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Report Highlights:

In marketing year (MY) 2022/23, Colombia's sugar production is forecast to remain unchanged at 2.3 million metric tons (MT). Although weather conditions are expected to return to normal, crop productivity could be affected by lower fertilizer use due to rising prices. Colombia's economy is projected to continue growing in 2022, after a GDP growth of 10.2 percent in 2021, but uncertainty and high food inflation rates will likely slow consumption and trade which are projected to remain flat in MY 2022/23. In calendar year (CY) 2021, Colombia filled the 56,750 MT sugar export quota under the U.S.-Colombia Trade Promotion Agreement (CTPA) and the 30,995 sugar quota under the World Trade Organization (WTO) agreement. Colombia is expected to fulfill its 2022 and 2023 U.S. sugar quotas and additional volume, if demanded.

Commodities

Sugar centrifugal

Production

In MY 2022/23, Colombia sugar production is forecast to remain unchanged at 2.3 million metric tons (MT) in raw value basis with a harvested area of 198,000 hectares (ha). According to the Colombian Institute of Meteorology (IDEAM), weather conditions are forecast to return to normal averages in the second half of 2022. Although normal weather conditions and rising international sugar prices are expected to support higher sugar production, the upward trend of input costs, primarily fertilizers, will likely affect productivity in the second half of 2022 and 2023.

In MY 2021/22, Post's revised production estimate is 4.2 percent down from 2.4 million MT to 2.3 million MT as IDEAM expects excessive rains from the *La Niña* weather phenomena between March and June 2022, which will affect sugarcane harvest and the sucrose content in the sugarcane.

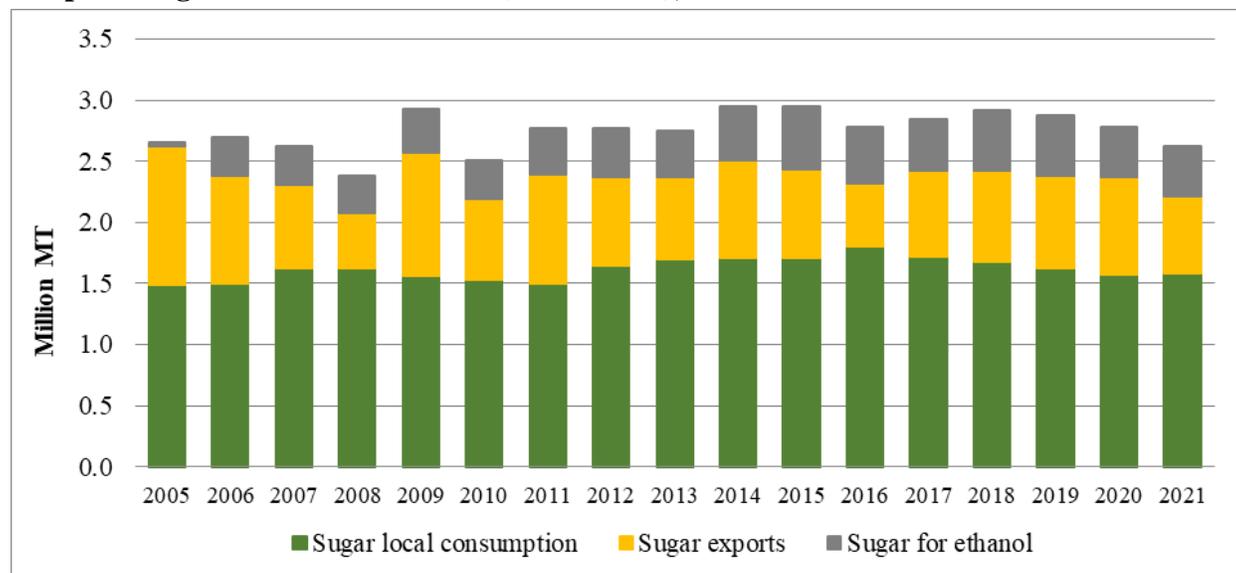
Counterbalancing the negative weather factors, high sugar prices may maintain sugar production on average levels. According to the Colombian Ministry of Agriculture, there are sufficient inventories of fertilizers in Colombia for the first part of 2022. However, the Colombian sugar industry is concerned about the rising cost of fertilizers. Therefore, sugarcane growers are looking for alternative options to feed plants such as the use of sugarcane stillage and other sugarcane sub products.

