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Guatemala

Sugar Annual

New Local Varieties Paying off with Increased Yields

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Report Highlights:
Guatemalan sugar production for Marketing Year (MY/Oct-Sep) 2020 is forecast at 3.11 million metric tons (MMT). Production for MY2019 is revised up 11 percent to 3.05 MMT from the previous estimate because the sugar sector did not shift to other crops as planned and a new variety resulted in higher yields. Production for MY2018 is revised up 3 percent to 2.86 MMT. Total exports for MY2020 are forecast at 2.02 MMT and revised up to 1.99 MMT for MY2019. Chile and the United States were the major export markets in MY2018.

Executive Summary:

In 2018, the sugar sector considered switching to more profitable crops such as bananas and palm oil. However, after the prices for alternative crops also dropped, the sector scrapped these plans. Sugarcane harvested area remained the same at 264,000 Ha.

In MY2019, a third of total area is planted with CG02-163 variety, resulting in a 1.0 to 1.8 MT/Ha increase in yields. The new commercial variety and favorable weather conditions contributed to increased sugar production to 3.05 MMT in MY2019, and predicted to 3.11 MMT in MY2020.

Domestic consumption in MY2019 was revised upward by 18 percent to 993,000 MT and increased 13 percent up to 928,000 MT in MY2018. Sugar exports for MY2020 are forecast at 2.02 MMT and 1.99 MMT for MY2019. During MY2018 Chile and the United States were primary export markets for Guatemalan sugar. Exports to the United States reached nearly $106 million in 2018, up 14 percent from the year before. Guatemala continues to fill the U.S. WTO sugar quota each year and utilizes its share of the CAFTA-DR quota for refined sugar.

Commodities:

Sugar, Centrifugal

Production:

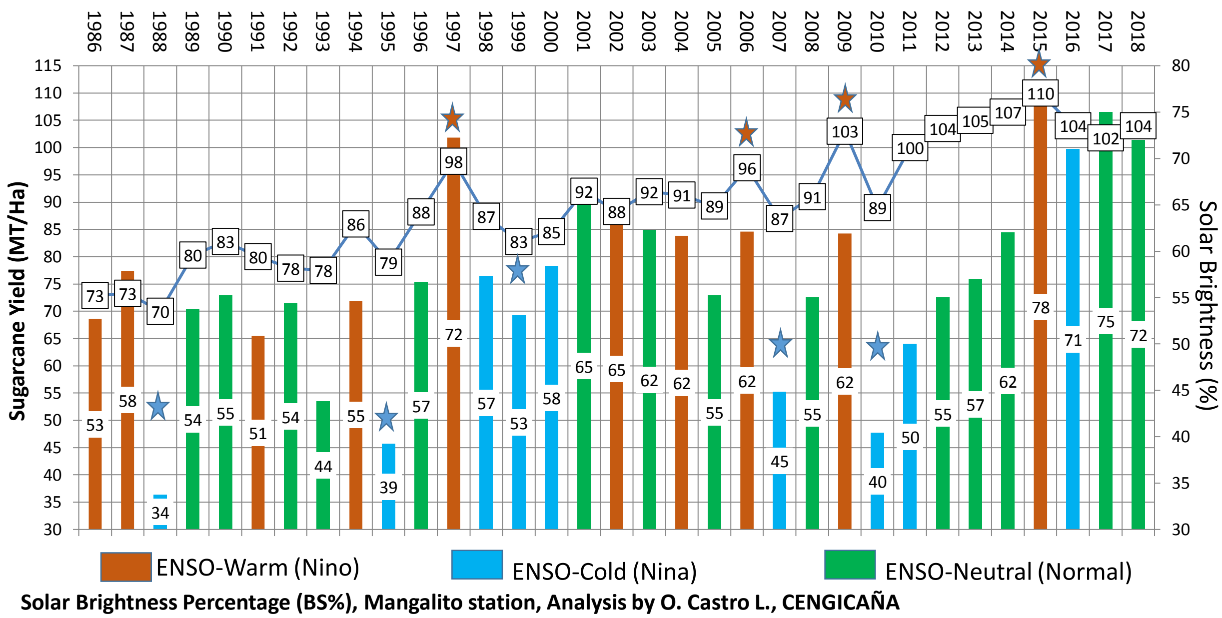
The marketing year for Guatemalan sugar runs from October to September. Sugar production in MY2020 is forecast at 3.11 MMT with sugar yields estimated at 11.8 MT/Ha. Production for MY2019 is revised up 11 percent to 3.04 MMT from last year's forecast largely due to consistent harvested area of 264,000 Ha. Production in MY2018 is revised up 3 percent to 2.86 MMT. Total output increase is due to a combination of better sunlight and a new local variety (CG02-163) resulting in an extra yield of 1.0 MT/Ha.

