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Report Highlights:

In marketing year 2021/2022, Guatemala is forecast to produce 2.70 million metric tons of sugar from sugarcane from a harvested area of 251,000 hectares, as sugar yields increase to 10.76 metric tons per hectare through the expansion from 52 to 60 percent of the area planted and to be harvested with improved sugar cane varieties. The estimate for marketing year 2020/2021 is revised down 6 percent to 2.62 million metric tons because of a marked La Niña Year, slight reduction in area, and lack of renovation of some 5-year-old plantations resulting from the COVID-19 pandemic impact on the economy. Domestic consumption for marketing year 2021/2022 is forecast at 921,000 MT and revised up 8 percent for marketing year 2020/2021.

Executive Summary:

In Marketing Year (MY) 2021/2022, Guatemala is forecast to produce 2.70 million metric tons (MMT) of sugar from sugarcane, with a harvested area reduced to 251,000 hectares (Ha), but increased yields to 10.76 metric tons per hectare (MT/Ha) as local varieties better adapted to pests and diseases developed by the Sugar Cane Improvement Center (CENGICAÑA) expand to occupy 60 percent of the planted and harvested areas. The estimate for MY2020/2021 has been revised down 6 percent to 2.62 MMT resulting from excessive rainfall marked by La Niña, lower light intensity, and lack of renovation of some of the 5-year-old plantations. Domestic consumption is forecast at 921,000 metric tons (MT) in MY2021/2022. The United States, Canada and Chile continue to be major export markets. Sugar prices at retail were down 7 percent in Calendar Year (CY) 2020 compared to CY2019, and the lowest for the past 5 years. A small peak was reported in March 2020, resulting from the lockdown announced to control the COVID-19 pandemic.

Production:

Sugarcane

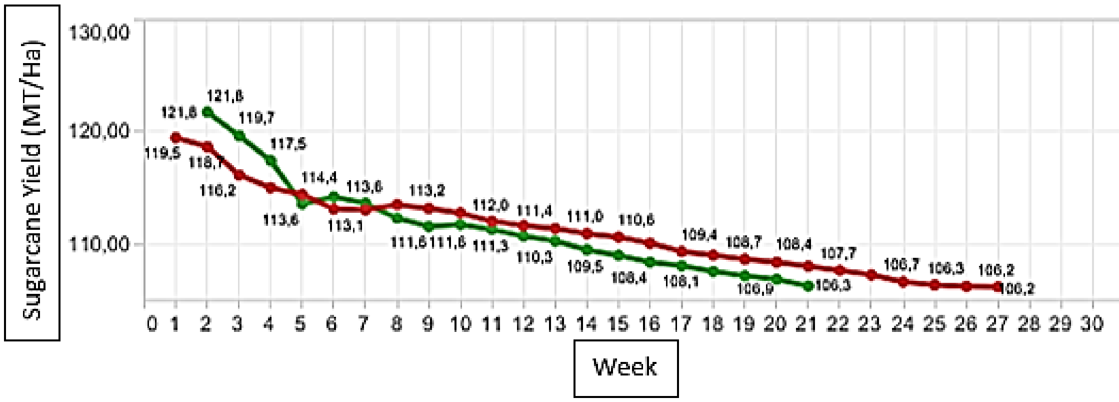
Area planted in MY2021/2022 is forecast at 281,000 Ha and harvested area in 251,000 Ha, slightly underneath MY2020/2021. It is expected that 60 percent of the planted area under the mills´ ownership will include 60 percent of the better adapted and higher yielding CENGICAÑA varieties; this is an increase from present 54 percent use of these improve varieties. In addition, CENGICAÑA is launching two new commercial varieties, CG09-1164 and CG09-22213, with increased resistance to diseases.

Estimate for planted area in MY2020/2021 is 283,000 Ha and harvested area is 253,000 Ha, 6 percent lower compared to the previous estimate. Planted and harvested areas decreased 2 percent compared to MY2019/2020, as some of the rented land for sugar cane was returned. Though the COVID-19 pandemic only increased sugarcane production costs by 0.22 percent, plantations and mills had to undergo a series of adjustments to lower costs, which included taking land out of production and reducing planned renovations.

