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Costa Rica

Sugar Annual

Costa Rica Sugar Annual Report

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Report Highlights:

Costa Rica's sugar cane production is forecast to increase 2.54 percent in MY 2018/2019. Sugar production is expected to increase 3.2 percent in the same period, from 431,000 MT in MY 2017/2018 to 445,000 MT in MY 2018/2019. The increase in production is the result of higher sugar yields throughout the production regions, even though the area planted declined. Industry sources expect cane and sugar production to rebound during MY 2018.

Executive Summary:

Costa Rica's sugar cane production in MY 2018/2019 is expected to increase 2.54 percent to 4,157,000 MT as compared to 4,054,141 MT in MY 2017/2018. Sugar production is forecast to increase from 431,109 MT in MY 2017/2018 to 445,000 MT in MY 2018/2019. Production recovered this marketing year after Tropical Storm Nate, which passed through Costa Rica in October 2017, caused significant damage in the critical region of Guanacaste.

The sugar industry expects MY 2019/2020 to be a difficult year as a result of current weather forecasts that are projecting a very dry year and a late start of the rainy season. This weather pattern is expected to affect the main production region of Guanacaste in particular. Also, area planted declined as a result of a combination of factors including strained financial conditions of growers affected by Tropical Storm Nate, low sugar prices, and competition for area from different activities, including urbanization in production areas near the Central Valley. Under this scenario, MY 2019/2020 sugar production is forecast to remain similar to this years' output even though area planted may increase. Costa Rica continues to meet its U.S. quota allocations both under the WTO and the CAFTA-DR, and continues to export to other markets such as China and the European Union.

Production:

According to information from LAICA (Costa Rican Sugar League), during MY 2017/2018 there were 6,292 sugar producers. The number of producers has been declining since MY 2013/2014 when there were 7,830 sugar cane growers. There are fewer sugar mills as well (11). One sugar mill closed its operations in the Grecia region and a second one practically closed in Turrialba, leaving producers in that region in a difficult situation. Sugar cane is grown in 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 seven hectares (ha) of sugar cane. On the other extreme, there are 17 producers delivering more than 5,000 MT of cane.

The province of Guanacaste in the northern pacific is home to a large percentage of the sugar production in the country (roughly 55 percent during MY 2017/2018). Production in the other five regions is distributed more evenly, ranging from 6 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 4,157,000 MT and 445,000 MT respectively during MY 2018/2019. Although sugar cane production did not increase as much as previously expected, sugar concentration in the North and South production regions has been very good, resulting in higher total production. The sugar sector is concerned about the expected drought this year. Several agricultural crops have already suffered losses because of the very dry weather conditions affecting the country. The current situation may delay the renovation of plantations in areas that do not have irrigation and depend on rainfall. Therefore, sugar production is forecast at 445,000 MT in MY 2019/2020, unchanged from the current marketing year.

Area Planted

Information provided by LAICA, indicates that area planted to sugar declined from 64,000 ha. to 60,000 in MY 2017/2018 with approximately 55,000 ha. harvested. The lower area planted was mostly the result of Tropical Storm Nate, which caused damages throughout Guanacaste in 2017. LAICA estimates that area planted increased marginally during MY 2018/2019. However, area planted to sugar cane remains under pressure from other crops and activities in different production regions, with the exception of Guanacaste. The completion of a new irrigation channel in Guanacaste (expected to result in additional area planted) has experienced legal hurdles that will delay its construction.

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 this region. One smaller sugar mill in the Grecia area closed its operations and another in the Turrialba region closed during the current harvest because of financial problems. Producers in the Turrialba region had to truck the cane to a nearby sugar mill (Juan Viñas), and to a more distant mill in Grecia (Coope Victoria).

Yields

According to LAICA, the average sugar cane yield was 73.6 MT/ha in MY 2017/2018 as compared to 77.08 MT/ha in MY 2016/2017. The average sugar yield however, increased from 104.09 kg/MT in MY 2016/2017 to 106.34 kg/MT in MY 2017/2018. LAICA expects cane yields to be lower and sugar yields to be higher during the current crop.

Consumption:

Costa Rica's sugar consumption reached 230,000 MT in MY 2017/2018, and it is expected to increase to 235,000 MT in MY 2018/2019. According to industry sources, consumption has fluctuated within a relatively narrow range over the last few years. 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 preliminary data for MY 2018/2019. 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 2017/2018. 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. Another mill has plans to begin exporting organic sugar to the United States this year.

Trade:

Costa Rican sugar exports reached 214,985 MT in MY 2017/2018. Exports are expected to reach 224,000 MT in MY 2018/2019, four percent higher than the export level during the previous period. The main destinations for Costa Rica's sugar in MY 2017/2018 were China, the United States, Canada, 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 has already exported its full WTO and CAFTA-DR sugar quotas to the United States for the FY2019.

Imports of white sugar from Brazil, which started to trickle in several years ago, have increased, despite the high tariff that protects the local industry. The imported sugar is directed at the domestic market for direct consumption.

Stocks:

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

Production, Supply and Demand Data Statistics:

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

Sugar Cane for Centrifugal Market Begin Year Costa Rica	2017/2018		2018/2019		2019/2020	
	Oct 2018		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	64	60	66	61	0	62
Area Harvested	62	55	64	57	0	58
Production	4090	4054	4500	4157	0	4200
Total Supply	4090	4054	4500	4157	0	4200
Utilization for Sugar	4090	4054	4500	4157	0	4200
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	4090	4054	4500	4157	0	4200

(1000 HA) ,(1000 MT)

Table 2: Centrifugal Sugar: Production, Supply and Distribution

Sugar, Centrifugal Market Begin Year Costa Rica	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	269	269	249	265	0	261
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	420	431	460	445	0	445
Total Sugar Production	420	431	460	445	0	445
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	10	10	10	10	0	10
Total Imports	10	10	10	10	0	10
Total Supply	699	710	719	720	0	716
Raw Exports	205	205	230	214	0	220
Refined Exp.(Raw Val)	10	10	10	10	0	10
Total Exports	215	215	240	224	0	230
Human Dom. Consumption	235	230	240	235	0	240
Other Disappearance	0	0	0	0	0	0
Total Use	235	230	240	235	0	240
Ending Stocks	249	265	239	261	0	246
Total Distribution	699	710	719	720	0	716

(1000 MT)

Table 3: Centrifugal Sugar: Export Trade Matrix

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

Time Period	MT
2017/2018	
Exports for:	
U.S.	72,115
Others	
China	87,213
Canada	29,549
United Kingdom	16,975
Bahamas	3,780
Switzerland	2,838
Total for others	140,355
Others not listed	2,515