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Report Highlights:

Sugar production and exports are projected slightly up in marketing year (MY) 2024 (October 2023 to September 2024) because of the increase in productivity yields, harvested area, and additional investments made in the sugar sector and increased exports, as the Honduran Sugar Industry fully recovers from the rainy season in November 2022. MY 2023/24 revised estimates show an increase of 3.40% for sugar production and 7.65% in sugar exports. Recovery efforts are expected to last until the end of Fiscal Year (FY) 2024, however the sugar industry is already reaching production levels similar to those reached in FY 2020. Therefore, MY 2024 forecasts signal a rebound to pre-hurricane estimates: 5.28 million MT of sugarcane harvested, 548,000 MT of sugar produced, and 183,000 MT of sugar exported.

Sugar production and exports are projected slightly up in marketing year (MY) 2024 (October 2023 to September 2024) because of the increase in productivity yields, harvested area, and additional investments made in the sugar sector and increased exports, as the Honduran Sugar Industry fully recovers from the rainy season in November 2022. MY 2023/24 revised estimates show an increase of 3.40 percent for sugar production and 7.65 percent in sugar exports. Recovery efforts are expected to last until the end of Marketing Year (MY) 2024, however the sugar industry is already reaching production levels like those reached in MY 2020. Therefore, MY 2024 forecasts signal a rebound to pre-hurricane estimates: 5.28 million MT of sugarcane harvested, 548,000 MT of sugar produced, and 183,000 MT of sugar exported.

Executive Summary:

The marketing year (MY) 2024 (October 2023 to September 2024) forecast for sugarcane harvested area is expected to increase to 57,000 hectares (HA). Sugar mills impacted by hurricanes Eta and Iota (November 2020) have returned to full productivity and for Marketing year MY 2024 Honduras is already reaching production levels similar to those reached in MY 2020 and in previous years.

MY 2024 sugarcane production estimates are revised up by 2.5 percent to 5.28 million metric tons (MT) for MY 2023 versus 5.19 million MT in MY 2022.

The sugar production forecast for MY 2024 is 548,000 MT, up 3.4 percent from the previous MY 2023 estimate (530,000 MT), and up 4.75 percent from MY 2022 levels (523,148 MT). The 2.57 percent drop in MY 2023 initial and previous year production estimate forecast was a direct consequence of the 2022 rainy season and ETA/IOTA hurricane damage to planted area and sugar mills in the Sula Valley.

The sugar export forecast for MY 2024 is 183,000 MT, up 3.39 percent from the revised MY 2023 estimate (170,000 MT) and like the previous MY 2023 forecasted figures (169,000 MT). Domestic sugar consumption significantly increased in MY 2023 and is in line with forecasted MY 2024 levels due to the opening and refueling process of the economy with an increase in consumption, higher labor mobility and higher trade of goods between Honduras and its commercial partners. Honduras utilizes its full TRQ allocations under bilateral and multilateral trade agreements.

Production: Sugarcane

Sugarcane planted area is estimated at 58,000 HA for MY 2024, up 1.75 percent from the MY 2023 estimate. The estimated increase will be driven by the recovery of production areas affected by the rainy season and hurricanes Eta and Iota in previous years. 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 sugar 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 8 percent from MY 2021 to 2022 (Figure 2). Planted area has increased 3.57 percent from MY 2021 to 2023 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 for research and replanting. The sugarcane harvest forecast for MY 2024 is 5.28 million MT, up 2.52 percent from the revised estimate in MY 2023.

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.

