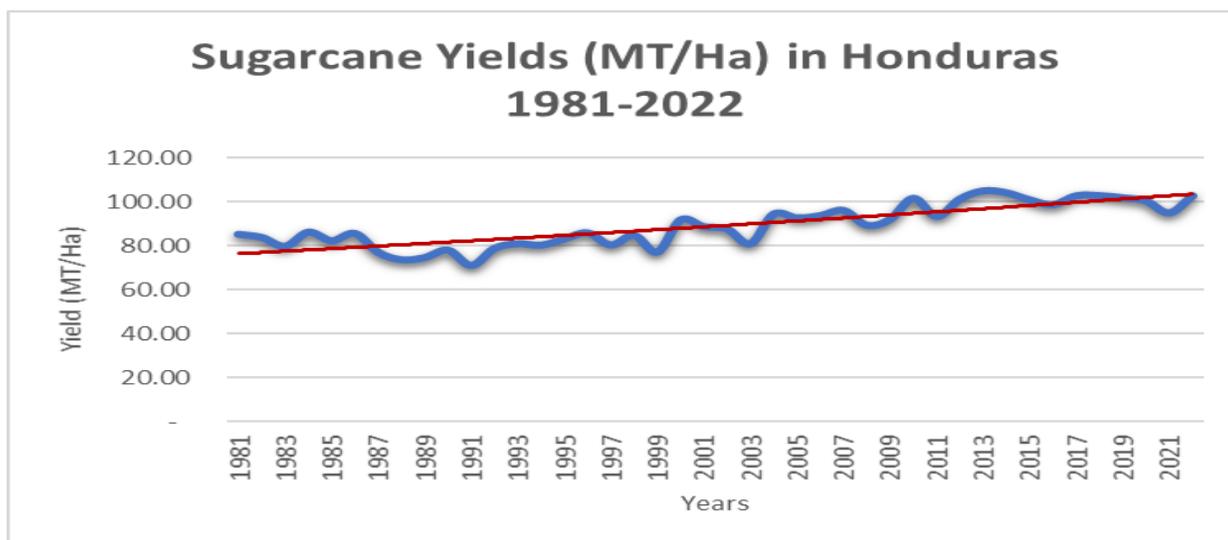
- a) Compañía Azucarera Hondureña S.A.: Founded in 1938, located in Bufalo, Municipality of Villanueva, Cortés, it has an installed capacity to process 13,000 tons of cane per day, and processes around 13,978 hectares of sugar cane.
- b) Azucarera La Grecia S.A.: Founded in 1976, located in the Municipality of Marcovia, department of Choluteca, it has an installed capacity to process 8,000 tons of cane per day, processes more than 12,580 hectares of sugar cane.
- c) Azucarera Tres Valles S.A.: Founded in 1976, located in the Municipality of Cantarranas, department of Francisco Morazán, it has an installed capacity to process 5,500 tons of cane per day, processes more than 6,290 hectares of sugar cane.
- d) Azucarera del Norte S.A.: Founded in 1974, located in Guanchías, Municipality of Santa Rita, Yoro, it has an installed capacity to process 6,500 tons of cane per day, processes more than 7,688 hectares of sugar cane.
- e) Compañía Azucarera Chumbagua: Founded in 1948, located in the area known as Los Valles, jurisdiction of the Municipality of San Marcos, Santa Bárbara, it has an installed capacity to process 6,000 tons of cane per day, processes more than 6,290 hectares of sugar cane.
- f) Azucarera Choluteca S.A.: Founded in 1968, located in the Municipality of Marcovia, Choluteca, it has an installed capacity to process 6,000 tons of cane per day, processes more than 5,940 hectares of sugar cane.
- g) Azucarera Yojoa S.A.: Founded in 1976, located in the Municipality of Río Lindo, Cortés, it contributes about 7% of the national production with more than 3,494 hectares of sugar cane

Figure 1. Sugarcane harvest area (1000 Ha) in Honduras 1981-2020.



Source: Honduras Sugar Producers Association APAH

Figure 2. Sugarcane yields (MT/Ha) in Honduras 1981-2020.



Source: Honduras Sugar Producers Association APAH

Sugar

In Honduras, production, commercialization, and distribution of sugar is handled by the private sector. The sugar industry is represented by the Honduran Sugar Producers Association (APAH). Seven sugar mills are members of APAH, these seven sugar mills own 68 percent of the cultivated area, with the remainder owned by independent producers. Sugarcane and sugar production provide employment to approximately 20,000 people per harvest.

