

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Costa Rica**

### **Sugar Annual**

### **Sugar Production is Growing**

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**Report Highlights:**

Costa Rica's sugar cane production is forecast to increase 1.47 percent in 2016/2017 reaching 449,000 MT - slightly higher than the 446,000 MT produced in 2015/2016. Although area planted has increased during the last few crop years, production has not been able to exceed the record level achieved during the 2013/2014 harvest. The forecast for 2017/2018 is for higher production of both cane and sugar as a result of higher area planted.

**Executive Summary:**

Costa Rica's sugar cane production in 2016/2017 is expected to increase to 4,460,878 MT as compared to 4,396,458 MT in 2015/2016 (1.47 percent higher). Sugar production is expected to increase marginally from 445,988 MT in 2015/2016 to 449,000 MT in 2016/2017. The sugar sector is somewhat disappointed from the results seen in 2016/2017 as some of the larger producers expected higher production volumes. The sugar sector had to deal with two consecutive calendar years of drought (2014 and 2015) and, although weather conditions in 2016 were slightly better than in the previous two years, some of the main production regions suffered adverse conditions again. At this point, the transition to the rainy season has started in the South and Central Pacific regions of the country and the rainy season is expected to be established throughout the country by the end of May. The agricultural sector in Costa Rica is concerned about the possibility of another "El Niño" event occurring in 2017. This will be determined in the next couple of months and will have an important impact on the 2017/2018 crop. Under normal rainfall distribution patterns, the 2017/2018, sugar production is expected to increase to approximately 465,000 MT. Costa Rica continues to meet its U.S. quota allocations both under the WTO and the CAFTA-DR, and has increased exports to the European Union using a sugar quota obtained as a result of a free trade agreement that entered into effect in October 2013.

**Commodities:**

Sugar Cane for Centrifugal

Sugar, Centrifugal

**Production:**

According to information from LAICA (Costa Rican Sugar League), during 2015/4/2016 season, there were 7,074 sugar producers and 13 sugar mills as compared to 7,552 sugar producers during the previous crop. Sugar cane production is distributed throughout six regions in the country. The sector is comprised of primarily small producers with 91.6 percent (6,479) 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 of sugar cane. On the other extreme, there were only 23 producers delivering more than 5,000 MT of cane. During the 2015/2016 harvest, 58 percent of the sugar produced in the country came from the province of Guanacaste in the northern Pacific region. Production is more evenly distributed in the other 5 regions, ranging from 5 to 12 percent of the total. During 2015/2016 season, the "El Viejo" mill achieved the largest production of cane and sugar in the country with over 1 million MT of cane processed. The majority of Costa Rica's sugar mills are owned by local 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 4,460,878 MT and 449,000 MT respectively during crop year 2016/2017. The northern Pacific region of Guanacaste continued to be affected by lower than normal rainfall during most of 2016. Higher temperatures and lower amounts of rain affected production even in farms that have irrigation. Production in farms that

do not have irrigation declined sharply. Just across the mountain range, in the northern area of San Carlos, excessive rainfall caused flooding of cane plantations while Hurricane Otto, which passed through that area of the country, turned over many sugar cane fields. Although production in San Carlos was expected to decline as a result of the Otto, the decline ended up to be relatively small. The sugar sector is expecting rainfall patterns to normalize this year, not only in terms of the amount of rain, but also in terms of the distribution of the rains. However, there are some indications that “El Niño” could return in 2017, continuing another drought in the Guanacaste region. Under normal rainy season conditions, cane and sugar production could increase to 4,600,000 MT and 465,000 MT respectively in 2017/2018.

### **Area Planted**

Information provided by LAICA shows that sugar cane area planted increased slightly to 64,030 hectares (ha) of which 61,770 ha being harvested. Area planted increased primarily in the Guanacaste region where some of the larger sugar mills have bought new farms that were formerly dedicated to rice production. Sugar production has continued to move to Guanacaste (39,251 ha planted) as the larger mills continue to increase production to utilize their installed capacity. This is followed by the northern region of the country (San Carlos and Los Chiles) with 9,634 ha. Sugar mills in the central part of the country struggle to keep sugar area planted from declining. Some plantations in the central region of Grecia were set on fire by vandals this year as sugar cane now surrounds new and old urban developments in that area. Competition from urbanization, high land prices, lower availability of labor, and higher production costs are slowly impacting sugar production in the central part of the country.

