

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Jamaica**

## **Sugar Annual**

## **Jamaica & Dep Sugar Annual 2011**

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**Report Highlights:**

Post estimates that Jamaica's production will be 150,000 MT in 2010/2011 a marked increase over the production of 120,000 MT in 2009/2010. Jamaica is expected to fulfill its sugar quota to the U.S this year. Finally, the Government of Jamaica has divested its interest in the sugar industry to a Chinese company Complant.

## Executive Summary:

For the sugar crop 2009/2010 Jamaica fulfilled its sugar quota to the U.S, the first time since 2007. Furthermore, Jamaica is expected to fulfill its sugar quota to the U.S. for the sugar crop 2010/2011. Jamaica will also consume more of its own production and rely less on imports. A Purchase and Sale Agreement has been signed in July 2010 between the government of Jamaica and Complant International Sugar Company Limited for the three remaining state-owned sugar factories. It should be noted that for the 2009/2010 sugar crop, Jamaica exported 92,898 MT of raw sugar valued at USD 55 million. The European Union (EU) accounted for 78,621 MT and U.S. for 13,983 MT.

The 2010/2011 crop is projected to produce about 150,000 MT of raw sugar - a significantly higher volume than the previous year. Jamaica is expected to use its production to fulfill its combined commitments to Tate & Lyle and the USTQR and use the remaining sugar domestically. The Government of Jamaica (GoJ) has successfully divests its 60% ownership of the industry in 2010 and sugar production should increase steadily from 2011/12 crop until output reaches the desired industry target of 200,000 MT of 96-degree sugar. In addition, the GOJ policy includes strategies for the diversification of the industry to embrace cogeneration and the production of ethanol, rum and specialty sugar.

Consumption of raw and refined sugar in Jamaica has remained relatively flat over the last three years and is expected to remain flat until the economy improves.

## Statistical data

Sugar Cane for Centrifugal Jamaica	2009/2010		2009/2010		2010/2011	
	Market Year Begin: Dec 2009		Market Year Begin: Dec 2010		Market Year Begin: Dec 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b>	0	33	0	33	0	35
<b>Area Harvested</b>	0	31	0	31	0	33
<b>Production</b>	0	1,900	0	1,900	0	2,100
<b>Total Supply</b>	0	1,900	0	1,900	0	2,100
<b>Utilization for Sugar</b>	0	1,892	0	1,892	0	2,092
<b>Utilization for Alcohol</b>	0	8	0	8	0	8
<b>Total Utilization</b>	0	1,900	0	1,900	0	2,100
1000 HA, 1000 MT						

Source: Industry & post estimate

Sugar, Centrifugal	2008/2009	2009/2010	2010/2011
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Jamaica							
	Market Year Begin: Dec 2008		Market Year Begin: Dec 2009		Market Year Begin: Dec 2010		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	6	6	8	4	0	4	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	170	123	130	120	131	150	(1000 MT)
Total Sugar Production	170	123	130	120	131	150	(1000 MT)
Raw Imports	53	57	54	33	54	35	(1000 MT)
Refined Imp.(Raw Val)	70	71	65	74	75	73	(1000 MT)
Total Imports	123	128	119	107	129	108	(1000 MT)
Total Supply	299	257	257	231	260	262	(1000 MT)
Raw Exports	153	120	119	93	110	120	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
Total Exports	153	120	119	93	110	120	(1000 MT)
Human Dom. Consumption	138	133	138	134	138	138	(1000 MT)
Other Disappearance	0	0	0	0	8	0	(1000 MT)
Total Use	138	133	138	134	146	138	(1000 MT)
Ending Stocks	8	4	0	4	4	4	(1000 MT)
Total Distribution	299	257	257	231	260	262	(1000 MT)

Source: Industry & post estimate

### Production:

The dry weather conditions since the start of 2010/2011 crop year has bolstered crop quality and increased overall productivity to an estimated 150,000 MT of 96 degree sugar, an increase of 25 percent from the 120,000 MT produced during the previous crop. On April 1, 2011, sugar production was on target with 90,000 metric tons (MT) produced; the normal harvest is January – July so by April, the harvest should be more than half way done. The current crop, despite being affected by severe factory down time period, is still projected to perform significantly better than the previous crop.