Colombia's 14 sugar mills and a majority (6 out of 7) of its ethanol facilities are located in the Cauca River Valley, which spans six Colombian departments. There are about 240,000 hectares of sugarcane planted in the Cauca River Valley, which is close to the total agricultural land available that can be planted in the region. On average, and under normal weather conditions, the Cauca River Valley harvests about 80 to 90 percent of the available sugarcane area, and the rest of the land remains idle as part of a land management strategy. Approximately 70 percent of the sugarcane is harvested by machines with the remaining harvested by hand. The Cauca River Valley is one of the most efficient sugarcane producing regions in South America. In 2021, average sugarcane yield is estimated at 113 MT per hectare. As area available for sugarcane is almost completely planted, changes in productivity are the outcome of weather conditions and farmer application of technological improvements developed by the Colombian Sugar Industry Research Center (CENICAÑA).

Some of the facilities for ethanol and sugar production are located in close proximity, which allows sugarcane to be devoted for processing either product. Since distilleries began producing ethanol in 2005, domestic ethanol demand has offset sugar exports significantly, about 30 to 40 percent annually (see graph 1 below). In calendar year (CY) 2021, sugarcane crushing decreased 3 percent compared to the previous year as result of adverse weather conditions and a 40-days national strike in early 2021 that affected sugar mill operations. Local sugar consumption and ethanol production increased 1 percent each, driven by Colombia's economic recovery, while sugar exports decreased 22 percent as road

blockades from the national strike affected cargo flow into and out of Buenaventura port, Colombia's largest container port and primary Pacific outlet.

Graph 1. Sugar Cluster Production (million MT), 2005 - 2021



Source: Post calculations based on the information from the Colombian Association of Sugar Producers (Asocaña)

Since January 2001, local sugar prices in Colombia are subject to a price stabilization system called the Sugar Price Stabilization Fund (FEPA). More information can be found below in the Policy section. The Colombian government designed FEPA as a mechanism to protect local producers from fluctuations in international sugar prices.

Non-Centrifugal Sugar

In CY 2021, non-centrifugal sugar (known as panela) production remained unchanged from the previous year at 1.1 million MT with a harvested area of 171,190 ha. Sugarcane for panela is planted in dispersed areas countrywide in 29 out of 32 departments of Colombia, with 80 percent of production concentrated in eight departments. According to the Panela Producers Association (Fedepanela), there are an estimated 18,500 crushing/milling facilities.

Non-centrifugal sugar production remained unchanged in 2021 as a result of rising domestic prices that started to recover in 2020 due to higher demand related to COVID-19 changes in consumption patterns. The average annual price of panela increased from \$1,703 Colombian pesos (COP) (approx. \$0.45) per kilogram in 2019 to COP \$2,638 (\$0.70) in 2020, and to COP \$3,251 (\$0.86) in 2021. However, in 2022 panela prices have started a downward trend to an average of COP \$3,098 per kilogram (\$0.81), a 5 percent decrease, due to higher inventories and slower demand given Colombia's high inflation rates. If panela prices continue to decrease, non-centrifugal sugar production is estimated to decline to 1 million MT in CY 2022.

Consumption

In MY 2022/23, Colombian sugar consumption is forecast to remain unchanged at 1.87 million MT. Despite Colombia's economic recovery, current global uncertainty and high food inflation rates in Colombia could hamper consumption.

In MY 2020/21, Post's revised Colombian sugar consumption at 1.87 million MT, a 3 percent increase from the previous year USDA's official estimate, driven by the recovery of the economy, and the reopening of the food service sector. In CY 2021, Colombia's GDP grew 10.2 percent¹, higher than the 7.8 percent estimate, after the economic contraction of 6.8 percent in CY 2020. According to the Colombian Association of Sugar Producers (Asocaña), annual per capita consumption of sugar is estimated at 75 pounds (34 kilograms). For panela, Colombian annual per capita consumption is estimated at 48 pounds (22 kilograms).

Trade

In MY 2022/23 sugar exports are forecast to slightly increase to 730,000 MT driven by high international prices. In MY 2021/22, Post's export estimates are down 9 percent from 790,000 MT to 720,000 MT following lower production than expected, and a recovery of domestic demand.