The Guatemalan Sugarcane Research Center –CENGICAÑA- is responsible for maintaining historical data, evaluating consumer needs, and analyzing mill productivity levels and production numbers. CENGICAÑA tracks production in each of the sugar mills and consolidates the information for both production and marketing year.

Graph 1 shows sugarcane yields since 1986, as it relates to the el Nino phenomena and solar brightness. Although a warm Nino marks sugarcane record years, potential accompanying droughts do not make it the best predictor for final sugarcane production. A neutral Nino correlates with higher sugarcane yields, due to increased sunlight (solar brightness) and adequate rain.

Graph 1

Sugarcane Yields as they relate to Solar Brightness and el Nino Phenomena
1986-2018
(MT/Ha)



Source: CENGICAÑA, 2019

Based on a normal el Nino in MY2019, sugarcane yield is estimated at 2.7 MMT and sugar production at 3.05 MMT, on the same 264,000 Ha as the previous year. This represents six percent increase in sugar production compared to MY2018.

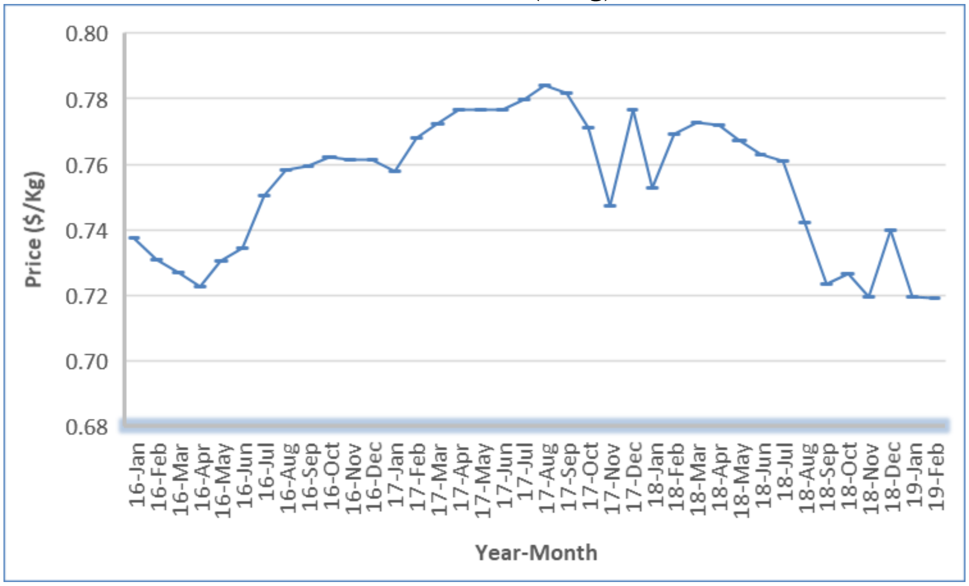
The production increase is also directly related to plant genetics. The selection process for new varieties takes 12 years. It starts with 180,000 seedlings that are selected down to just one or two after five stages of selection over a 12-year period. Guatemala is part of a technology transfer program where reproduction centers exchange genetics to improve breeding material and it has paid off. CENGICANA developed a variety that can yield up to 14.2 MT/Ha, anywhere from 1.0 to 1.8 MT/Ha higher than other varieties.

