

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/30/2018

GAIN Report Number: CS18003

Costa Rica

Sugar Annual

Annual Sugar Report

Approved By:

Anita Katial, Agricultural Counselor

Prepared By:

Victor Gonzalez, Agricultural Specialist

Report Highlights:

Costa Rica's sugar cane production is forecast to decline 8.31 percent in MY 2017/2018. Sugar production is expected to decline 4.3 percent from 439,000 MT in MY 2016/2017 to 420,000 MT in MY2017/2018. Lower production is related to the effects of Tropical Storm Nate in October 2017, which affected the main production area of Guanacaste in October of last year. Industry sources expect cane and sugar production to rebound during MY 2018/2019.

Executive Summary:

Costa Rica's sugar cane production in MY 2017/2018 is expected to decrease 8.31 percent to 4,090,000 MT as compared to 4,460,878 MT in MY 2016/2017. Sugar production is forecast to decline from 439,250 MT in MY 2016/2017 to 420,000 MT in MY 2017/2018. Tropical Storm Nate, which passed through Costa Rica in October 2017, affected sugar cane production areas primarily in Guanacaste. Although sugar yields were better than in MY 2016/2017, it was not high enough to offset the loss of cane volume.

The sugar industry expects production to increase during MY 2018/2019 assuming normal weather patterns. Higher production would result from a combination of slightly larger area planted (an increase of 1,000 hectares) and a return to higher cane and sugar yields in the areas affected by Tropical Storm Nate the previous year. Under a normalized rainfall distribution pattern, the MY 2018/2019 sugar production could increase to about 460,000 MT. Costa Rica continues to meet its U.S. quota allocations both under the WTO and the CAFTA-DR, and has increased exports to Asia and also the European Union.

Commodities:

Select

Production:

According to information from LAICA (Costa Rican Sugar League), during MY 2017/2018 there were approximately 7,000 sugar producers and 13 sugar mills in Costa Rica. Sugar cane production is distributed throughout six regions of the country.

The sector is comprised of primarily small producers with roughly 90 percent of the farmers delivering less than 500 MT of sugar to the mills. Based on the average yield for that harvest, this indicates that the majority of producers plant less than 7 hectares (ha) of sugar cane. On the other extreme, there are 23 producers delivering more than 5,000 MT of cane.

The province of Guanacaste in the northern pacific concentrates a large percentage of the sugar production in the country (roughly 60 percent). Production in the other 5 regions is distributed more evenly, ranging from 5 to 12 percent of the total. Most of the large producers in Guanacaste have irrigation and utilize different irrigation systems to use water efficiently. The majority of the sugar mills are owned by Costa Rican nationals, although at least one company is owned by Guatemalan investors. LAICA is the institution that regulates the relationship between producers and millers. LAICA is also involved in the marketing and sales of sugar and sugar products for domestic consumption and for export.

Based on preliminary data from LAICA, cane and sugar production are expected to reach 4,090,000 MT and 420,000 MT respectively during MY 2017/2018. The northern pacific region of Guanacaste was severely affected by flooding caused by Tropical Storm Nate in October of 2017. Also, excessive rainfall during late November and early December resulted in the delayed start of the harvest in Guanacaste. The harvest in Guanacaste ended earlier than usual, as a result of lower cane production. Although total cane production declined by 8.3 percent during MY 2017/2018, the decline in sugar production was mitigated by higher industrial yields. The larger mills in Guanacaste expect area planted and production to increase during MY 2018/2019. Assuming normal weather patterns during this year, production could increase by about 10 percent to 4.5 million MT of cane and 460,000 MT of sugar in MY 2018/2019.

Area Planted

Information provided by LAICA, indicates that area planted to sugar remained unchanged at 64,030 ha with approximately 62,000 ha. being harvested. Area planted is expected to increase at a slow rate primarily in the Guanacaste region, where the larger sugar mills have bought new farms that were formerly dedicated to rice production. Production has continued to move to Guanacaste (approximately 39,000 ha planted), as the larger mills continue to increase production to utilize their installed capacity. In addition, sources told FAS San Jose specialists that some rice growers in that region may shift production to sugar as a result of high uncertainty in the rice sector. The completion of a new irrigation channel in Guanacaste in the next few years, may result in higher area planted to sugar in the medium term.

Sugar mills in the Central part of the country struggle to keep sugar area planted from declining. Competition from urbanization, high land prices, lower availability of labor, and higher production costs are slowly taking area away from sugar in the central part of the country. Reportedly, one or two small mills may go out of business in the near term, as a result of financial difficulties.

