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Honduras

SUGAR ANNUAL

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Report Highlights:

The sugar industry in Honduras aims at increasing refining capacity and improving efficiency. Area planted has increased slightly as a preventive measure to overcome floods or droughts. Sugar production reached 372,000 MT in 2007/08 and it is forecast to reach 401,000 MT in 2008/2009. Sugar exports amounted to 88,000 MT in 2007/08. The export forecast for 2008/09 is estimated at 93,000 MT. Domestic consumption has increased due to the expansion of franchises and new soft drink factories. Honduras approved the Law for the Production and Consumption of Biofuels with a wide range of fiscal incentives, which will be attractive for investment in the production of ethanol. The regulation of this Law has been already written.

Executive Summary:

The sugar industry in Honduras generates 25,000 direct jobs and it is estimated that more than 100,000 people receive indirect benefits. About US\$16 million is paid in salaries yearly and US\$30 million is paid by the sugar mills to independent sugar producers.

Sugar production, commerce and distribution in Honduras are in the hands of the private sector. Sugarcane production is carried out on 51,000 hectares of land. The sugar mills own 50 percent and independent producers own 50 percent of the land. The sugar industry is represented by the Honduran Sugar Producers Association (APAH). All seven sugar mills are members of APAH. The Government of Honduras (GOH) does not have any agricultural policy related to sugar.

Sugarcane production for the 2008/09 harvest is estimated at 3.95 million metric tons (MT), 72,000 MT higher than Post's previous estimate. Production for 2007/08 decreased to 3.64 million MT due to new data provided by APAH.

According to APAH, area planted for 2008/09 is estimated at 53,000 hectares. The increase is due that sugar mills planted more area

as a preventive measure. They are trying to overcome losses in cases of floods or droughts.

Sugar production increased in 2008/09. Production for 2007/08 decreased from post's estimated value due to climatic conditions. The volume of exports increased by six percent. The U.S. dollar value of exports increased by 64 percent, from US\$13 million in 2007 to US\$22 million in 2008. The U.S. tariff rate (TRQ) of 10,531 MT was filled and an addition to the TRQ of 7,986 MT was exported. Domestic consumption has increased due to population growth, expansion of franchises, new soft drinks factories installed and controlled domestic refined sugar prices.

In December 2007, Honduras approved the Law for the Production and Consumption of Biofuels. The law provides fiscal incentives, such as exemptions from customs tariffs, income tax, and other related taxes for 12 years. APAH conducted feasibility studies on ethanol production. The approval of this law is important for ethanol production investment, since it will standardize the ethanol and gasoline mixtures.

In addition, the mills produce the energy that they use during the harvest months (September – April). The excess energy, which they generate is sold to the GOH's National Enterprise of Electric Energy (ENEE). Factors that affect production are the climate, insecurity in land tenure and access to credit. Particularly, independent producers might be affected in the present financial crisis where access to credit is limited.

Commodities:

Sugar Cane for Centrifugal
Sugar, Centrifugal
Lemons, Fresh

Production:

Sugarcane is grown on 51,000 hectares of land, 50 percent of which is owned by the sugar industry and 50 percent by independent producers. The sugar industry is comprised of seven sugar mills and ten warehouses. Among the independent producers, 55 percent are small producers (with 1-18 hectares), 22 percent are medium producers (with 18-53 hectares) and 23 percent are large producers with more than 53 hectares.

The sugar industry in Honduras has in recent years been investing in infrastructure and equipment, thus increasing refining capacity and improving efficiency. Sugar mills are working at 95 percent of their productive capacity. The recovery rate of sucrose from sugarcane is between nine and ten percent. From the area harvested, 97 percent of the sugarcane enters into production and three percent is kept for replanting.

Sugar production reached 372,000 MT in 2007/08. The slight decrease from post's estimate of 380,000 MT was due to negative weather conditions. Based on preliminary data from APAH, sugar production is forecast to reach 401,000 MT in 2008/2009. Production might be affected by the climatic phenomenon of La Niña with increase of precipitation and El Niño with dryness.

The sugar industry is interested in improving sugarcane and sugar yields. Improved sugarcane yields are achieved through the constant evaluation of seeds and technical assistance from research centers in Honduras, Guatemala, and Colombia. Increased sugar yields are achieved through improvements in milling technology.

Consumption:

Sugar consumption in Honduras reached 287,000 MT in 2007/08. The increase from the estimated amount of 280,000 MT was due to expansion of franchises and new soft drink factories. In 2008/09, consumption is forecast to follow a similar trend at 297,000 MT. Per capita sugar consumption is 85 pounds per person, including soft drinks, of which 33 pounds are direct usage and 52 pounds are indirect use. About 30 pounds of sugar are consumed per capita annually in processed and baked foods as well as beverages.

Trade:

Sugar exports amounted to 88,000 MT in 2007/08 compared to post’s estimate of 80,000 MT. The increase is mainly due to the sugar’s industry investment to improve refining capacity and efficiency. The export forecast for 2008/09 is estimated at 93,000 MT. This new estimate from APAH is due to lower yields affected by weather conditions. The value of exports increased from US\$13.4 million in 2007 to US\$ 22 million in 2008. The U.S. TRQ of 10,531 MT was filled and an addition to the TRQ of 7,986 MT was exported. The main destinations for Honduras’s sugar exports were the United States, Canada and Puerto Rico.

