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**Report Highlights:**

FAS/San José expects Costa Rican sugar cane production in marketing year 2021/22 to fall by 2 percent – remaining just below 4 million metric tons – driving sugar production down 2 percent to 416,000 metric tons on lower projected yields. Compounding high producer debt levels, FAS/San José projects higher fuel and fertilizer costs in 2022 would perpetuate declines in sugar cane and sugar production in marketing year 2022/23 through lower area planted and lower yields.

## Executive Summary

Costa Rica's annual sugar production has declined slightly and steadily, falling from 442,000 metric tons (MT) in marketing year (MY) 2018/19 to 416,000 MT in MY 2021/22. In addition to several extreme weather events, slow rates of replanting at smaller farms, high debt levels, and low prices have contributed to recent declines in sugar cane area planted. FAS/San José expects higher fuel and fertilizer costs would exacerbate producers' debt positions in 2022. Early weather forecasts point toward a stronger than normal 2022 rainy season (May – October) with a higher number of hurricanes and tropical storms.

FAS/San José projects sugar cane and sugar production will decline slightly again in MY 2022/23, as factors contributing to recent declines more than offset effects of higher world prices in 2022. FAS/San José expects producers will remain under financial stress due to high indebtedness and rising production costs. It is unclear how much of an impact fertilizer availability and pricing will have on MY 2022/23 production, though smaller producers would have fewer financial resources to absorb increased costs. Though FAS/San José projects MY 2022/23 sugar production down 4 percent to 405,000 MT, Costa Rica should continue to fill its quota allocations for exports to the United States as well as export on commercial terms to the European Union, Canada, and other world markets.

## Production

Preliminary Costa Rican Sugar League (LAICA) data project sugar cane and sugar production to reach 3,989,000 MT and 416,000 MT respectively during MY 2021/22, both lower than in MY 2020/21. Since reaching a record high of nearly 4.5 million MT in MY 2013/14, sugar cane production has steadily declined as a result of falling yields and/or lower area planted. Although sugar output has fluctuated since MY 2013/14, sugar production has generally tracked sugar cane production downward with relatively small variations in sugar manufacturing yields.

**Table 1. Costa Rica: Sugar Cane and Sugar Production**

Marketing Year	Sugar Cane (MT)	Sugar (MT)
2016/17	4,343,890	452,160
2017/18	4,054,141	431,109
2018/19	4,025,447	442,187
2019/20	4,092,123	440,393
2020/21	3,995,020	425,178
2021/22*	3,989,274	415,900

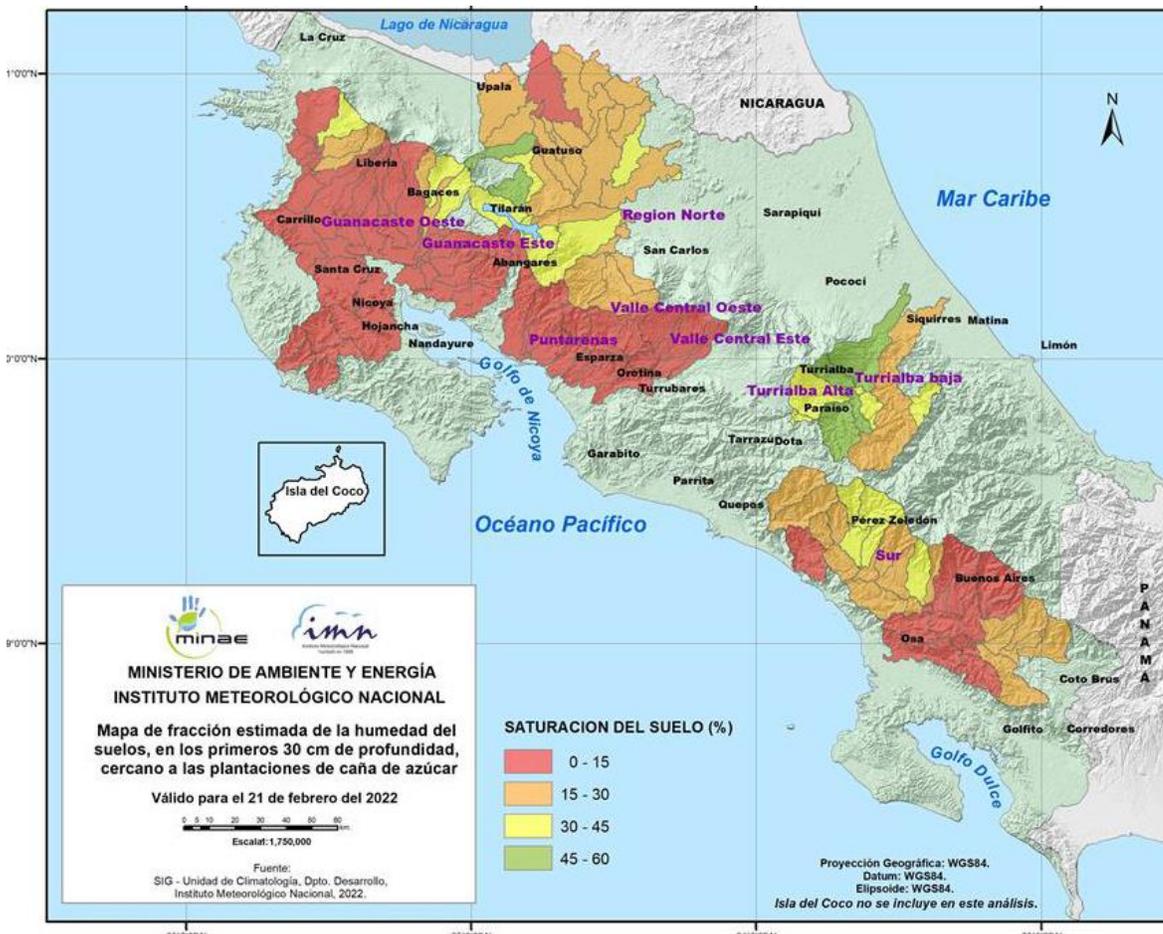
\*Preliminary data. Source: Costa Rican Sugar League (LAICA)