Yields

According to LAICA, the average sugar cane yield will decline to 65.97 MT/ha in MY 2017/2018 from 70.8 MT/ha in MY 2016/2017. The average sugar yield will increase slightly from 100.1 kg/MT in MY 2016/2017 to 102.5 kg/MT in MY 2017/2018. Sugar yields were higher in several growing regions, including those affected by Tropical Storm Nate.

According to LAICA, many of the small producers are reluctant to make investments such as renovations and adequate use of inputs because of low international sugar prices.

Consumption:

Costa Rica's sugar consumption declined to an estimated 225,000 MT in MY 2016/2017, but is expected to increase to about 235,000 MT in MY 2017/2018. According to industry sources, lower consumption is the result of lower industrial use by companies that stopped manufacturing products in Costa Rica, such as Mondelez, which moved its candy manufacturing operation to Mexico. In general, consumption has not increased much in recent years, since population growth has slowed down in the country. Utilization by the food industry (which is export driven in some sectors), is the main driver of changes in total consumption from year to year. Per capita sugar consumption is estimated at 47 kg, based on the forecast for MY 2017/2018. Costa Rica's per capita sugar consumption is relatively high, although it has declined from a record 59.2 kg in 1997-1998. Direct sugar consumption represented 44 percent, while industrial use accounted for 56 percent of the total in 2016/2017. Costa Rican mills produce different types of sugar for the domestic market including white sugar, refined, white special, and raw sugar. One of the larger sugar mills began production of organic sugar for the domestic market this year.

Trade:

Costa Rican sugar exports reached 229,477 MT in MY 2016/2017, 3 percent lower than the export level during the previous period. Exports are expected to reach 215,000 MT in MY 2017/2018, as a result of lower production. The main destinations for Costa Rica's sugar in MY 2015/2016 were the United States, China, New Zealand, Indonesia, United Kingdom, and the Bahamas. Exports to the United States include the U.S. WTO, the CAFTA-DR sugar quotas, and sugar for re-export. Costa Rica already exported its full WTO sugar quota to the United States for the 2018 fiscal year.

Stocks:

High ending stocks are the result of unexpected high production outpacing consumption and exports over the last few years. The production forecast remains high for MY 2018/2019 even though world prices remain relatively weak.

Policy:

An internal conflict between LAICA and a sugar importer began in 2016, as a result of imports of white sugar from Brasil. LAICA requested safeguard measures to be applied on Brazilian imports claiming that those imports represented dumping and a threat of damage to the sector. The importer claims that he can import sugar from Brazil, pay the import duty of 45 percent and still be competitive in the local market. The Ministry of Economy, Industry and Commerce (MEIC), after studying the case, increased the tariff on Brazilian sugar by 3.65 percent. Imports of white sugar from Brazil directed at the domestic market have increased even after the application of the safeguard measure.

Production, Supply and Demand Data Statistics:

Table 1: Sugar Cane for Centrifugal Sugar: Supply and Utilization

Sugar Cane for Centrifugal Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2018		Oct 2019	
Costa Rica	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	69	64	69	64	0	66

Area Harvested	62	62	63	62	0	64
Production	4460	4460	4600	4090	0	4500
Total Supply	4460	4460	4600	4090	0	4500
Utilization for Sugar	4460	4460	4600	4090	0	4500
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	4460	4460	4600	4090	0	4500
(1000 HA) ,(1000 MT)						

Table 2: Centrifugal Sugar: Production, Supply and Distribution

Sugar, Centrifugal Market Begin Year Costa Rica	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	281	281	254	269	0	249
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	449	439	465	420	0	460
Total Sugar Production	449	439	465	420	0	460
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	4	4	3	10	0	10
Total Imports	4	4	3	10	0	10
Total Supply	734	724	722	699	0	719
Raw Exports	225	220	235	205	0	230
Refined Exp.(Raw Val)	10	10	10	10	0	10
Total Exports	235	230	245	215	0	240
Human Dom. Consumption	245	225	250	235	0	240
Other Disappearance	0	0	0	0	0	0
Total Use	245	225	250	235	0	240
Ending Stocks	254	269	227	249	0	239
Total Distribution	734	724	722	699	0	719
(1000 MT)						

Table 3: Centrifugal Sugar: Export Trade Matrix

<p>Export Trade Matrix Costa Rica Sugar, Centrifugal MT</p>
--