The import tariff for raw sugar is 40 percent (consumption tax is not charged). The import tariff for refined sugar is 15 percent plus 12 percent consumption tax. By law, quality restrictions require vitamin A to be added to sugar for human consumption, which is done by the Honduras sugar industry. The import tariff for raw sugar averages US\$0.16 per kilogram. The import tariff for refined sugar is US\$0.08 per kilogram. APAH is currently participating in the trade negotiations between Central America and the European Union.

Sugar exports of Honduras by country are the following:

Export Trade Matrix	
Honduras	
Sugar, Centrifugal	
MT	
Time Period	2008/2009
Exports for:	
U.S.	81,472
Others	
Canada	2,685
Puerto Rico	1,666
Dominican Republic	700
Guatemala	685
Jamaica	425
Italy	120
Total for Others	6,281
Others not Listed	
Grand Total	87,753

Source: National Institute of Statistics (INE), USDA FAS-Honduras

Stocks:

Stocks are owned by the sugar mills and are located at the CISA warehouses in two main cities of Honduras located at the north and central part of the country. Stock levels are expected to remain similar in 2009/10.

Policy:

The GOH does not have any agricultural policy related to sugar. The Secretariat of Agriculture and Livestock (SAG), the Ministry of Industry and Trade (SIC), sugar mills and independent producers created the National Sugar Council through Decree 161-2005 on December 2005. The objective of the Council is to regulate matters between independent producers and sugar mills related to land tenure and technical assistance.

Because sugar is considered a basic commodity, which affects the cost of living, SIC must authorize any change in the consumer price for the domestic market. In 2008 was authorized an increase of the sugar price by 10 percent. The previous price remained unchanged since 2006. Honduras does not have export taxes; they were eliminated in order to follow World Trade Organization (WTO) recommendations.

For the past several years, APAH worked and advocated for the design and approval by the Honduran Congress of the Law for the Production and Consumption of Biofuels. The law was approved and published in December 2007. The law provides fiscal incentives, such as exemption from customs tariffs, income tax and other related taxes for 12 years. The regulations for the implementation of the law have been written. The approval of this law is important for ethanol production investment. The regulation will make clear the percentage mix of ethanol with gasoline.

APAH completed a study of the infrastructure and funding requirements to build an ethanol processing plant. The cost would be about US\$40 million if the plant were installed in an existing sugar mill. If a new sugar mill with an ethanol processing plant were built, the cost would be between US\$170-200 million.

The sugar mills produce the energy they use during the harvest months (November-May), through the use of bagasse, generating 128 Mw-h, with a potential of 344 Mw-h of electricity. They also sell electricity to the GOH's electric company ENEE. There are plans to start to use 30,000 MT of coal during the non-harvest season of May-November by some sugar mills.

Price Policy

The table below shows the sugar prices for plantation white (Standard) and refined sugar sold at the sugar mill, wholesale market and to the consumer.

Honduras Sugar Prices

US\$/pound

Sale place	Plantation white	Refined
Sugar mill	0.25	0.35
Wholesale	0.28	-
Consumer	0.32	0.41

Source: Honduran Sugar Producers Association (APAH), USDA-FAS Honduras

Marketing:

The seven sugar mills sell their production to the Sugar Miller's Central (CISA), which is owned by APAH and has 10 warehouses in the country. CISA distributes the sugar nationwide. They have developed marketing programs for new brands and improved packaging. They had also increased its distribution areas in the northern region of the country. CISA was using one quintal bags (equivalent to 45.36 kilograms, or 100 pounds). They have changed to 50 kilograms bags to bring Honduras in line with neighboring countries.

Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal

Sugar Cane for Centrifugal Honduras	2008 2007/2008 Market Year Begin: Jan 2007		2009 2008/2009 Market Year Begin: Jan 2008		2010 2009/2010 Market Year Begin: Jan 2009		
	Annual Data Displayed	New Post Data	Annual Data Displayed	New Post Data	Annual Data Displayed	Jan Data	
	Area Planted		51		53		55
	Area Harvested		48		51		53
Production		3,644		3,955		4,271	
Total Supply		3,644		3,955		4,271	
Utilization for Sugar		3,644		3,955		4,271	
Utilizatr for Alcohol		0		0		0	
Total Utilization		3,644		3,955		4,271	

Units of measure: Area in 1000 Hectares

Production, Supply in 1000 Metric Tons

Sugar Centrifugal

(1000 Metric Tons)

Sugar, Centrifugal Honduras	2008 2007/2008 Market Year Begin: Sep 2007		2009 2008/2009 Market Year Begin: Sep 2008		2010 2009/2010 Market Year Begin: Sep 2009		
	Annual Data Displayed	New Post Data	Annual Data Displayed	New Post Data	Annual Data Displayed	Jan Data	
	Beginning Stocks	114	114	134	119		139
	Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	380	372	385	401		408	
Total Sugar Production	380	372	385	401		408	
Raw Imports	0	0	0	0		0	
Refined Imp.(Raw Val)	0	8	0	9		9	
Total Imports	0	8	0	9		9	
Total Supply	494	494	519	529		556	
Raw Exports	80	88	130	93		102	

Refined Exp.(Raw Val)	0	0	0	0	0
Total Exports	80	88	130	93	102
Human Dom. Consumption	280	287	280	297	306
Other Disappearance	0	0	0	0	0
Total Use	280	287	280	297	306
Ending Stocks	134	119	109	139	148
Total Distribution	494	494	519	529	556