Sugar cane yields in the MY2020/2021 harvest were above previous yields for the first seven weeks, but then dropped beneath previous harvest yields, as shown in Figure 1. This drop in yields was consistent with excessive rainfall experienced from July 2020 to January 2021, accompanied by reduced light intensity in a marked La Niña year. Roughly 25 Ha of sugar cane were affected by the ETA and IOTA storms at the end of 2020. In addition, the crop experienced increased susceptibility to pests and diseases, that can no longer be controlled with the same agrochemical treatments allowed by the Food and Drug Administration (FDA) and the Environmental Protection Agency (EPA) in the United States, the European Food Safety Authority (EFSA) in Europe, and by Bonsucro's private certification.

Figure 1

Comparison of sugarcane yields for Guatemala in MY2019/2020 and MY2020/2021



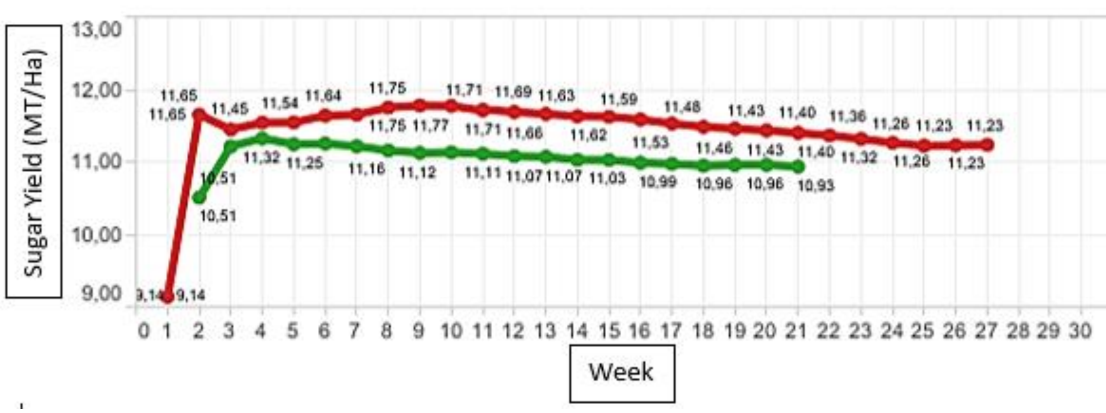
Note: Harvest MY2019/2020 (red); harvest MY2020/2021 (green)

Source: CENGICAÑA

Sugar Production

Average sugar yields are forecast to increase to 10.76 MT/Ha of sugar for MY2021/2022, a 3 percent increase compared to MY2020/2021 estimate of 10.36 MT/Ha. This increase resulting from the 60 percent of adoption of the higher yielding CENGICAÑA varieties, but also expecting a more neutral year compared to La Niña during MY2020/2021. Yields in MY2021/2022 are forecast to slightly increase those of MY2019/2020 (10.71 MT/Ha). Figure 2 shows sugar yield behavior for sugarcane for the present harvest estimate, compared to the previous harvest.

Figure 2
Comparison of sugar yields for Guatemala in MY2019/2020 and MY2020/2021



Note: Harvest MY2019/2020 (red); harvest MY2020/2021 (green)
Source: CENGICAÑA

In MY2021/2022, Guatemala is forecast to produce 2.70 MMT of sugar from sugarcane. This represents a slight recovery of 7 percent from the former MY2020/2021, estimated in 2.62 MMT of sugar. The forecast is consistent with the increased yields expected from the 60 percent planted area with CENGICAÑA varieties, but also tied to prices on the international market, which started to recover at the beginning of 2020. Figure 3 shows behavior of sugar production for the present harvest estimate, compared to the previous harvest.