Colombia exports sugar to the United States under both the World Trade Organization (WTO) and the U.S. Colombia Trade Promotion Agreement (CTPA) quotas. In FY 2021, the WTO quota (including additional allocations and increases) was 30,995 MT raw value (MTRV), and it was fully subscribed. In CY 2021, the CTPA quota was 56,750 MT, and it was also fully subscribed despite trade disruptions due to Colombia's national strike. In CY 2022, Colombia will likely fill the CTPA quota of 57,500 MT, as well as the FY 2022 WTO quota of 25,273 MT.

Table 1. Colombia Sugar Exports (Raw Value)

Partner Country	Unit (RV)	Total Exports (Raw value)			% Share		
		MY 2018/19	MY 2019/20	MY 2020/21	MY 2018/19	MY 2019/20	MY 2020/21
World	T	800,444	777,612	668,131			
Peru	T	189,702	193,464	136,745	24%	25%	20%
United States	T	160,702	158,255	130,759	20%	20%	20%
Chile	T	133,389	155,476	138,724	17%	20%	21%
EU 28	T	77,379	92,452	76,548	10%	12%	11%
Haiti	T	62,452	67,689	74,524	8%	9%	11%
Ecuador	T	28,441	22,880	24,165	4%	3%	4%
Others	T	148,379	87,396	86,666	19%	11%	13%

Source: Colombia Customs National Office (DIAN) – Trade Data Monitor.

¹ Colombian Department of Statistics (DANE), GDP estimates for 2021

In MY 2020/21, Chile became the top destination for Colombian sugar accounting for 21 percent of total sugar exports, followed by Peru (20%) and the United States (20%). Exports to Ecuador slightly recovered in MY 2020/21 after safeguards were implemented against Andean Community of Nations (CAN) countries, including Colombia. Colombian exports of sugar are 68 percent in refined, with the remaining 32 percent in raw sugar.

In MY 2022/23, sugar imports are forecast to remain unchanged at 265,000 MT due to high international prices. Post's revised imports estimate for MY 2021/22 is down 6 percent from 282,000 MT to 265,000 MT due to high international prices and strong dollar against the Colombian peso. More than 98 percent of Colombia's sugar imports are refined sugar.

Table 2. Colombia Sugar Imports (Raw Value) in Marketing Years

Partner Country	Unit (RV)	Total Imports (Raw value)			% Share		
		MY 2018/19	MY 2019/20	MY 2020/21	MY 2018/19	MY 2019/20	MY 2020/21
World	T	234,405	286,244	264,961			
Bolivia	T	79,171	93,429	110,780	34%	33%	42%
Brazil	T	15,940	94,294	61,196	7%	33%	23%
Peru	T	87,036	87,728	53,624	37%	31%	20%
Ecuador	T	43,798	2,552	17,744	19%	1%	7%
Nicaragua	T	2,155	2,410	9,506	1%	1%	4%
Others	T	6,305	5,831	12,111	3%	2%	5%

Source: Colombia Customs National Office (DIAN) – Trade Data Monitor

In MY 2020/21, Brazil, Bolivia, and Peru made up 85 percent of total Colombian imports. Sugar imports from Bolivia and Peru enter Colombia duty-free under trade preferences with the CAN agreement. Brazil has consolidated its position as an important supplier to Colombia due to competitive prices, despite Brazil being subject to a lower duty under a regional trade pact (MERCOSUR).

Stocks

In MY 2022/23, ending stocks are expected to decrease to 163,000 MT as exports are expected to increase while imports and consumption remain flat. This quantity would satisfy an estimated 31 days of domestic consumption. There are no Colombian government programs or incentives for sugar mills to hold inventories as Colombia is able to produce sugar year-round.

Policy

The Sugar Price Stabilization Fund (FEPA for its acronym in Spanish)

The FEPA mechanism was established in 2000 through Decree 569. It was created by the Colombian government to avoid oversupply and low prices in the domestic sugar market by maintaining a price equilibrium. The Colombian Association of Sugar Producers (Asocaña) administers it. The Colombian Minister of Agriculture chairs FEPA's board and its members include the Colombian Minister of Trade and 11 sugarcane growers and mills.

The FEPA provides incentives for sugar exports by hedging against domestic and international market price differentials, setting a market weighted average price (MWAP). Historically, domestic sugar prices are higher than export prices (except for U.S. export prices under quota).