The 2009/2010 production of 120,000 MT of 96-degree sugar was significantly lower than the forecast of 150,000 MT and a 3 percent reduction over the previous year's production of 123,000 MT. The drought condition was regarded as the main factor responsible for the decline in production. In addition, the cash strapped Government owned sugar estates and factories were ill prepared to process the crop.

Approximately 34,000 hectares of land is cultivated with sugarcane each year with, on average, 88 percent harvested. The other 12 percent is not harvested because of illicit cane fires, poor weather conditions, labor supply disruptions, and strategic increase in stand-over fields.

## **Consumption:**

Consumption of raw and refined sugar and molasses continues to be relatively flat.

Total consumption of raw sugar in Jamaica during 2009/10 was 56,000 MT. This figure represented a reduction of 1,000 MT from the 57,000 MT consumed in 2008/09. Consumption of refined sugar, which is used mostly for manufacturing purposes, grows proportionately with the non-alcoholic beverage and bakery industries. Given that the Jamaican economy is still in recession and disposable consumer incomes remain limited, it is expected that the bakery industry and non-alcoholic beverages will not experience robust growth until 2012. The alcoholic beverage industry consumes about 100,000 MT of molasses and about 5,000 MT of raw sugar per year.

Artificial and herbal sweeteners are present in the Jamaican market, but have not penetrated the retail sector.

## **Trade:**

As at October 2009, the European Union (EU) reduced the prices of raw sugar imports from Jamaica by 36 percent. The Sugar Protocol, which allowed Jamaica and other African, Caribbean and Pacific (ACP) countries guaranteed preferential prices, has been replaced by the ACP Economic Partnership Agreement (EPA). Given the fore-mentioned situation an attractive differential no longer exists between world market prices and the EU /ACP Economic Partnership Agreement on sugar.

Jamaica will be consuming more locally produced sugar. Previously, Jamaica's sugar needs were met largely by wide-scale importation. Data from the Jamaican Sugar Industry Authority (SIA) revealed that sugar imports were up to a high of 75,000 metric tons of refined sugar annually and approximately 60,000 metric tons of raw sugar within the period 2006-2010. Since Jamaica no longer has a quota obligation with the EU and now has the flexibility to choose which markets are supplied based on economics, they decided to make more of the locally produced sugar to be available to the domestic market. It should be noted that up until 2009, Jamaica's EU quota was 127,000 MT with an additional 24,000 MT exported under the Special Preferential Sugar (SPS) agreement.

The total exports of raw sugar from Jamaica during the crop year 2009/2010 declined by twenty percent from 120,000 MT (crop year 2008/09) to 93,000 MT, valued at US\$76 million and US\$55 million, respectively. Of total export, 79,000 MT were exported to the European Union and the remainder 14,000 MT was exported to the U.S. It is important to note that this is the first time since 2007 that Jamaica has fulfilled their U.S. sugar tariff rate quota (TRQ).

In order to fulfill local demand for raw sugar, Jamaica consumed 23,895 MT of domestically produced sugar and imported 32,451 MT to make up for the short fall. While for refined sugar the country imported 74,000 MT during 2009/10-crop year, a slight increase in the quantities over the 71,000 MT imported during the previous year. With retail consumption remaining flat and inventory minuscule, increased imports of refined sugar typically varies with manufacturing demand. Despite the liberalization of the refined sugar market in Jamaica, Guatemala and Colombia continue to be the dominant suppliers to the local market on the basis of price and availability.

## **Stocks:**

The liberalization of refined sugar imports allows the Jamaica Cane Product Sales Limited (JCPS), private brokers and manufacturers to import and hold stocks of refined sugar. The JCPS still retains a monopoly on the raw sugar market (import and export). As of November 30, 2010 the JCPS held 4,000 MT of raw sugar in stock. With the deregulation of refined sugar imports and increasing storage cost, independent importers do not hold significant stocks of refined sugar.