The sugar industry comprises these seven processors (sugar mills) and 11 warehouses for sugar storage. The sugar industry has invested in sugarcane varieties, infrastructure, and equipment, resulting in increased refining capacity and improved sugar recovery rates.

Sugar production for MY 2023 is forecast to increase to 548,000 MT, up 3.39% from the revised estimate for the previous year. The Honduras Sugar Industry has invested in field technology, agriculture research and development, drip irrigation systems, and agriculture supplies among others to increase their productivity, the recovery rate of sucrose from sugarcane remains between 9 and 10 percent.

Consumption:

Domestic sugar cane consumption is forecast at 372,000 MT for MY 2023, up 5.23% from the revised MY 2022 estimate (353,500 MT). The revised consumption forecast for MY 2022 (353,500 MT) dropped from 373,000 MT initial estimate due to an estimated reduction in consumption by the food

industry as a direct consequence of the COVID-19 pandemic, which shrank the Honduran economy causing a sharp drop in GDP of 9% in FY2020, and a 11.26% rebound growth in FY2021.

The sugar industry prioritizes the domestic market to guarantee the nation’s supply and food security. In addition, the 2022 average domestic market price for white sugar is approximately 8% higher than international prices. The main variation in average prices is due to the devaluation/depreciation of the HNL Lempira against US Dollar. If there is an authorized increase in the national price of sugar by the Government of Honduras (GOH), this must be directly related to the increase in prices, but to date there has not been such an increase.

Per capita sugar consumption is estimated at 76 pounds per person (including direct and indirect consumption), of which 48 percent is for industrial use in beverages, candy, and baked goods. The remaining 52 percent is for direct consumer use. Direct consumer has increased 5% in comparison to FY2021, and industrial consumption has been slowly recovering from the decrease experienced due to the COVID-19 pandemic confinement established in March 2020.

The GOH and the private sector have slowly increased the number of employees in the workplace as vaccination rates rise, and restaurants, bars and movie theaters have re-opened again providing an increase in industrial demand for sugar. Previously, direct consumer use had increased due to the “stay at home” measures. The consumption of alternative sweeteners is minimal and has no measurable impact on sugar consumption. Most of the population uses sugar since the price is lower than alternative sweeteners. The Secretariat of Economic Development must authorize changes to wholesale sugar prices, as sugar is considered an essential food and industrial product that directly affects consumer cost of living.

Table 1. Average Sugar Prices for Plantation White (Standard) and Refined Sugar Honduras, 2021 and 2022

MY 2021

<i>US\$/pound</i>		
Market place	Plantation white (Standard)	Refined
Wholesale	0.36	0.38
Consumer	0.43	0.45

MY 2022

<i>US\$/pound</i>			
Market place	Plantation white (Standard)	Refined	% Change
Wholesale	0.40	0.42	11%
Consumer	0.46	0.48	7%

Source: Honduran Sugar Producers Association (APAH)

The domestic consumer price of sugar (plantation white and refined) increased slightly in local currency over the past year 11% for wholesale market and 7% for the consumer market, due to

increases in production costs (Table 1). The price in dollars changed slightly due to a similar offsetting in the dollar exchange rate and depreciation of the local currency HNL Lempira against US Dollar.

Trade:

Exports

Sugar exports for MY 2023 are forecast at 176,000 MT, a 0.28% (500 MT) decrease compared to the updated post-hurricanes Eta and Iota MY 2022 estimate.

Honduras utilized its full TRQ allocations in MY 2020 under the WTO Agreement and in agreements with the United States and the European Union. After these quotas are filled, the sugar mills then proceed to export to the rest of the world. In addition, depending on market conditions, Honduras takes advantage of other free trade agreements (FTA), such as the one with Taiwan. The FTA with Taiwan provides a TRQ of 55,000 MT annually for raw sugar and 15,000 MT for refined sugar.

The Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) provides a TRQ of 10,560 MT for Honduras to send to the United States for 2022 (up 160 MT (1.54%) from 2021). The WTO TRQ is 10,530 MT for 2022 (no change from 2021). The FTA with the EU approved a TRQ of 21,817.5 MT for 2022 (up 261.5 MT (1.21%) from 2021).

The UK approved TRQ is 7,532 MT for 2022, 83 MT (1.11%) increase from 2021. Taiwan approved a TRQ of 55,000 MT for 2022 (unchanged from 2021) for raw sugar and approved 15,000 refined sugar TRQ for 2022 (a 200% increase to meet growing demand).