Guatemala's sugar production splits between refined sugar and raw sugarIn MY2018, refined sugar accounted for 1.9 MMT, two thirds of total production. MY2019 estimate for refined sugar is 2.02 MMT, growing at the same rate as raw sugar.

Graph 2 shows historical wholesale prices for standard white sugar in Guatemala. Wholesale sugar prices (50 Kg bags) were significantly higher in CY2017 compared to CY2016. Domestic prices fell in CY2018 and low prices continue through the beginning of CY2019 in line with depressed international prices.

Graph 2

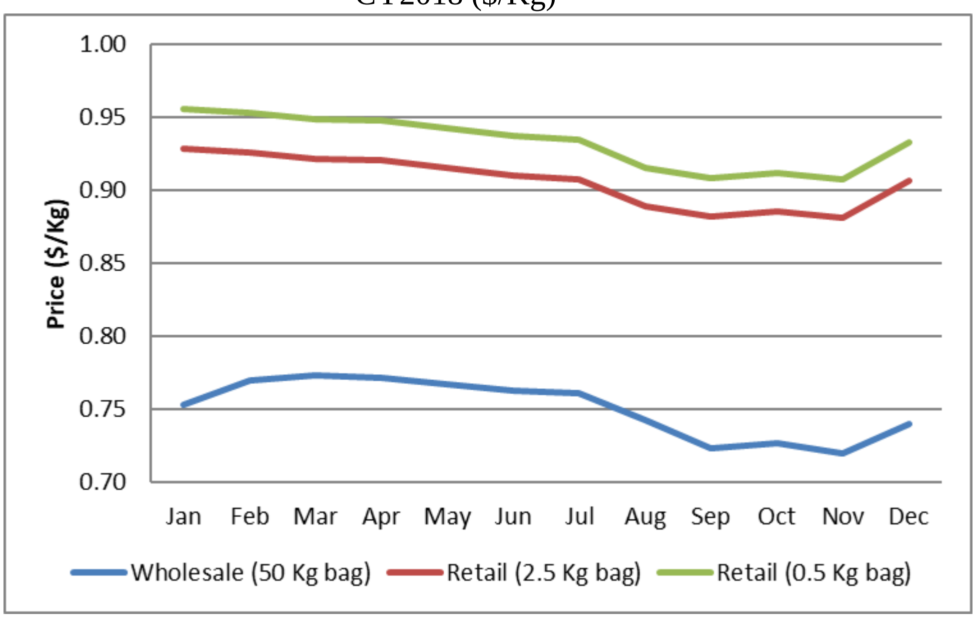
Average Standard White Sugar Prices at the Wholesale Market in Guatemala
CY2016-2019 ($/Kg)



Source: Historical Prices, DIPLAN, Ministry of Agriculture, 2019

Graph 3 compares wholesale vs. retail sugar prices on a monthly basis for CY2018. The trend is similar for all presentations (50 Kg, 2.5 Kg, and 0.5 Kg bags).

Graph 3
Average White Standard Sugar Prices (Wholesale vs. Retail) in Guatemala
CY2018 ($/Kg)



Source: DIPLAN/MAGA, 2019

Consumption:

MY2020 consumption is expected to increase to 1.043 MMT. Annual consumption of sugar in Guatemala increased to 60 Kg or 132 pounds per capita, per the latest population estimate of 17.5 million inhabitants. Domestic consumption of sugar is increasing, especially for the soft drink industry, followed by confectioneries, bakeries, juice makers, dairy producers, and pharmaceutical companies. Overall, domestic consumption is roughly 32 percent of total production. Alternative sweeteners are not affecting per capita consumption of sugar in Guatemala. Most of the sugar consumption is standard white but brown sugar consumption continues increasing as the trend for more natural products continues to rise.