Figure 3
Comparison of sugar production for Guatemala in MY2019/2020 and MY2020/2021
(up to Week 21 – March 28, 2021)

Note: Harvest MY2019/2020 (red); harvest MY2020/2021 (green)

Source: CENGICAÑA

Guatemala continues operating with 11 mills and maintains its position as the fourth largest exporter of sugar in the world, second largest exporter in Latin America, after Brazil, and the third most efficient producer. Alcohol production is a byproduct of sugarcane extraction and does not affect the total sugar output. In MY2019/2020, Guatemala generated 1.991 giga wats hour (GWh) of renewable energy during the harvest season, 8.6 percent above MY2019/2020.

The sugar industry produces 82 percent sugar, 13 percent alcohols, and 5 percent molasses. Guatemala presently has five distilleries producing ethanol based on molasses one of the byproducts of the sugar industry, being one of them the famous Zacapa Centenario Rum. Guatemala has an installed capacity for 65 million gallons of ethanol per year. More than 90 percent of the alcohol is mainly exported to Europe, the United States, and Mexico. The additional 10 percent goes to the local market.

The sugar industry implemented one of the most complete COVID-19 protocols (Photo 1) given the number of workers that operate during the harvest season, which include:

- Additional buses to maintain physical distancing, with frequent disinfection
- Medical checkups for workers
- Temporary housing conditions for workers, to keep distancing
- Access to alcohol gel, mask, and daily monitoring of temperature, including additional options for surface disinfection
- Improved attention at the social security clinics to reduce lines and exposure
- Capacity building among staff to reduce contagion, keeping epidemic controls and offering telework for higher risk personnel
- Shifts available to avoid crowding
- Quarantine stations
- Additional COVID-19 prevention training for the markets and local government employees
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Photo 1
COVID-19 Preventive Measures in the Guatemalan Sugar Industry
(supervisor measuring temperature)