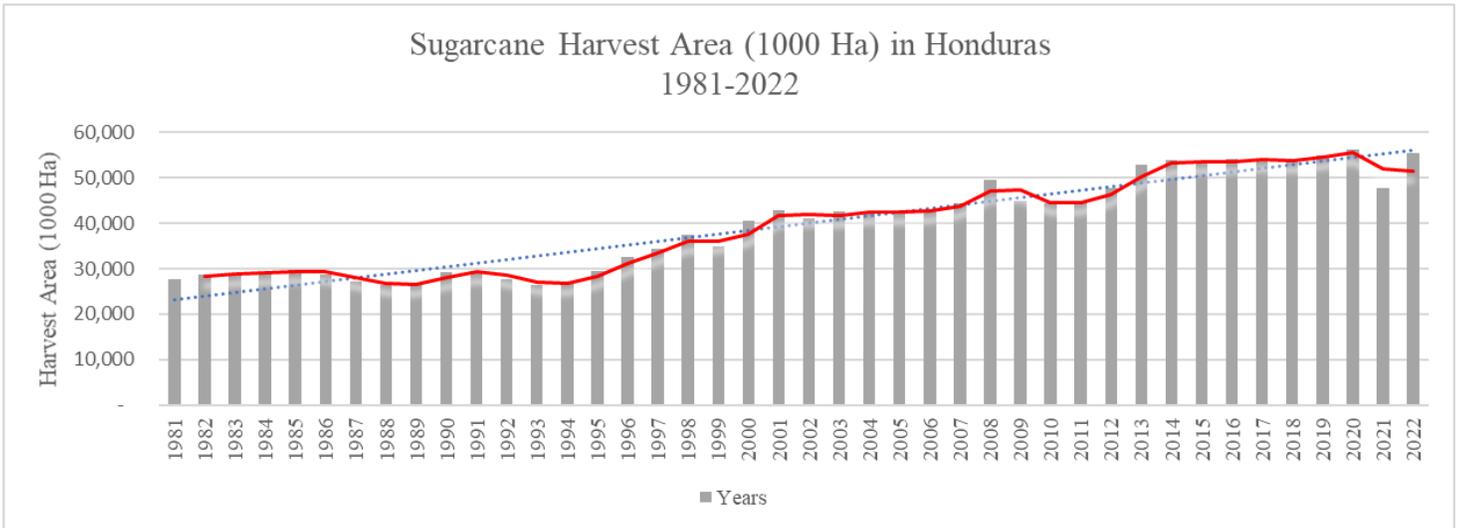
The Honduran Economy and the sugarcane harvest process in general is recovering from the side effects of COVID-19, the Russia-Ukraine war conflict, and ETA and IOTA storms, which produced increased costs of inputs (fertilizers and fuel increases), but slowly recovering its pace back to significant growth on productivity. As of the month of April 2023, 80 percent of the sugarcane had been harvested. All seven sugar mills are operational, all harvested sugarcane has been processed for the 2022-2023 period.

Seven 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.

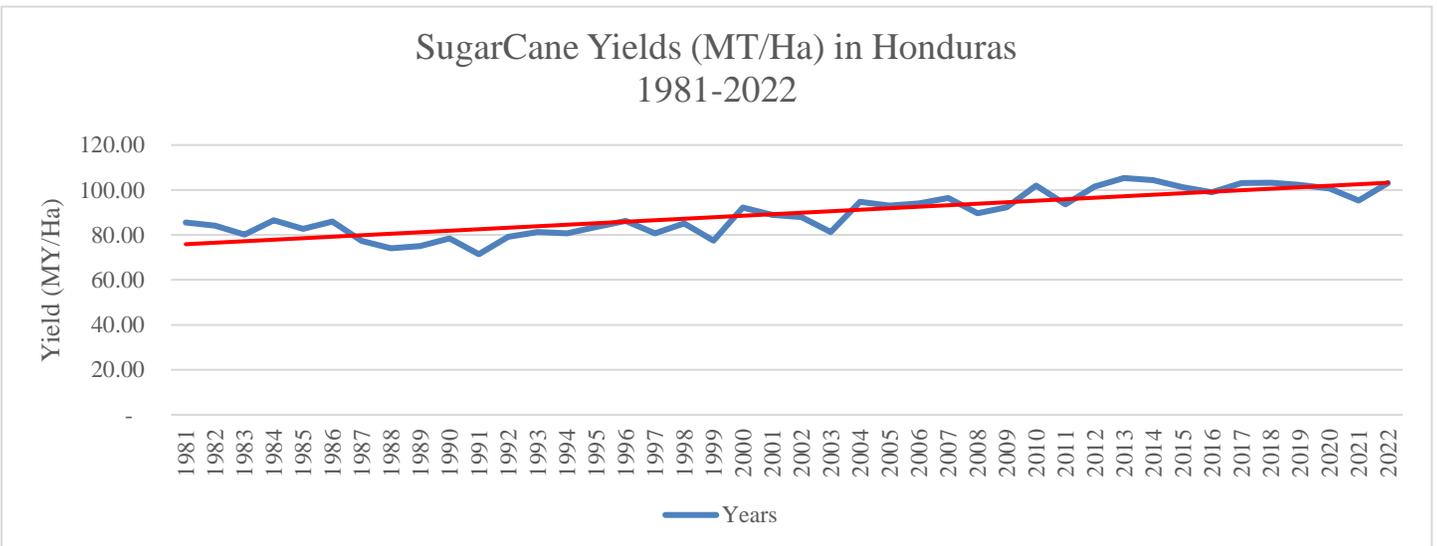
g) Azucarera Yojoa S.A.: Founded in 1976, located in the Municipality of Río Lindo, Cortés, it contributes about 7 percent of the national production with more than 3,494 hectares of sugarcane.