Trade:

Despite low prices in the international market, Guatemalan sugar exports for MY2020 are expected to reach a record of 2.02 MMT, after increasing to estimated 2.00 MMT in MY2019, six percent above the forecast last year. Exports in MY2018 reached 1.88 MMT in raw and refined sugar, one percent below the previous estimate. Due to low 2018 international prices, sugar exports represented the third highest source of foreign exchange for Guatemalan agroindustry exports, valued at US$ 633.22 million. Coffee was second at US$ 679.92 million and banana exports were first valued at US$ 814.90 million, displacing sugar exports after twelve consecutive years as the highest earner of foreign exchange.

Table 1
Guatemalan Sugar Exports by Country
MY2017 and MY2018. Volume (MT)

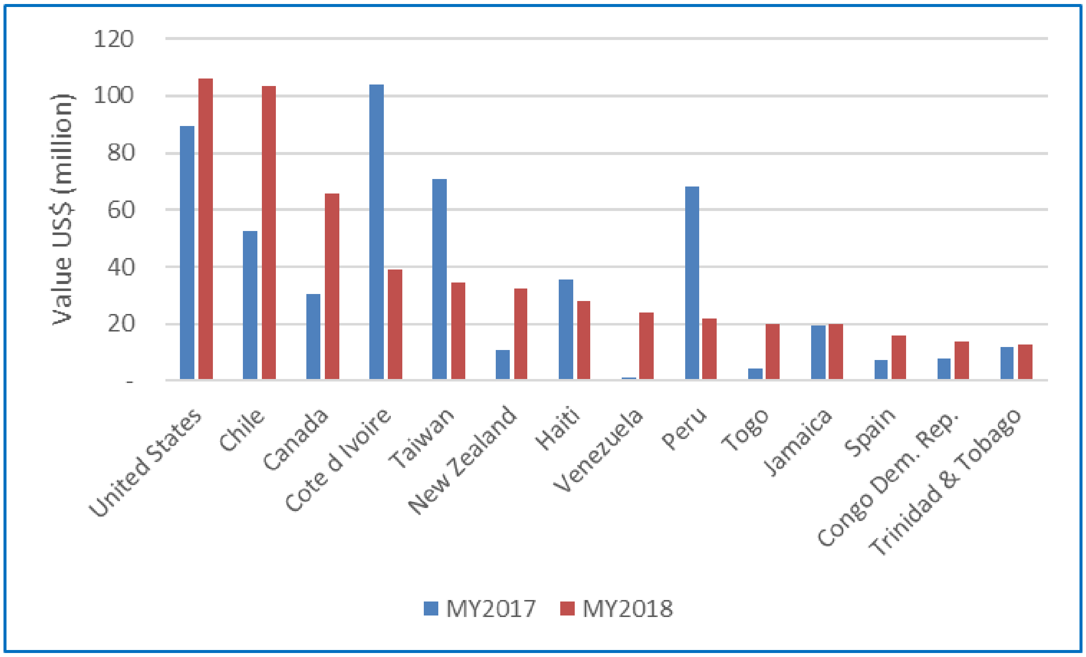
Export Trade Matrix (Volume)			
MT		MT	
2017		2018	
United States	222,124	Chile	282,276
Cote d Ivoire	216,912	United States	258,426
Taiwan	153,493	Canada	203,331
Peru	148,453	Cote d Ivoire	102,082
Malaysia	136,925	New Zealand	93,544
Chile	109,289	Taiwan	75,168
Indonesia	94,000	Venezuela	70,783
Canada	79,281	Haiti	71,412
Haiti	76,765	Peru	64,600
Libya	73,936	Togo	53,671
United Kingdom	65,419	Jamaica	50,743
	1,376,597		1,326,037
Others not listed	601,905	Others not listed	554,963
Grand Total	**1,978,502**	**Grand Total**	**1,881,000**

Source: CENGICAÑA and Global Trade Atlas, 2019

The United States has been Guatemala's major export market consistently, by volume and value traditionally. Table 1 shows Guatemalan sugar exports by country for MY2017 and MY2018. Of note, in MY2018, Chile tripled imports of Guatemalan sugar and Canada increased 2.5-fold.