According to the Trade Data Monitor, in FY 2021 sugar exports were \$43.9 million, down 21% from \$55.6 million in FY 2020 and \$67 million in FY 2019. The decrease in FY 2021 exports is due to a lower production capacity as a direct consequence of hurricanes ETA/IOTA. The FTA with Canada entered into force on October 1, 2014, and import requirements are finalized for Honduras to export to Canada. The FTA with Mexico has been ratified, but sugar TRQs were not negotiated, because Mexico so far has had no need for sugar imports. However, the two parties agreed that Honduras would have preferential access to 10 percent of Mexico's no-supply quota.

In early 2018 South Korea, Honduras, and four other Central American countries signed the Central America-Korea Free Trade Agreement. The FTA includes benefits for sugar exports. The FTA was approved by the Honduras Congress and went into effect in 2020, and Honduras exported 7,410 MT of sugar to Korea in MY 2020.

In 2020 a Central America-United Kingdom Free Trade Agreement went into effect and Honduras exported 18,594 MT of sugar to the UK in MY 2021.

It should be noted that countries of the Central American region cannot export or import cane sugar within the region. This is an agreement contained in Annex A of the Central American General Integration Treaty. The entire Central American cane sugar surplus is exported out of the region. Honduras eliminated its export tax on sugar in accordance with WTO recommendations.

The top five destinations for Honduras's sugar exports in calendar year 2021 were: Haiti (30.83%), the United States (26.41%), United Kingdom (16.35%), Spain (15.61%), Puerto Rico (8.98%), Suriname (1.12%), Trinidad y Tobago (0.57%), Israel (0.07%), Chile (0.04%) and Saint Kitt and Nevis (0.02%), (Table 2). According to Trade Data Monitor the volume of exports decreased 20% in year FY2021 compared to the previous year FY2020.

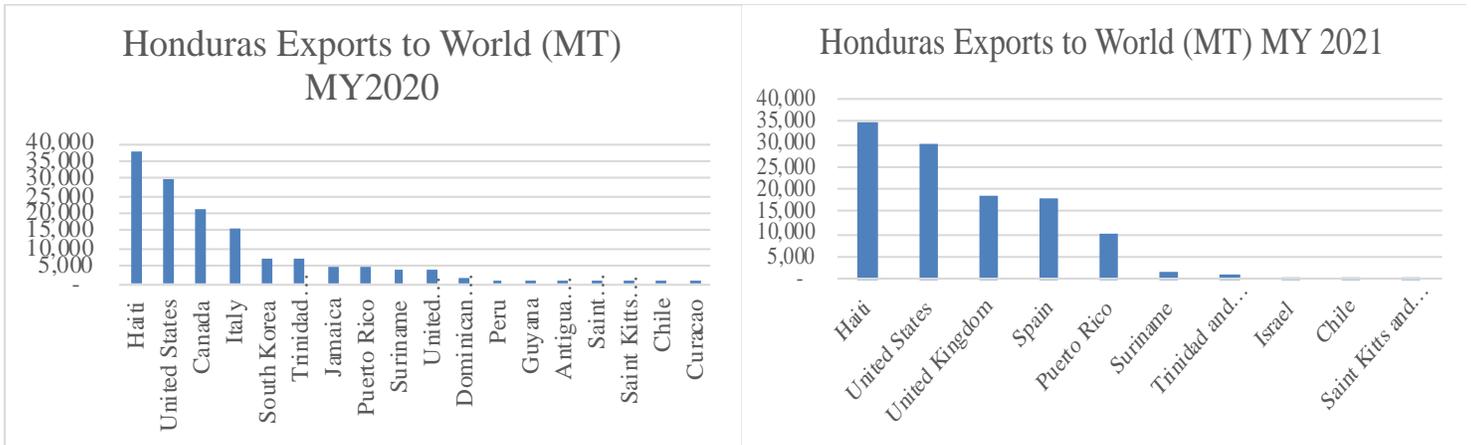
The following chart shows primary export markets by country.