Figure 1. Sugarcane harvest area (1000 Ha) in Honduras 1981-2022.



Source: Honduras Sugar Producers Association APAH

Figure 2. Sugarcane yields (MT/Ha) in Honduras 1981-2022.



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 70 percent of the cultivated area, with the remainder owned by independent producers. Sugarcane and sugar production employs around 40 percent of the economically active population of its areas of influence in rural areas, providing employment to approximately 200,000 people per harvest, (jobs include direct and indirect jobs and related activities).

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.

The economic value created by the sugar industry in Honduras is close to \$ 410 million dollars per year. The distributed economic value (cash flow) shows that purchases from suppliers is the most important item (56 percent) followed by wages and salaries (21 percent), new investments (15 percent), taxes (7 percent) and occupational health and safety (1 percent).

Sugar production for MY 2024 is forecast to increase to 548,000 MT, up 3.39 percent 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 percent and 10 percent.

Consumption:

Domestic sugar cane consumption is forecast at 365,000 MT for MY 2024, up 1.39 percent from the revised MY 2023 estimate (360,000 MT). The revised consumption forecast for MY 2023 (360,000 MT) dropped from 372,000MT 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 percent in MY2020, and a 11.26 percent rebound growth in MY2021 (<https://www.bch.hn/estadisticas-y-publicaciones-economicas/reportes-dinamicos/sector-real/producto-interno-bruto-valor-agregado-bruto-total>).

The sugar industry prioritizes the domestic market to guarantee the nation's supply and food security. In addition, the 2023 average domestic market price for white sugar is approximately 8 percent 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 1.84 percent in comparison to MY2022, 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 increased the number of employees in the workplace back to normal, and businesses and restaurants have re-opened again providing an increase in industrial demand for sugar. 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, 2022 and 2023

MY 2022

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

MY 2023

<i>US\$/pound</i>			
Market place	Plantation white (Standard)	Refined	percent Change
Wholesale	0.41	0.43	2.38 percent
Consumer	0.47	0.49	2.083 percent

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 2.38 percent for wholesale market and 2.08 percent 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 2024 are forecast at 183,000 MT, a 3.97 percent (7000 MT) decrease compared to the updated MY 2023 estimate.

Honduras utilized its full TRQ allocations in MY 2021 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 10,720 MT for Honduras to send to the United States for 2023 (up 160 MT (1.52 percent) from 2022). The WTO TRQ is 10,758 MT for 2023 (up 228 MT (2.17 percent) from 2022). The FTA with the EU approved a TRQ of 22,079 MT for 2023 (up 261.5 MT (1.20 percent) from 2022).

The UK approved TRQ is 7,615 MT for 2023, 83 MT (1.10 percent) increase from 2022. Taiwan approved a TRQ of 55,000 MT for 2023 (unchanged from 2022) for raw sugar and approved 15,000 refined sugar TRQ for 2023 (unchanged from 2022).