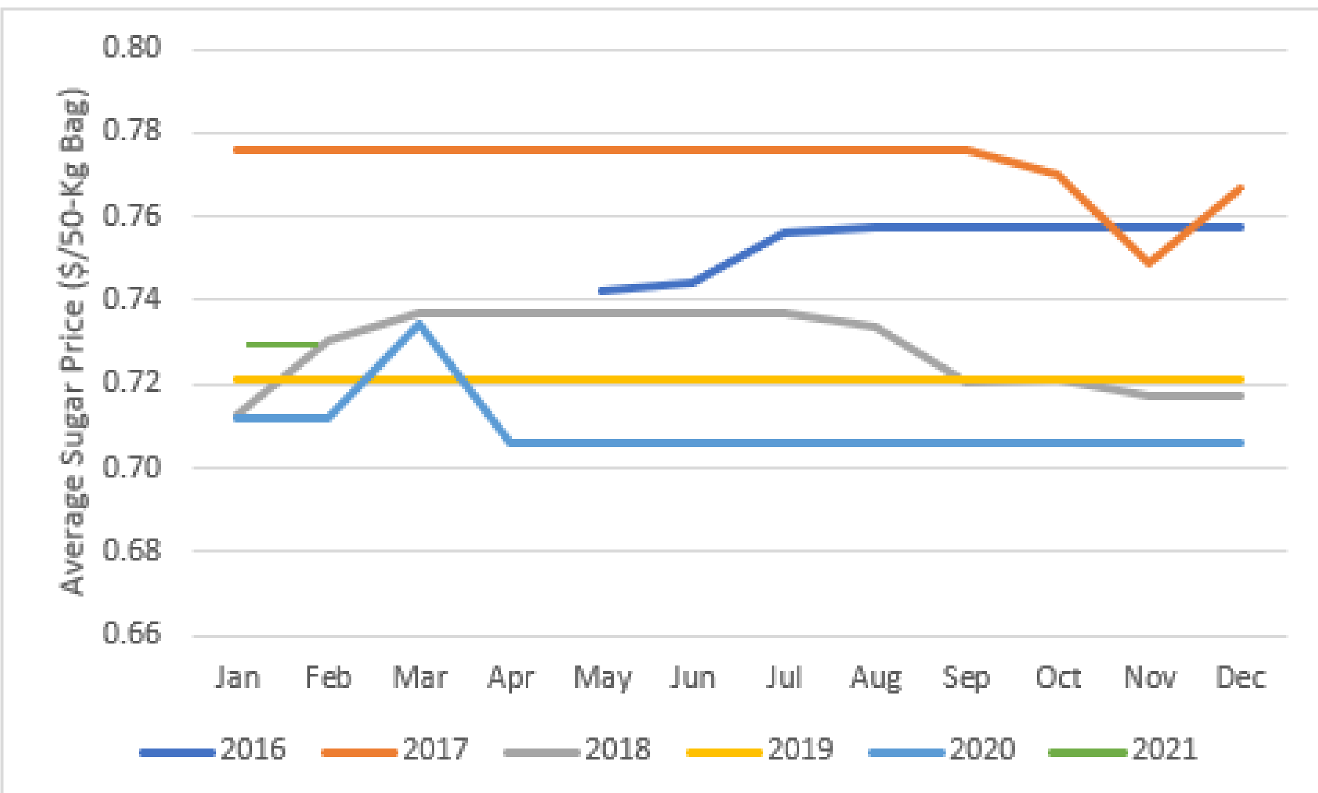
Source: ASAZGUA, 2020

Consumption:

Consumption for MY2021/2022 is forecast at 921,000 MT, which has been also updated for MY2020/2021, based on ASAZGUA´s latest information. This update represents a nine percent increase in domestic consumption compared to the previous estimate of 834,000 MT. Most of the increase comes from household consumption, accounting for over 75 percent of the total consumption. Per capita consumption in MY2021/2022 is forecast at 53 Kg.

Average prices in 2021 for sugar in the domestic market, at wholesale, have maintained at levels of 2018 and above 2019. Prices reported during 2020 were the lowest for the past 5 years, except for a small peak in March, resulting from higher than usual levels of consumer buying at home level in response to official announcement of the pandemic in Guatemala on March 13, 2020. Stocks to supply the domestic market were secured, as the harvest season was already advanced. Nevertheless, prices in 2020 were down 7 percent compared to 2019 prices. Please refer to Figure 4. During March 2021, an apparent shortage was experienced at retail, which mainly resulted from families buying twice as much as usual, preparing for the mandatory lockdown that prevailed during the first two months of the pandemic. Supermarkets had restricted operating hours and at some point, were not allowed to open during weekends.

Figure 4
Average wholesale prices for sugar in Guatemala (2016-2021)



Source: Ministry of Agriculture, 2021

Trade:

Trade in MY2021/2022 is forecast at 1.82 MMT of sugar, a 5 percent increase compared to MY2020/2021 (1.7 MMT), as sugar yields improve, despite some slight reduction in area. Refined sugar will account for 52 percent of the export matrix, maintaining the same trend observed as in past years. Guatemala has become Taiwan´s main supplier under the existing free trade agreement.

Table 1 shows Guatemala´s major export markets in MY2018/2019 and MY2019/2020. The United States, Canada, and Chile were the three major export markets. Taiwan, Mauritania, and New Zealand followed as export markets. The United States continues to be one of Guatemala's major export markets for sugar. Guatemala´s total exports of sugar in CY2020 were valued at $577 million, the fourth major agricultural export, following banana ($822 million), cardamom ($790 million) and coffee ($649 million). As reference, remittances to Guatemala in CY2020 reached $11,340 million.

Table 1
Comparison of Guatemala's sugar export markets for MY2019 and MY2020

Partner Country	**Metric Tons Raw Value (MTRV)**	
	MY2019	**MY2020**
World	1783723	1895997
United States	196527	282890
Canada	292787	269770
Chile	187005	210487
Taiwan	106763	131957
Mauritania	140345	95154
New Zealand	42290	92500
Haiti	73530	80459
Peru	25623	64606
China	73873	64228
Mexico	29993	57955
OTHERS	614989	545992
TOTAL	1783723	1895997

Source: Trade Monitoring Data, 2021

Stocks:

The forecast for MY2021/2022 ending stocks for Guatemalan sugar is down to 62,000 MT, as Guatemalan exports and consumption increase. The estimate for ending stocks for M2020/Y2021 is significantly down from the previous estimate due to the lower production output. Warehouses managed by the sugar industry throughout the country hold domestic stocks. EXPOGRANEL manages export sugar warehouses at Port Quetzal, the loading port, with a total capacity of 431,000 MT; 365,000 MT for bulk sugar and 66,000 MT for refined sugar (in 50 kg bags), with a loading efficiency of 2,022 MT/hour.