In addition, on value terms, the export markets share change significantly because of the split between raw and refined sugar exports as shown in Graph 4. The United States represented the second major export market in value in MY2017, despite being the major market in volume terms. In MY2018, the United States was major export market valued at US$105.88 million, followed by Chile and Canada.

Graph 4
Guatemala's Sugar Exports by Country
MY2017 and MY2018. Value (US$ million)



Source: Global Trade Atlas, 2019

In CY2018, Guatemalan sugar exports to the United States totaled 326,701.05 MT; raw sugar exports were 248,906 MT (76%) and refined sugar exports summed 77,795 MT (24%). Out of the 77,795 MT of the refined sugar exports to the United States, roughly 26,752 MT (34%) was exported under the CAFTA-DR tariff rate quota. For MY2019 the United States assigned Guatemala a WTO quota of 45,854 MT (50,546 MTRV - metric tons raw value equivalent). Guatemala will fill its entire quota, as it does on a yearly basis.

Guatemalan exports of sugar and derived products consist of around 79 percent sugar, 14 percent molasses and 7 percent alcohol. In Guatemala, ethanol production is a by-product of sugar.

Stocks:

The forecast for MY2020 ending stocks is 315,000 MT while the estimate for MY2019 is 11 percent above the previous estimate of 238,000 MT. 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. Stocks continue to rise under a depressed international market and higher sugar production expected for the next two years.

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. According to the law, all sugar sold domestically must be enriched with vitamin A. The industry says it invests more than $3.5 million a year in vitamin A. At times, the Government of Guatemala (GOG) opens most favored nation quotas for imported sugar to try to control market prices, but the quotas rarely are filled in part due to the vitamin A fortification requirement. 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, reporting it as a major success story. Even though Guatemala has the third highest rate of chronic malnutrition in children less than 5 years old in the world, blindness in children is not a major problem in the country. 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 presentations.

Guatemala requested WTO dispute consultations with India regarding domestic support measures and alleged export subsidies provided by India to producers of sugarcane and sugar. Guatemala claims that the domestic support measures are inconsistent with India's obligations under the WTO's Agreement on Agriculture (AA), and that alleged export subsidies are inconsistent with India's obligations under the AA and the Agreement on Subsidies and Countervailing Measures (SCM Agreement). Guatemala claims that India's measures have resulted in 23% less exports by value, despite increased volume for the Guatemalan sugar sector.

Marketing:

The Guatemalan Sugar Association –ASAZGUA- conducts a marketing strategy designed to maintain domestic sugar consumption. The industry supports the United Nations Sustainable Development Goals in Guatemala. ASAZGUA has been collaborating for more than 20 years in maternal-child nutrition and health components; its primary program focuses on training rural primary school teachers and reducing chronic malnutrition in the sugar producing communities.

Production, Supply and Distribution Data Statistics:

Sugar, Centrifugal	2017/2018	2018/2019	2019/2020
Market Begin Year	Oct 2017	Oct 2018	Oct 2019

Guatemala	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	154	154	238	210	0	267
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2788	2865	2700	3049	0	3110
Total Sugar Production	2788	2865	2700	3049	0	3110
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	2942	3019	2938	3259	0	3377
Raw Exports	1023	908	1020	971	0	981
Refined Exp.(Raw Val)	871	973	868	1028	0	1038
Total Exports	1894	1881	1888	1999	0	2019
Human Dom. Consumption	810	928	812	993	0	1043
Other Disappearance	0	0	0	0	0	0
Total Use	810	928	812	993	0	1043
Ending Stocks	238	210	238	267	0	315
Total Distribution	2942	3019	2938	3259	0	3377
(1000 MT)						