Milling operations that sell sugar at prices above the MWAP, or typically the domestic market, will contribute the difference to the FEPA. Conversely, those that sell sugar at prices below the MWAP will receive the difference in compensation from the FEPA. Asocaña conducts a monthly calculation to determine contribution and/or compensation values for each sugar mill.

Price Band System

Sugar imports from the Andean Community countries (i.e., Peru, Ecuador, and Bolivia) are allowed duty-free entry into Colombia. Imports from outside the CAN are subject to a variable duty under the price band system. The basic duty rate on imports of raw and refined sugar from non-CAN countries is 15 percent.

The CAN revises the price band, both ceiling and floor, every April. The duty adjustment is made based on whether a reference price is above, below, or within the ceiling and floor price. The reference price is adjusted every two weeks. If the reference price falls within the floor and ceiling price band, the sugar import duty is set at 15 percent of the invoice value. When the reference price falls below the floor price, a variable surcharge based upon the difference between the floor price and the reference price is assessed. When the reference price exceeds the ceiling price, however, a reduction is made to the applied duty rate based on the difference between the reference and the ceiling price.

The CAN price band to be applied for the period of April 2022 to March 2023 is illustrated below:

Table 3. CAN Floor and Ceiling Prices for Sugar

<i>April 2022 to March 2023</i>		
USD per Ton		
	<i>Floor Price CIF</i>	<i>Ceiling Price CIF</i>
Refined sugar	453	526
Raw sugar	368	435

Source: Resolution 2245 of 2021, CAN

For the second half of April 2022, reference prices for raw (\$450/ton) and refined sugar (\$571/ton) are within the floor and ceiling price. Thus, Colombia’s current variable effective duty on imports of sugar is 15 percent.

U.S.-Colombia Trade Promotion Agreement (CTPA)

On May 15, 2012, the CTPA went into force. The CTPA eliminated the price band duty for imports from the United States. From CY 2021, the import tariff-rate-quota for glucose, which includes high-fructose corn syrup, is unlimited. In CY 2022, the Colombia sugar export quota under the CTPA is 57,500 MT, which is usually fully subscribed. It increases by 750 MT annually.

Andean Community of Nations (CAN) and Southern Common Market (MERCOSUR)

CAN member countries (i.e., Ecuador, Peru, and Bolivia) have duty free access to Colombia's sugar market. Under the CAN Agreement, Ecuador and Peru imposed safeguards and tariffs to 10 Colombian agricultural products, including sugar and sugar containing products, as a retaliation measure to Colombia for not allowing rice imports from these origins. These restrictive measures were removed after Colombia agreed to grant access for Ecuadorian and Peruvian rice. However, as Colombia has not imported rice as committed, in early 2022, [Ecuador](#) and [Peru](#) applied a 10 percent tariff on ten categories of goods from Colombia in response to a ruling against Colombia's restrictions on Peruvian and Ecuadorian rice by the Andean Community Court of Justice.

Colombia maintains the price band system; there was no agreement reached on the timing of tariff reduction under the Colombia MERCOSUR free trade agreement. However, Colombia continues to grant trade preferences under previous bilateral agreements, where MERCOSUR members pay only a percentage of the basic duty rate. Colombia's current total effective duty on Brazilian imports of raw sugar is 10.56 percent and for refined sugar 7.92 percent.

Production, Supply and Distribution Data Statistics:

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

Sugar, Centrifugal Market Year Begins (Raw Value)	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Colombia						
Beginning Stocks	239	239	190	213	0	198
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2220	2240	2400	2300	0	2300
Total Sugar Production	2220	2240	2400	2300	0	2300
Raw Imports	2	4	2	5	0	5
Refined Imp. (Raw Val)	270	265	280	260	0	260
Total Imports	272	269	282	265	0	265
Total Supply	2731	2748	2872	2778	0	2763
Raw Exports	220	220	240	200	0	210
Refined Exp. (Raw Val)	500	460	550	510	0	520
Total Exports	720	680	790	710	0	730
Human Dom. Consumption	1816	1850	1872	1865	0	1865
Other Disappearance	5	5	5	5	0	5
Total Use	1821	1855	1877	1870	0	1870
Ending Stocks	190	213	205	198	0	163
Total Distribution	2731	2748	2872	2778	0	2763
(1000 MT)						

Attachments:

No Attachments