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El Salvador

Sugar Annual

2014

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Report Highlights:

Sugarcane planted area in 2013/2014 (Nov 2013-Oct 2014) is higher than in 2012/13 reaching 69,815 hectares (ha). The Salvadoran Sugar Council (CONSAA) continues to regulate sugar trade. In Marketing Year (MY) 2013, most sugar exports were destined for Canada, Chile, Taiwan, Indonesia, Russia and to the U.S. re-export market. High international prices continue providing financial relief to the sugar sector. The sector continues to get tariff protection from the Government of El Salvador (GOES). The Ministry of Agriculture (MAG) continues efforts to shift traditional agriculture to more profitable non-traditional export crops. The law for production of alternative fuels, including ethanol, continues to be "on hold" and there is no set date for its entry into force.

Executive Summary:

Higher yielding sugarcane varieties, diversification of the industry into the production of energy and alcohol/ethanol, investment in milling equipment to improve sugar yields, and additional access to the U.S. market due to CAFTA-DR will all benefit El Salvador's sugar industry over the next 3 to 5 years.

A national sugar law for commercialization, production, and distribution of sugar is an important component to the reengineering process that the industry has undergone. In addition, assisted by attractive prices and additional access to the U.S. market, the sector seems to be recovering financially after facing debt complications due to natural disasters, high transportation costs and lack of government policies to assist sugarcane growers. Ultimately the success of the industry will depend on compliance with the sugar law by all the stakeholders, continued improvement in sugarcane and sugar yields, and increased diversification into additional energy co-generation projects and an ethanol law that encourages investment.

Sugarcane production for the 2013/14 harvest is estimated at 6 million metric tons (MMT). Based on new data provided by CONSAA, production for 2012/13 has been increased to 6.48 MMT.

Sugar production for 2013/14 is estimated at 650,000 metric tons (MT). Sugar production for 2014/15 is expected to increase by approximately 15,000 MT. However, weather conditions will continue to play a major role in future sugar production. Erratic weather patterns caused by the global warming phenomenon can pose threats to the upcoming sugarcane production; forecasters predict an El Niño phenomenon could cause drought conditions by the middle of 2014. New data provided by CONSAA show exports reaching 479,846 MT for MY2013 and are estimated at 380,000 MT for MY2014.

El Salvador only exports raw sugar. The GOES continues to control wholesale sugar prices. The current average retail price for white sugar is US\$0.35 per pound plus a 13 percent value-added-tax. Higher fertilizer, fuel and other input costs could play a major role in future sugar production.

In November 2013, El Salvador, together with the rest of Central America, signed a Trade Association Agreement with the European Union (EU) that provides access to up to 100,000 MT of duty-free sugar from the region and a 25,088 MT quota for El Salvador. Furthermore, Central America is negotiating a free trade agreement with Canada that could also benefit the sugar industry.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Production:

Recent production numbers compiled by the FAS office in San Salvador show that the 2013/14 sugarcane harvest is expected to reach 6 MMT. Sugar production is estimated to be 650,000 MT in 2013/14. These production numbers are lower than in 2012/13 mainly due to poor weather conditions, excessive sugarcane burning, and to a normal reduction of productivity related to plant age. However, the sugar sector continues working to control sugarcane burning during harvest, to create new sugarcane varieties that are more resistant to pests and diseases, and to increase investment in the sugar milling process. Sugar production is expected to increase in 2014/15 reaching approximately 665,000 MT.

Area planted grew to almost 70,000 hectares (ha) during 2013/14 mainly due to positive international sugar prices. Planted area could increase in the near future if the ethanol production law is implemented since there is ample idle land in the country that can be devoted to increased sugarcane production.

Grower prices continue to be set according to the sugar content of the cane. According to the sugar law, producers receive 54.5 percent of total sugar sales, with the rest appropriated by sugar mills. The mills distribute this sales income among sugar producers based on the amount of sugarcane they provided. Continued investment on part of all sugar mills has helped reduce downtime during the milling process, as well as increase sugar recovery rates to a more competitive position within the region.

Consumption:

Continued increased consumption by the candy and juice industry continues to provide stability to internal consumption numbers with domestic consumption reaching 285,000 MT in 2013/14. Higher exports of these products, due to opportunities provided by the CAFTA-DR Free Trade Agreement, could contribute to increased consumption in the medium term. Post estimates 2014/15 consumption at 285,000 MT; however consumption numbers will ultimately depend on the recovery of a sluggish Salvadoran economy.