## Overview

According to LAICA, there were 5,188 sugar producers in MY 2021/22, down from the MY 2013/14 high of 7,830, as small sugar cane farmers have aged out of the industry and successive generations have sold or leased sugar area planted to remaining growers. The sector is comprised of primarily small producers, with 90 percent of farms delivering less than 500 MT of sugar cane to the mills. While most producers plant less than 7 hectares (ha) of sugar cane, 17 producers delivered more than 5,000 MT of sugar cane in MY 2020/21.

Sugar cane 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. Fifty-five percent of the sugar production is concentrated in the province of Guanacaste in the Northern Pacific (33,357 ha). Production in the other five regions is distributed more evenly, ranging from 6 to 11 percent of the total. According to data from LAICA, during MY 2021/22 roughly 75 percent of sugar cane is expected to have been harvested mechanically.

**Figure 1. Soil Moisture Map in Sugar Cane Producing Areas (February 21, 2022)**



**Area Planted**

Sugar cane area planted declined from 62,604 ha in MY 2019/20 to 60,668 ha in MY 2020/2021. Area planted is expected to remain close to 60,000 ha in MY 2021/22.<sup>1</sup> FAS/San José projects MY 2022/23 area planted slightly lower, on sustained external (e.g., higher production costs, access to inputs, and urbanization) and internal pressures (e.g., producer indebtedness).

<sup>1</sup> Area planted data is reported through sugar cane delivery surveys collected by sugar mills. With MY 2021/22 harvest ongoing in several areas at the writing of this report, final data for MY 2021/22 were not available.

Sugar cane area planted remains under pressure from other crops and activities in different production regions. The exceptions are Guanacaste and, more recently, the Northern Region, where new production areas have been established around Los Chiles near the border with Nicaragua. Weather conditions in Los Chiles are generally drier and the terrain is flat, similar to Guanacaste. The larger mills in Guanacaste rotate some of their production area between rice and sugar cane, with sugar cane being replanted or transferred into another crop after 4 or 5 years of production. Crop rotations are not a significant source of fluctuation in area planted.

Sugar cane farmers have been under financial pressure, because of the low prices received for sugar cane relative to increasing production costs and, in some cases, because of strict labor and immigration regulations that limit the availability of foreign workers.

Sugar mills in the Central part of the country struggle to keep sugar cane area planted from declining. Since this region is closer to urban areas, high land prices and higher production costs are steadily eliminating sugar cane production area in this region as urbanization radiates outward from San José.

### Yield

As of March 31, the MY 2021/22 sugar cane harvest and sugar processing had basically ended for the season in Guanacaste and in the Southern regions of the country, while it was still underway in the Juan Viñas, Central Valley, and San Carlos regions.

LAICA has preliminarily estimated the MY 2021/22 national average sugar cane yield at 69.6 MT/ha, down 4 percent from 72.2 MT/ha in MY 2020/21. The average sugar yield is expected to decline from 106.4 kg/MT in MY 2020/21 to 104.2 kg/MT in MY 2021/22.

Weather conditions in 2021 reflected typical patterns of well-defined dry and rainy seasons, creating favorable conditions for harvesting the MY 2021/22 crop. Cultural practices and farm management – including lower fertilizer application levels, longer replanting durations at smaller farms, and limited uptake of newer, higher quality varieties – continue to drag down agronomic and processing yields. Industry sources have expressed growing concern that higher fuel prices will result in fewer in-field management hours and that reduced availability of and higher prices for fertilizer will further reduce fertilization rates and agronomic/processing yields in MY 2022/23, especially for smaller scale producers.