According to the Trade Data Monitor, in MY 2022 sugar exports were \$73.8 million up 68 percent from \$43.9 million in MY 2021 and \$55.6 million in MY 2020. The increase in MY 2022 exports is due to a higher production capacity as a direct recovery effort after 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 MY2022 Honduras exports to South Korea were 26,010 MT representing \$10,513,297 a 15 percent of its total sugar export to the world.

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. In MY2022 Honduras exports to the United Kingdom were 7,071 MT representing \$2,927,853 a 4 percent of its

total sugar export to the world.

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 destinations for Honduras's sugar exports (metric tons) in calendar year 2022 were: Haiti (28 percent), the United States (25 percent), South Korea (15 percent), Bulgaria (12 percent), Peru (5 percent), Puerto Rico (4 percent), United Kingdom (4 percent), Jamaica (2 percent), Trinidad and Tobago (1 percent), Colombia (1 percent), Suriname (1 percent), Saint Lucia (1 percent), Chile (0.46 percent), Dominican Republic (0.15 percent), Saint Vincent and the Grenadines (0.15 percent), Barbados (0.11 percent), Antigua and Barbuda (0.08 percent), Israel (0.06 percent), Dominica (0.03 percent) and Curacao (0.03 percent), (Table 2). According to Trade Data Monitor the volume of exports increased 51 percent in year MY2022 compared to the previous year MY2021.

The following chart shows primary export markets by country in metric tons.

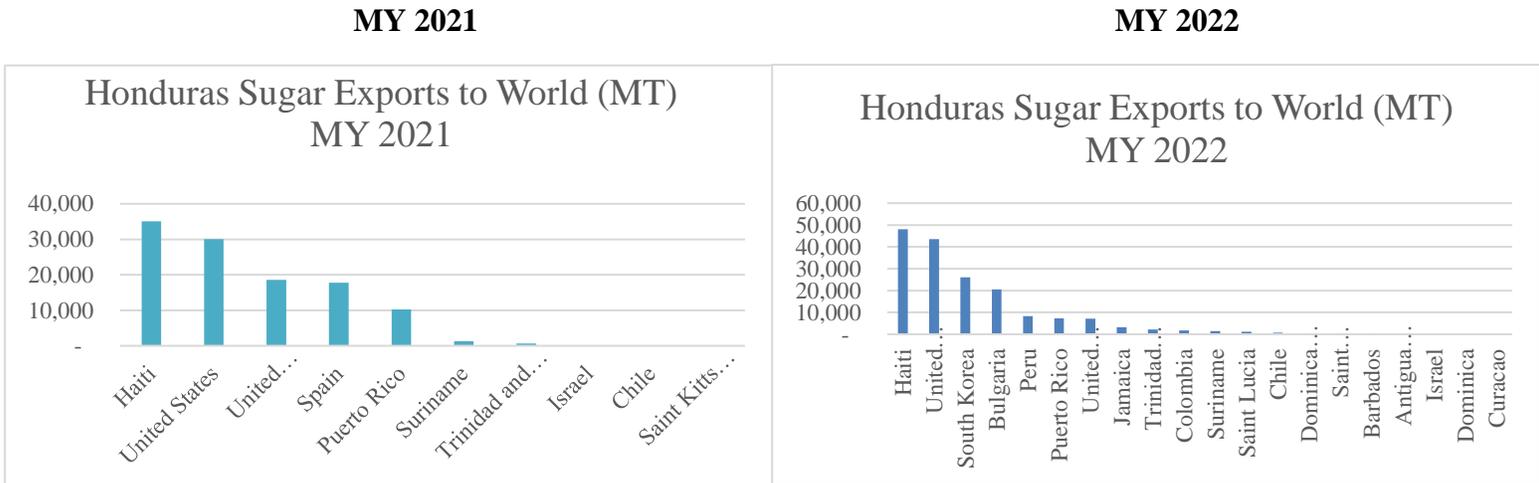
Table 2. Honduras - Sugar, Centrifugal Exports, 2022