Trade:

Exports for 2013/14 are expected to reach 380,000 MT; the export forecast for 2014/15 is 390,000 MT.

The GOES continues to impose a 40 percent ad-valorem import tariff on all sugar; the bound rate is 70 percent as the GOES considers sugar politically sensitive because it is an important driver of rural income and employment. Even though CAFTA-DR encouraged regional tariff harmonization to avoid triangulations and market disruptions, the Central American region still has not agreed on a harmonized import tariff for sugar.

Indonesia, Taiwan and Canada were major destinations for Salvadoran sugar exports. In MY-2013, 95,500 MT were exported to Indonesia. Other important destinations include Russia, and the U.S. re-export market. Export destinations for 2014 are expected to be similar to 2013.

<p style="text-align: center;">Export Trade Matrix El Salvador Centrifugal Sugar</p>

Time Period	MY	Units:	MT
Exports for:	2013		2014
U.S.	57,705	U.S.	57,820
Others		Others	
USA re-export	62,110	USA re-export	49,065
Indonesia	95,500	Indonesia	75,445
Taiwan	80,233	Taiwan	63,375
Canada	78,522	Canada	62,000
Chile	43,327	Chile	34,230
Russia	39,000	Russia	30,810
Colombia	6,650	Colombia	5,255
Tunis	6,575		
Puerto Rico	2,500		
Total for Others	405,342		320,182
Others not Listed	7,724		1,800
Grand Total	479,846		379,800

Source: CONSAA and USDA/FAS.

Stocks:

Ending stocks in 2013/14 are estimated at 26,000 MT. Contraband sugar from neighboring countries is under control and no longer causes a disruption to the local market. The national sugar law states that all sugar sold locally must carry a safety seal provided by CONSAA. Stock levels are expected to decrease by approximately 10,000 MT in 2014/15.

Policy:

The GOES continues to require that all sugar sold in the local market be fortified with vitamin A to reduce blindness in the local population. Both producers and millers share this cost. The GOES has not designed a specific production support or assistance program for the sugar sector; instead, limiting market access through import tariff protection continues to be the leading support mechanism.

Under the national sugar law, CONSAA is in charge of regulating the sector. CONSAA has a board of directors which includes members from the government, sugar producers, and sugar mills.

A law for the production of alternative fuels, including ethanol, is still under review by the Government of El Salvador (GOES). Under the previous GOES administration there was agreement with the sugar industry on a 10 percent mix for ethanol and with gasoline. But thus far, the current government administration has not decided on enactment of this law arguing that they need to make sure that it is beneficial and has no negative impact on the environment and on consumers.

The following are some of the areas where the sugar industry continues working to improve sugar profitability:

- Production of only the amount of sugar that can be sold at profitable prices;
- Improvement of milling yields;
- Diversification of mill income by focusing on energy generation;
- Improvement of sugar cane varieties to have better sugar recovery yields and higher quality sugar;
- Exchange of research and technology with other sugar producing countries; and
- Introduction of new sugarcane varieties that are pest and disease resistant.

Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal EI Salvador	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: Nov 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		64		70		70
Area Harvested		62		68		68
Production		6,489		6,000		5,900
Total Supply		6,489		6,000		5,900
Utilization for Sugar		6,489		6,000		5,900
Utilization for Alcohol		0		0		0
Total Utilization		6,489		6,000		5,900

Units of Measure for Area are in 1,000 Hectares.

Units of Measure for Production, Supply & Utilization are in 1,000 Metric Tons.

Sugar, Centrifugal EI Salvador	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: Nov 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks		36		41		26
Beet Sugar Production		0		0		0
Cane Sugar Production		761		650		665
Total Sugar Production		761		650		665
Raw Imports		0		0		0
Refined Imp.(Raw Val)		0		0		0
Total Imports		0		0		0
Total Supply		797		691		691
Raw Exports		480		380		390
Refined Exp.(Raw Val)		0		0		0
Total Exports		480		380		390
Human Dom. Consumption		276		285		285
Other Disappearance		0		0		0

Total Use		276		285		285
Ending Stocks		41		26		16
Total Distribution		797		691		691

Units of Measure for Stocks, Production, Imports, Exports & Consumption are in 1,000 Metric Tons.

Price Policy

The wholesale price for white sugar is US\$0.31 per pound plus a 13 percent value-added-tax (VAT).

At the retail level, white sugar is sold at US\$0.35 per pound plus the VAT.