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## Guatemala

### Sugar Annual

### Production and Trade

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**Report Highlights:**

Sugar production for Marketing Year (MY 2013 November-October basis) is forecast at 2.5 million metric tons (MMT). Planted area was increased by 7,000 Hectares (Ha) during the past MY, but sugar yields have decreased for the last three years. Production for MY 2011 has been revised downward to 2.0 MMT, 10 percent down from the previous estimate. Production for MY 2012 has been revised downward to 2.4 MMT, though it is expected to be a record high. Total exports for MY 2013 are forecast at 1.7 MMT, showing a defined trend to maintain exports of refined sugar. Major export destinations for Guatemalan raw sugar are the United States, South Korea, and Canada. Chile and Japan are major export markets for refined sugar. Prices at the retail level during the beginning of FY 2012 averaged \$0.49/pound and \$0.42/pound at wholesale. During MY2011, Guatemala

positioned itself as the eleventh major producer, fifth major exporter, third most competitive, and first most efficient at port loading in the global sugar industry.

**Executive Summary:**

Sugar production in Guatemala has not grown as expected despite the increases in planted area. In MY 2013, planted area is forecast at 247,000 ha. Sugar yields from cane are forecast to recover to values of MY 2009. The Guatemalan sugar industry continues to be one of the most efficient in productivity terms, with 90 metric tons (MT)/ha and port loading capacity of 2,200 MT/hour. Guatemala has the largest storage capacity in the Central American region (431,000 MT). For MY 2011, Guatemala ranked eleventh in the list of major sugar producers worldwide, third in exports in Latin America, and third in competitiveness (utilization/capacity) on a global scale.

Consumption for MY 2013 is placed at 750,000 MT, close to Post's MY 2012 estimate. Exports for MY 2013 are forecast at 1.7 million tons. Guatemala is the world's fifth largest exporter (Guatemalan exports represent three percent of total world exports) and fourth largest producer in Latin America. The U.S., South Korea, and Canada continue to be major export markets for raw sugar. The Guatemalan sugar industry continues moving more into the exportation of refined sugar. Less than 10 years ago, raw sugar exports represented 89 percent of the export market for Guatemala. By CY 2010, raw sugar exports dropped to 54 percent, while refined sugar experienced a fourfold increase in its market share, representing 46 percent of the export market. This evolution has increased the importance of the South American and Caribbean export market for Guatemala, while decreasing significantly Guatemalan sugar exports to Eastern and Central Europe.

**Commodities:**

Sugar, Centrifugal

**Production:**

For the MY 2013 crop, sugarcane yields are expected to average close to 90 MT/Ha. The highest sugarcane yield was reported in MY 2007, when it reached over 94 MT/Ha. The record sugar yield was reported for MY 2000, 115 Kg/MT. In subsequent years, the sugar yield fell but recovered again in 2009. Since MY2010, sugar yields have been dropping. The Guatemalan sugar industry has attributed the loss in efficiency to climatic conditions, largely unusual rainy seasons and resulting in decreased sunlight accumulation. MY 2011 sugar production, impacted by the La Niña phenomenon, experienced early flowering followed by extended rainfall and decreased sunlight, which resulted in one of the largest decreases in sugar cane yield. Production dropped 10 percent and the cane harvest ended in April instead of the normal mid-May end time. However, MY 2012 sugar production is expected to reach a record high of 2.4 million MT as a result of the El Niño phenomenon which resulted in decreased cloud cover allowing for more accumulated sunlight in the sugarcane.

The area planted in sugarcane for MY 2013 is forecast at 247,000 ha, up about two percent compared to 2012, and represents three percent of the total country's surface and 10 percent of the total agricultural area. Typically, changes in planted area directly respond to sugarcane contracts offered by sugar mills

(based on both domestic and foreign demand). Expansion is limited to a one to two percent growth on a yearly basis due to a lack of suitable lands, competition from other plantation style crops, and water availability.

**Consumption:**

Consumption for MY2013 is expected to maintain steady at 750,000 MT as a result of the constant demand by the local confectionary industry. Per capita consumption of sugar is close to 100 pounds.

Currently, domestic consumption is split 28 percent for industrial and 72 percent for human. The soft drink industry is the major industrial consumer of sugar, followed by confectioneries, bakeries, juice makers, dairy producers, and pharmaceutical companies. Overall, domestic consumption is 31-32 percent of the total production.

Alternative sweeteners and other alternative sugar products have not been demonstrated to be significant factor affecting total domestic sugar consumption.

**Trade:**

Export Trade Matrix  
CY2010-2011

Export Trade Matrix			
Country	Guatemala		
Commodity	Centrifugal Sugar		
Time period	Jan-Dec		
2010		2011	
U.S. (including re-exports)	322,004	U.S. (including re-exports)	233,229
Others		Others	
Mexico	175,483	South Korea	291,566
Canada	169,680	Chile	197,958
Chile	149,425	Canada	132,663
Venezuela	112,387	Russian Federation	71,919
South Korea	107,074	Peru	59,606
Taiwan	90,961	Taiwan	57,383
Indonesia	53,743	Venezuela	56,495
China	52,198	Indonesia	50,920
Trinidad	25,784	Algeria	46,965
Jamaica	18,548	Malaysia	44,830
Malaysia	2,989	Mexico	44,059
Total for others	782,789	Total for others	1,054,364
Others not listed	507,410	Others not listed	257,256
Grand Total	1,612,203	Grand Total	1,544,849