Table 2. Honduras - Sugar, Centrifugal Exports, 2021

Country	Metric Tons
Haiti	35,068
United States	30,038
United Kingdom	18,594
Spain	17,757
Puerto Rico	10,220
Suriname	1,275
Trinidad y Tobago	650
Israel	75
Chile	50
Saint Kitts and Nevis	25
TOTAL	113,752

Source: Trade Data Monitor

Figure 3. Honduras Exports to World in MY 2020 and 2021

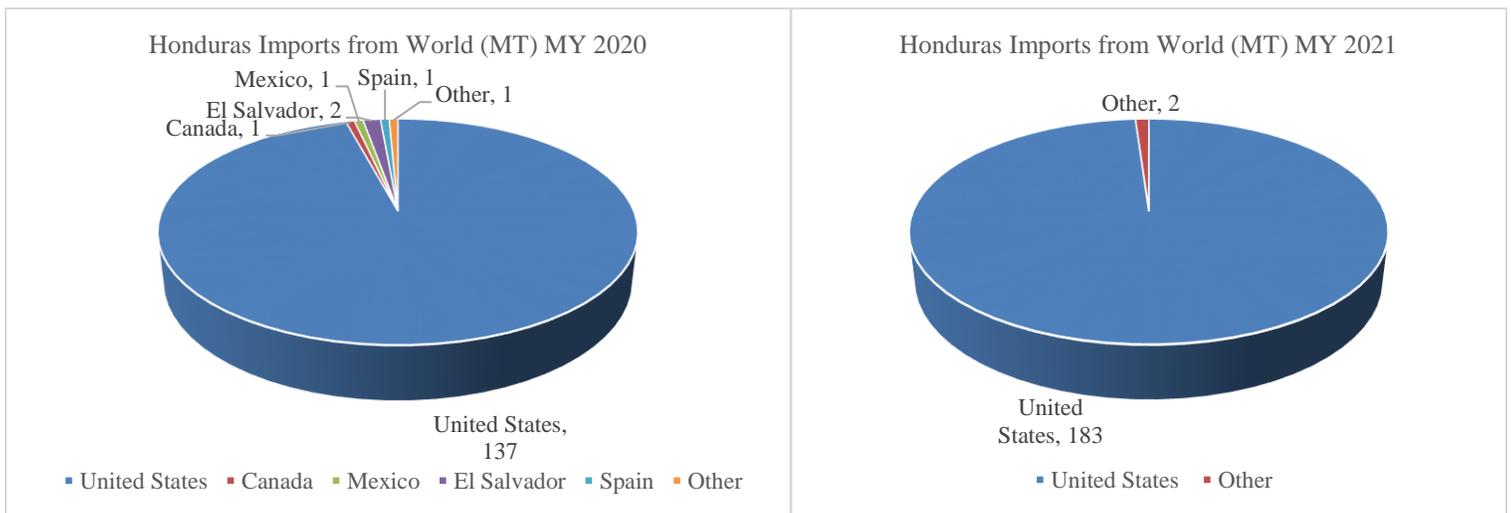


Source: Trade Data Monitor

Imports

The import tariff for raw sugar and plantation white (standard) is 40 percent (consumption tax is not charged). The import tariff for refined sugar is 15 percent plus a 15 percent consumption tax. By law, quality restrictions require vitamin A to be added to sugar for human consumption, which is done by the Honduran sugar industry. The import tariff for raw sugar averages \$0.22 per kilogram. The import tariff for refined sugar is \$0.18 per kilogram, based on average U.S. sugar contract prices. The chart below provides imports by country:

Figure 4. Honduras Imports from World in MY 2020 and 2021



Source: Trade Data Monitor

Table 3. Honduras – Sugar, Centrifugal Imports, 2021

	2020	2021
Country	Metric Tons	
United States	137	183
Others	6	2
TOTAL	143	185

Source: Trade Data Monitor

According to Trade Data Monitor, in FY 2021 sugar imports were negligible at 183 MT from the United States and 2 MT from Other Countries, equivalent to \$346,849 (Table 3).

Stocks:

Stocks are owned by seven processors (sugar mills) and their sugar is stored in CISA warehouses in Tegucigalpa and San Pedro Sula. Stock levels are expected to drop about 2.47% by the end of MY 2022 due to decreased production caused by the hurricanes and remain at just above 197,000 MT in MY 2023, when production and exports rebound close to pre-hurricane levels (Table 4).

Policy:

The following policies are related to the sugar sector in Honduras:

- On March 2020, the GOH initiated preventive measures to prevent the spread of COVID19. However, beginning April 2020 sugar mills were authorized by the Secretariat of Labor to operate under biosafety protocols.
- Sugar mills are limited in the planting area they can use. The Agrarian Reform established a ceiling of land they can own. Sugar mills have to rent nearby suitable lands in order to increase their planting area.
- The land where sugar is planted is sometimes illegally occupied by squatters when the sugarcane should be harvested. The squatters do not allow the sugar mills to remove the sugarcane for harvesting and do not harvest it themselves. During the approximately 4 to 5 months it takes to process an eviction order, sugarcane is lost.