Country	Metric Tons
Haiti	48,004
United States	43,517
South Korea	26,010
Bulgaria	20,482
Peru	8,350
Puerto Rico	7,235
United Kingdom	7,071
Jamaica	3,180
Trinidad and Tobago	2,200
Colombia	1,750
Suriname	1,472
Saint Lucia	1,200
Chile	800
Dominican Republic	265
Saint Vincent and the Grenadines	265
Barbados	186
Antigua and Barbuda	133
Israel	100
Dominica	53

Curacao	53
TOTAL	172,326

Source: Trade Data Monitor

Figure 3. Honduras Exports to World in MY 2021 and 2022 in Metric Tons



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 in MY 2021 and MY 2022:

Figure 4. Honduras Imports from World in MY 2021 and 2022 in Metric Tons

MY 2021

MY 2022



Source: Trade Data Monitor

Table 3. Honduras – Sugar, Centrifugal Imports in Metric Tons, 2021 vs. 2022

Country	2021 Metric Tons	2022 Metric Tons
United States	183	139
El Salvador	2	5
TOTAL	185	144

Source: Trade Data Monitor

According to Trade Data Monitor, in MY 2022 sugar imports were negligible at 139 MT from the United States and 5 MT from El Salvador, equivalent to \$386,880 (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 remain the same through the end of MY 2023, following a similar trend in production and export in MY 2021 and MY 2022, production and exports rebound close to pre-hurricane levels for MY 2023 (Table 4).

Policy:

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

- The Sugar Sector in Honduras is a Socially Responsible Guild, having received ratification as

such over many years. This is an exhaustive process that entails the review of data in accordance with the GRI (Global Reporting Initiative) sector supplement for Non-Governmental Organizations, the Sustainable Development Goals (SDG), the CSR Indicators (Indicate) approved with ISO 26000 and the Accountability Standard (AA1000SES).

- 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.
- 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 Marketing 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 main marketing activities and source of income for the sugar sector in Honduras are: a) sugar production for national distribution, b) export sales, and c) Power generation on renewable energy, which has become an important item for diversification and income generation.

Sixty seven percent (67 percent) of the sugar is distributed in Honduras and 33 percent is exported. While at the level of exports in US\$ dollars it is Haiti (30 percent) and the United States (26 percent)

that consume the most level of Sugar exported each and the rest is sent to the world market. In 2022 the value of sugar exports represents about \$73.8 million dollars.

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 Market Begin Year	2021/2022		2022/2023		2023/2024		(Units)
	Oct 2021		Oct 2022		Oct 2023		
Honduras	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	198	198	197	198	0	198	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	530	523	548	530	0	548	(1000 MT)
Total Sugar Production	530	523	548	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	728	721	745	728	0	746	(1000 MT)
Raw Exports	142	135	140	136	0	146	(1000 MT)
Refined Exp.(Raw Val)	35	34	35	34	0	37	(1000 MT)
Total Exports	177	169	175	170	0	183	(1000 MT)

Human Dom. Consumption	354	354	372	360	0	365	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Use	354	354	372	360	0	365	(1000 MT)
Ending Stocks	197	198	198	198	0	198	(1000 MT)
Total Distribution	728	721	745	728	0	746	(1000 MT)
TS=TD	0	0	0	0	0	0	
Post Notes							

Sugar Cane for Centrifugal	2021/2022		2022/2023		2023/2024		
Market Begin Year	Sep 2021		Sep 2022		Sep 2023		
Honduras	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	(Units)
Area Planted	56	56	57	57	0	58	(1000 HA)
Area Harvested	56	56	56	56	0	57	(1000 HA)
Production	5100	5187	5280	5150	0	5280	(1000 MT)
Total Supply	5100	5187	5280	5150	0	5280	(1000 MT)
Utilization for Sugar	5100	5187	5280	5150	0	5280	(1000 MT)
Utilization for Alcohol	0	0	0	0	0	0	(1000 MT)
Total Utilization	5100	5187	5280	5150	0	5280	(1000 MT)
TS=TD	0	0	0	0	0	0	
Post Notes							

Source: Production, Supply & Distribution

Attachments:

No Attachments