### **Yields**

According to LAICA, the average sugar cane yield will decline to 70.8 MT/ha in 2016/2017 from 71.17 MT/ha in 2015/2016. The average sugar yield will decline in 2016/2017 to 100.1 kg/ton from 101.44 kg/ton in 2015/2016. There is some concern in the sugar sector that although the 2016/2017 crop numbers show an increase in cane and sugar production, productivity has been negatively affected given the fact that area planted has increased. However, as mentioned earlier, heat stress and lack of water affected the Guanacaste region and excessive rain and a hurricane affected the Northern and Atlantic regions of the country. Also, industry sources have informed that renovation of plantations in some areas (specifically in the Turrialba region) has been very slow, resulting in lower than expected yields.

Many of the small producers have not been willing to make investments such as renovations and adequate use of inputs, as a result of low international sugar prices.

### **Consumption:**

Costa Rica’s sugar consumption was 240,000 MT in 2015/2016 and it is forecast to increase to 245,000 MT in 2016/2017. Consumption has not changed much in recent few years, since population growth has slowed down in the country. Higher utilization by the food industry (which is export driven in some sectors), results in changes in total consumption from year to year. Per capita sugar consumption is estimated at 49 kg for 2015/2016. 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 42 percent of the total, while industrial use accounted for 58 percent of the total. Costa Rican mills produce different types of sugar for the domestic market including white sugar, refined, white special, and raw sugar.

### **Trade:**

Costa Rican sugar exports reached 236,496 MT during the 2015/2016 crop year. Exports are expected to decline slightly to 235,000 MT in 2016/2017. The main destinations for Costa Rica's sugar during 2015/2016 season were the United States, New Zealand, the European Union, and Canada in that order. 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 2017 fiscal year.

An internal conflict between LAICA and a sugar importer began last year as a result of growing imports of white sugar from Brazil. LAICA requested safeguard measures to be applied on Brazilian imports claiming that those imports represented dumping and a threat to the sector. The importer claimed 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. LAICA has initiated additional legal actions related to this case including one against the Ministry of Foreign Trade (COMEX) regarding the way TRQs for different products are allocated.

**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 2017/2018 even though world prices remain relatively weak.

**Table 1. Costa Rica: Sugar Cane for Centrifugal Sugar; Supply and Utilization**

<b>Sugar Cane for Centrifugal</b>	<b>2015/2016</b>		<b>2016/2017</b>		<b>2017/2018</b>	
<b>Market Begin Year</b>	<b>Oct 2015</b>		<b>Oct 2016</b>		<b>Oct 2017</b>	
<b>Costa Rica</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Planted</b>	63	65	65	69	0	69
<b>Area Harvested</b>	61	61	62	62	0	63
<b>Production</b>	4407	4396	4460	4460	0	4600
<b>Total Supply</b>	4407	4396	4460	4460	0	4600
<b>Utilization for Sugar</b>	4407	4396	4460	4460	0	4600
<b>Utilizatr for Alcohol</b>	0	0	0	0	0	0
<b>Total Utilization</b>	4407	4396	4460	4460	0	4600
<b>(1000 HA) ,(1000 MT)</b>						

**Table 2. Costa Rica: Centrifugal Sugar; Production, Supply and Distribution**

<b>Sugar, Centrifugal</b>	<b>2015/2016</b>		<b>2016/2017</b>		<b>2017/2018</b>	
<b>Market Begin Year</b>	<b>Oct 2015</b>		<b>Oct 2016</b>		<b>Oct 2017</b>	
<b>Costa Rica</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>

<b>Beginning Stocks</b>	312	312	297	281	0	254
<b>Beet Sugar Production</b>	0	0	0	0	0	0
<b>Cane Sugar Production</b>	445	445	455	449	0	465
<b>Total Sugar Production</b>	445	445	455	449	0	465
<b>Raw Imports</b>	0	0	0	0	0	0
<b>Refined Imp.(Raw Val)</b>	0	0	0	4	0	3
<b>Total Imports</b>	0	0	0	4	0	3
<b>Total Supply</b>	757	757	752	734	0	722
<b>Raw Exports</b>	150	226	175	225	0	235
<b>Refined Exp.(Raw Val)</b>	10	10	10	10	0	10
<b>Total Exports</b>	160	236	185	235	0	245
<b>Human Dom. Consumption</b>	300	240	287	245	0	250
<b>Other Disappearance</b>	0	0	0	0	0	0
<b>Total Use</b>	300	240	287	245	0	250
<b>Ending Stocks</b>	297	281	280	254	0	227
<b>Total Distribution</b>	757	757	752	734	0	722

(1000 MT)

**Table 3. Costa Rica: Centrifugal Sugar; Export Trade Matrix**

<b>Time Period</b>	<b>2015/2016</b>
Exports to:	
<b>U.S.</b>	<b>111,947</b>
Others:	
New Zealand	56,036
United Kingdom	35,000
Canada	25,527
Bahamas	3,632
<b>Total for others</b>	<b>120,195</b>
Others not listed	4,354