Sugar mills produce the energy that they use during the November to May harvest months through the use of bagasse, generating 130 Megawatts per hour (Mwh) with a potential of 344 Mwh of electricity. The excess energy generated is sold to the Government's National Enterprise of Electric Energy (ENEE). Sugar mills supply about 10 percent of the renewable energy produced in Honduras. APAH indicated that the sugar mills sell the energy at an average of \$0.09 per Kilowatt versus the \$0.25 per Kilowatt provided by other energy companies. From June to October, however, there is no sugarcane harvest, which limits energy production.

- Honduras' 2007 Law for Production and Consumption of Biofuels had a modification in 2013 through decree 295-2013. The law provides biofuel producers fiscal incentives, such as exemptions from

customs tariff, corporate taxes, and other related taxes for 12 years. Decree 295-2013 stipulated biofuels and ethanol use of up to 10 percent blend in 2015 to increase to a 20 percent blend starting 2020. APAH lobbied the Honduran Congress for the approval of the law and continues to support its future implementation. The regulation for the implementation of the law has been written but is pending approval by Congress.

- The Secretariat of Agriculture and Livestock, the Secretariat of Economic Development, sugar mills, and independent producers created the National Sugar Council through the 2005 Decree 161-2005. The objective of the National Sugar Council is to regulate matters between independent producers and sugar mills related to land tenure and technical assistance.

Marketing:

The seven sugar mills in Honduras sell their production to a central warehouse company, Central de Ingenios (CISA), which is owned by APAH and has 11 warehouses throughout the country. CISA was founded in 1980 and distributes the sugar nationwide. CISA has developed marketing programs for new brands and improved packaging. It has also increased its distribution areas in the northern region of the country. CISA changed to 50-kilogram bags (equivalent to 110 pounds) to bring Honduras in line with neighboring countries. It also has small packages of brown and white sugar to offer to restaurants, hotels, and retailers.

Among the local Honduran marketing brands created by CISA for sugar distribution in the local supermarket chains are the following:

- Azucar el Cañal Premium (750 grams and 1500 grams bag presentation)
- El Cañal (460, 920 and 1800 grams bag presentation)
- Doña Matilde White Sugar (460, 920, and 1800 grams bag presentation blue packaging)
- Doña Matilde (Brown Sugar 1800 grams bag presentation red packaging)
- Prieta (460, 920 and 1800 grams bag presentation White Sugar).

Table 4. Production, Supply and Distribution

Sugar, Centrifugal	2020/2021		2021/2022		2022/2023		
Market Begin Year	Oct-20		Oct-21		Oct-22		
Honduras	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	(Units)
Beginning Stocks	198	198	205	198	0	197	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	476	402	530	530	0	548	(1000 MT)
Total Sugar Production	476	402	530	530	0	548	(1000 MT)
Raw Imports	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
Total Imports	0	0	0	0	0	0	(1000 MT)
Total Supply	674	600	735	728	0	745	(1000 MT)
Raw Exports	120	62	174	177	0	176	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
Total Exports	120	62	174	177	0	176	(1000 MT)
Human Dom. Consumption	349	340	359	354	0	372	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Use	349	340	359	354	0	372	(1000 MT)
Ending Stocks	205	198	202	197	0	197	(1000 MT)
Total Distribution	674	600	735	728	0	745	(1000 MT)
TS=TD	0	0	0	0	0	0	
Post Notes							

Sugar Cane for Centrifugal	2020/2021		2021/2022		2022/2023		
Market Begin Year	Oct 2020		Oct 2021		Oct 2022		
Honduras	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	(Units)
Area Planted	57	55	58	56	0	57	(1000 HA)
Area Harvested	54	48	57	56	0	56	(1000 HA)
Production	4500	4120	5150	5100	0	5280	(1000 MT)
Total Supply	4500	4120	5150	5100	0	5280	(1000 MT)
Utilization for Sugar	4500	4120	5150	5100	0	5280	(1000 MT)
Utilization for Alcohol	0	0	0	0	0	0	(1000 MT)
Total Utilization	4500	4120	5150	5100	0	5280	(1000 MT)
TS=TD	0	0	0	0			
Post Notes							

Source: Production, Supply & Distribution

Attachments:

No Attachments