Source: ASAZGUA, 2012

During CY 2011, Guatemala exported almost US\$ 650 million in raw and refined sugar, 18 percent less than CY 2010. Sugar represented the fourth highest source of foreign exchange for the country, after textiles, coffee, and precious stones and metals. In CY 2011, Guatemala exported 1.5 MMT, 6 percent less than the previous year, while exports for MY 2012 are forecast at 1.7 MMT. Guatemala continues exporting around 70 percent of its total production. The United States, South Korea, Canada, and Chile continue to be major export markets for raw sugar. The Guatemalan sugar industry is attempting to focus more on exports of refined sugar. In 2010 the Guatemalan sugar industry established an export

warehouse facility in Puerto Quetzal on Guatemala's South Coast with a capacity of 66,000 MT of 50 kg bags for containerized transportation.

For MY 2011, raw sugar exports represented 55 percent, while refined sugar represented 45 percent of the exports market. The trend to increase exports of refined sugar has increased the importance of South American and Caribbean countries for Guatemala's sugar exports, while decreasing significantly exports of raw sugar to Eastern and Central Europe.

**Stocks:**

MY 2013 ending stocks are expected to be similar to those of MY 2012. Domestic stocks are held in warehouses managed by COMETRO throughout the country. All exported sugar is held in warehouses managed by EXPOGRANEL, the loading terminal located at Puerto Quetzal. Its warehousing capacity has increased to 365,000 MT for bulk sugar, and 66,000 MT for refined sugar (50 kg sacks).

Guatemala is known worldwide as a good partner in the sugar business, due to its high quality sugar (95-98 percent polarization) plus the fact that it has always fulfilled its commitments. Guatemala has already made contracts for MY 2013. Contracts are usually signed during the first three months of each calendar year. After March, prices start rising in the international market.

To insure local demand will be supplied, all exports must be managed through the Sugar Producers Association and a representative from Ministry of Economy has to approve such exports.

Guatemala usually does not experience stocks above normal levels due to exports contracts being established one year in advance. Below normal stocks have been experienced when production has been lower than estimated and when contraband shipments move sugar into Mexico and other neighboring countries. In the case of decreased production, Guatemala faces pressure to comply with its established export commitments which Guatemala manages by buying out its export contracts based upon futures market prices. The case of contraband exports have been attributed to high prices of sugar in Mexico creating a demand for lower-priced Guatemalan sugar. As a result, Guatemalan sugar prices are monitored and raised at times to decrease the incentive to illegally export sugar to Mexico. During MY 2010, Guatemala experienced its worst drop in stocks when 780,000 kg (which represents a month consumption), were the only reported stocks available. The Guatemalan sugar industry reports that the low stocks were the result of close to 300,000 MT of sugar being legally exported to Mexico between October 2009 and March 2010, plus an additional 60,000 MT illegally exported to Mexico during the same time period.

Guatemala has the following quotas in MY 2012 within already implemented Free Trade Agreements:

- U.S.: 77,404 MT (WTO) + 38,480 MT (CAFTA-DR)
- Taiwan: 76,395 MT (varies as a function of Taiwan's imports)

The following quotas (on raw values) are to be implemented as soon as the Free Trade Agreements enter into force:

- EU: 65,000 MT
- Ecuador: 21,000 MT

**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 to each mill is based on past production performance, previous quotas, and milling capacity. According to the law, all sugar sold domestically must be enriched with vitamin A. The industry claims to invest 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 get filled in part due the vitamin A fortification requirement. During CY 2011 a 50,000 MT sugar quota within WTO was opened, but was never filled. All imports are assessed a tariff of 20 percent, in addition to a 12 percent value added tax, and must comply with the enrichment law. When quotas are opened, the 20 percent tariff is eliminated.

**Marketing:** ASAZGUA is continuing its marketing strategy designed to maintain domestic sugar consumption. Both by radio and visual media, the sugar industry has been successfully promoting the fact that natural sugar contains “just 16 calories per teaspoon,” plus the number of direct and indirect jobs it generates. The main export strategy is geared to increase refined sugar exports.

**Production, Supply and Demand Data Statistics:**

Table 1  
PS&D for 2011-2013

Sugar, Centrifugal Guatemala	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: Nov 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks</b>	382	382	93	127		95
<b>Beet Sugar Production</b>	0	0	0	0		0
<b>Cane Sugar Production</b>	2,259	2,048	2,474	2,402		2,474
<b>Total Sugar Production</b>	2,259	2,048	2,474	2,402		2,474
<b>Raw Imports</b>	0	0	0	0		0
<b>Refined Imp.(Raw Val)</b>	0	0	0	0		0
<b>Total Imports</b>	0	0	0	0		0
<b>Total Supply</b>	2,641	2,430	2,567	2,529		2,569
<b>Raw Exports</b>	970	975	970	975		975
<b>Refined Exp.(Raw Val)</b>	838	569	838	700		750
<b>Total Exports</b>	1,808	1,544	1,808	1,675		1,725
<b>Human Dom. Consumption</b>	740	759	740	759		750
<b>Other Disappearance</b>	0	0	0	0		0
<b>Total Use</b>	740	759	740	759		750
<b>Ending Stocks</b>	93	127	19	95		94
<b>Total Distribution</b>	2,641	2,430	2,567	2,529		2,569
1000 MT						