Trade (Policy):

Guatemala has in place various free trade agreements (FTA) where sugar has gained market access, as shown in Table 2. In MY2019/2020, Guatemala fulfilled the 50,546 MT quota opened by the United States under its World Trade Organization (WTO) quotas.

Table 2
Sugar Quotas for Guatemala in Free Trade Agreements in 2021

Free Trade Agreement	Volume (MT)	Annual Growth
CAFTA-DR (first-come first-serve)	50,760	940 MT
Taiwan	35,050	N/A (max 35% refined)
European Union	83,900	1,427 MT (Central America)
United Kingdom	26,034	856 MT

Source: ASAZGUA, 2021

Guatemala also has a partial trade agreement with Ecuador, with a quota for 21,000 MT which hasn´t been used due to the licensing and extremely bureaucratic requirements Ecuador has in place. In addition, Central America has in place an FTA with South Korea, which Guatemala continues negotiating; once in place, Guatemala will get tariff-free market access for raw sugar. There is also additional potential for sugar growth if the negotiation of an FTA with Peru gets finalized.

Policy:

The Sugar Board of Guatemala, which includes representatives from the Ministry of Economy, sugarcane producers, and sugar mills, establishes production goals, sets sugarcane prices, and allocates the U.S. sugar quota to the different sugar mills. The allocation of the quota to each mill is based on past production, previous quotas, and milling capacity. Sugar in Guatemala is protected by Presidential Decree 15-1998 and its regulation through Presidential Decree 021-2000, making fortification of sugar mandatory for its consumption in Guatemala. The fortification is approved and validated by the Institute of Nutrition of Central America and Panama (INCAP), which monitors and evaluates the impact of Vitamin A fortification. As of 2008, in specific localities with high chronic malnutrition and anemia, additional iron supplementation is provided via sugar; INCAP is responsible for monitoring pilot evaluations for vitamin and mineral fortification. Law Initiative 5616 seeks to include additional fortification of iron, zinc, and folic acid to address chronic malnutrition and reduce neural tube defects in Guatemala.

Production, Supply, and Demand Tables

Sugar, Centrifugal	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2020		Oct 2022	
Guatemala	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	149	149	149	134	0	106
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	2781	2764	2800	2622	0	2700
Total Sugar Production (1000 MT)	2781	2764	2800	2622	0	2700
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	2930	2913	2949	2756	0	2806
Raw Exports (1000 MT)	915	823	920	825	0	889
Refined Exp.(Raw Val) (1000 MT)	1032	1035	1050	904	0	934
Total Exports (1000 MT)	1947	1858	1970	1729	0	1823
Human Dom. Consumption (1000 MT)	834	921	850	921	0	921
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	834	921	850	921	0	921
Ending Stocks (1000 MT)	149	134	129	106	0	62
Total Distribution (1000 MT)	2930	2913	2949	2756	0	2806
(1000 MT)						

Sugar Cane for Centrifugal	2019/2020		2020/2021		2021/2022	
Market Year Begins	Nov 2019		Nov 2021		Nov 2022	
Guatemala	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	295	288	295	283	0	281
Area Harvested (1000 HA)	265	258	265	253	0	251
Production (1000 MT)	2650	2764	2650	2622	0	2700
Total Supply (1000 MT)	2650	2764	2650	2622	0	2700
Utilization for Sugar (1000 MT)	2650	2764	2650	2622	0	2700
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	2650	2764	2650	2622	0	2700
(1000 HA) ,(1000 MT)						

Attachments:

No Attachments