## **Policy:**

In July 2009, the Jamaican Ministry of Agriculture & Fisheries reviewed its main policy document on the sugar industry of Jamaica, "The Jamaica Country Strategy for the Adaptation of the Sugar Industry 2006 to 2015". The revised sugar strategy document is now entitled, "The Jamaica Country Strategy for the Adaptation of the Sugar Industry: 2006 to 2020." The document outlines three (3) strategic objectives which are as follow:

1. The development and maintenance of a sustainable private sector-led sugar cane industry based on multiple products;
2. Strengthening of the social resilience, economic diversification and environmental sustainability of Sugar Dependent Areas (SDA);
3. Maintaining progress towards the Government of Jamaica's (GOJ) macro-economic goals.

The Government of Jamaica has signed an agreement with Complant (International Sugar Industry Company Limited), a company jointly owned by the Government of China and private interests in China, for it to purchase the remaining three state-owned sugar factories, coupled with an arrangement for long term leases of sugar cane lands adjoining these factories. It has been reported that the three sugar factories will be sold for US\$ 9 million and involved leases of 50 years for the sugar estate cane lands. The Government has also entered into side agreements with Complant for the construction of a 200,000 tons sugar refinery and ethanol plant at an estimate cost of US\$221 million. It should be noted that the Jamaican Government had no other alternative apart from divesting the state-owned sugar factories given the huge losses these entities have incur over many years and the commitments they have agreed to in the 2010 agreement with the International Monetary Fund (IMF).

In June 2010 the government appointed a Commission of Enquiry into the sugar industry sector. According to the GoJ, the Enquiry was necessary given the important changes taking place in the Jamaican Sugar Industry, particularly in relation to adjustments in the European Union's sugar importation policy and the full privatization of the industry. The Commission was given the mandate to ascertain if modifications were required in the regulatory, marketing, pricing and institutional arrangements. Twelve main recommendations were made by the Commission and it is expected that these recommendations will provide the framework for a new, prosperous, multi product sugar cane industry, led by the private sector. Preferential access to the U.S market for ethanol under the Caribbean Basin Initiative provides an incentive to international sugar companies to operate in the Jamaican sugar industry. Additionally, the policy environment emphasizes diversification as a necessary risk mitigating and revenue generating mechanism. The predominant thought on diversification within the industry relates to the creation of a sugarcane (as opposed to sugar) industry, focusing on cogeneration, and the production of ethanol, refined, specialty and raw sugar, rum and other alcoholic beverages.

### **Marketing:**

The marketing of raw sugar locally and internationally are handled exclusively by Jamaica Cane Products Sales Limited (JCPS). Since 1994 the marketing function has been assigned under an agency agreement to JCPS Limited, a private company which is jointly owned by the Jamaican sugar manufacturers and the Jamaican sugarcane farmers. As marketing agent of the state-owned Sugar Industry Authority (SIA), JCPS undertakes the commercial functions associated with the marketing of sugar destined for export. Although sugar manufacturers are free to sell privately that portion of raw sugar not required to fill preferential quotas, JCPS at present undertakes the marketing of locally produced sugar and molasses in the domestic market and distributes the total revenues of the industry to sugar manufacturers and sugar cane farmers.

In addition, the retail distribution of imported refined sugar in Jamaica for the retail market is also handled exclusively by the JCPS. However, refined sugar used in the manufacturing of valued-added products, such as beverages, is imported by independent manufacturers. But JCPS always remains concerned that the duty-free refined sugar for manufacturing maybe diverted to the retail trade with price and demand effects. The Government of Jamaica believes that the heavy involvement of the JCPS in the domestic market serves as a means of stabilizing local retailed sugar prices.

However, the Purchase and Sale Agreement between Complant International Sugar Company Limited and the Government of Jamaica does not require that Complant International operate within the framework of the JCPS. According to the Jamaican Minister of Agriculture the future role of the JCPS is uncertain since as of August 1, 2011 the sugar industry in Jamaica would have been fully privatized. Complant International Sugar Industry Company will take control of the three remaining state-owned sugar factories and will be free of any restrictions and regulations to market and distribute the sugar, sugar products and/or related products produced and manufactured by it within Jamaica or for export purposes.