The retail price of a commonly used nitrogen fertilizer increased from 9,000 CRC per 46-kilogram bag (about \$13.50) in September 2021 to 36,000 CRC (about \$54) in March 2022. Even larger-scale sugar cane producers, who generally contract fertilizer supplies on an annual basis to obtain better prices, have informed FAS/San José that suppliers have only been contracting on a month-to-month basis since July 2021, due to price fluctuations (including freight) and product availability. Therefore, FAS/San José is forecasting MY 2022/23 sugar production at 405,000 MT, roughly 4 percent lower than MY 2021/22.

### **Consumption**

Costa Rican sugar consumption declined more than expected during MY 2020/21 to 205,000 MT. According to industry sources, COVID-19 restrictions pushed sugar demand lower through reduced consumption in the food service and hotel sectors. FAS/ San José projects consumption rebounding to

220,000 MT in MY 2021/22, as most pandemic restrictions on gathering and business occupancy (e.g., restaurants, coffee shops, etc.) were lifted on April 1, 2022.

Food processing utilization (which includes export-oriented products) accounted for 57 percent of total consumption in MY 2020/21, and generally drives of year-to-year changes in total consumption. FAS/San José estimates MY 2021/22 per capita sugar consumption at 40.5 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 anticipates Costa Rican sugar exports to reach 210,000 MT in MY 2021/22, down 6 percent from MY 2020/21, with the United States, South Korea, Canada, New Zealand, and Germany as leading destinations. Exports to the United States include the U.S. World Trade Organization (WTO) and the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) sugar quotas as well as sugar for re-export. Costa Rica plans to export its full WTO and CAFTA-DR sugar quotas to the United States in U.S. fiscal year 2022.

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

Country of destination	2018/2019	2019/2020	2020/2021
United States	69,412	51,198	78,008
South Korea	-	115,563	70,694
Canada	61,698	3,466	25,920
United Kingdom	33,002	15,919	6,261
New Zealand	-	-	12,970
Bahamas	3,977	3,672	3,916
Germany	1,640	1,297	11,563
Others not listed	6,008	8,179	13,342
<b>Total</b>	<b>175,737</b>	<b>199,294</b>	<b>222,674</b>

Source: Costa Rica’s Customs Department.

Though imports are generally negligible, white sugar for direct consumption from Brazil has been arriving in higher than traditional amounts since 2015. The Government of Costa Rica imposed a safeguard measure on Brazilian sugar to limit import growth in August 2020, pushing the import duty on imported refined sugar from 45 percent to 72.68 percent. After peaking at 12,771 MT in 2020, imports from Brazil were 7,136 MT in 2021.

## Stocks

The gradual accumulation of higher ending stocks has been a function of relatively stable production alongside lower exports and domestic consumption during the pandemic.

**Table 3: Sugar Cane for Centrifugal Sugar: Supply and Utilization**

Sugar Cane for Centrifugal Market Year Begins Costa Rica	2020/2021		2021/2022		2022/2023	
	Oct 2021		Oct 2022		Oct 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1,000 HA)	62	61	62	60	0	60
Area Harvested (1,000 HA)	56	55	56	56	0	55
Production (1,000 MT)	4057	3995	4080	3989	0	3950
Total Supply (1,000 MT)	4057	3995	4080	3989	0	3950
Utilization for Sugar (1,000 MT)	4057	3995	4080	3989	0	3950
Utilization for Alcohol (1,000 MT)	0	0	0	0	0	0
Total Utilization (1,000 MT)	4057	3995	4080	3989	0	3950

(1,000 HA), (1,000 MT)

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

Sugar, Centrifugal Market Year Begins Costa Rica	2020/2021		2021/2022		2022/2023	
	Oct 2021		Oct 2022		Oct 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1,000 MT)	290	290	260	299	0	305
Beet Sugar Production (1,000 MT)	0	0	0	0	0	0
Cane Sugar Production (1,000 MT)	407	425	420	416	0	405
Total Sugar Production (1,000 MT)	407	425	420	416	0	405
Raw Imports (1,000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1,000 MT)	12	12	10	10	0	10
Total Imports (1,000 MT)	12	12	10	10	0	10
Total Supply (1,000 MT)	709	727	690	725	0	720
Raw Exports (1,000 MT)	180	213	200	200	0	220
Refined Exp.(Raw Val) (1,000 MT)	22	10	20	10	0	10
Total Exports (1,000 MT)	202	223	220	210	0	230
Human Dom. Consumption (1,000 MT)	247	205	246	210	0	220
Other Disappearance (1,000 MT)	0	0	0	0	0	0
Total Use (1,000 MT)	247	205	246	210	0	220
Ending Stocks (1,000 MT)	260	299	224	305	0	270
Total Distribution (1,000 MT)	709	727	690	725	0	720

(1,000 MT)

## Attachments:

No Attachments