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Global Agricultural Information Network

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Honduras

Sugar Annual

2011

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Report Highlights:

The sugar industry in Honduras aims at increasing refining capacity and improving efficiency. Sugar production is forecast to reach 454,000 Metric Tons (MT) in 2011/2012. The export forecast for 2011/2012 is estimated at 120,000 MT. Domestic consumption has increased due to population growth and industrial use. Honduras approved the Law for the Production and Consumption of Biofuels with a wide range of fiscal incentives, which will be attractive for investment in the production of ethanol. The regulation of this Law has been already written.

Executive Summary:

The sugar industry in Honduras generates jobs for about 10 percent of the economically active population in Honduras. It is estimated that more than 200,000 people receive direct or indirect benefits from the sugar sector. More than US\$25 million is paid in salaries yearly and US\$40 million is paid by the sugar mills to independent sugar producers.

Sugar production, commerce and distribution in Honduras are in the hands of the private sector. Sugarcane production is carried out on 50,000 hectares (ha) of land. The sugar mills own 50 percent and independent producers own 50 percent of the land. The sugar industry provides the independent producers technical assistance to improve practices to obtain higher yields. However, some independent producers prefer to rent their land to the sugar mills.

The sugar industry is represented by the Honduran Sugar Producers Association (APAH). All seven sugar mills are members of APAH. These mills sell their production to the Sugar Miller's Central (CISA), which is owned by APAH.

Sugarcane production for the 2011/2012 harvest is estimated at 4.5 million metric tons (MT). Area planted in 2009/2010 decreased to 50,000 hectares and in 2010/2011 decreased to 52,000 hectares according to new data provided by APAH. APAH's estimate justified that more land was bought to grow sugarcane. However, the environmental permits from the Ministry of Natural Resources were not provided so sugarcane was not planted.

Sugar production is forecast at 454,000 MT in 2011/2012. Production for 2010/2011 is estimated at 431,000 MT. This decrease in 2010/2011 in Post's estimate of 454,000 MT is attributed to climatic conditions. According to data from the Central Bank of Honduras, the U.S. dollar value of sugar exports increased by 51 percent, from US\$29 million in 2009 to US\$44 million in 2010. Domestic consumption has increased due to population growth, industrial use, and controlled domestic refined sugar prices.

In December 2007, Honduras approved the Law for the Production and Consumption of Biofuels. The law provides fiscal incentives, such as exemptions from customs tariffs, income tax, and other related taxes for 12 years. APAH conducted feasibility studies on ethanol production. The approval of this law is important for ethanol production investment, since it will standardize the ethanol and gasoline mixtures.

In addition, the mills produce the energy that they use during the harvest months (November – May). The excess energy that they generate is sold to the GOH's National Enterprise of Electric Energy (ENEE). Sugar mills supply about ten percent of national demand. Factors that affect production are the climate, land tenure insecurity, low agricultural ceilings imposed through industry limits established in the agrarian law, and access to credit. In particular, independent producers were affected with the financial crisis which has reduced available credit.

Production:

Sugarcane is grown on 50,000 hectares (ha) of land, 50 percent of which is owned by the sugar industry and 50 percent by independent producers. The sugar industry is comprised of seven sugar mills and 10 warehouses. Among the independent producers, about 55 percent are small producers (with 1-18 ha), 22 percent are medium producers (with 18-53 ha) and 23 percent are large producers with more than 53 ha. In recent years, the sugar industry in Honduras has been investing in infrastructure and equipment, thus increasing refining capacity and improving efficiency.

Sugar mills are working at 95 percent of their productive capacity. The recovery rate of sucrose from sugarcane is between 9 and 10 percent. From the area harvested, 97 percent of the sugarcane enters into production and three percent is kept for replanting.

Sugar production is estimated to reach 431,000 MT in 2010/2011. The decrease from Post's estimate of 454,000 MT is due to new data provided by APAH. The decrease in the production estimate is the result of floods that kept sugarcane plantations under water for about three months. The new estimated amount of 431,000 MT for 2010/2011 is higher by 6 percent than the production recorded in 2009/2010 of 404,000 MT given favorable weather conditions. Production is forecast to reach 454,000 MT in 2011/2012.

The sugar industry is interested in improving sugarcane and sugar yields through improved irrigation systems and milling technology. Improved sugarcane yields are achieved through the constant evaluation of seeds and technical assistance from research centers in Colombia, Guatemala, and Honduras. The technicians at the sugar mills are also members of the Association of Central American Sugar Technicians. Through this association, members share information and new technological advances.

The sugar industry has a program to provide incentives to sugarcane workers. The industry is also active in: provision of equipment, health care, school meals, teacher salaries, road maintenance, and credit for small enterprises in the communities where the sugar mills are located.

Consumption:

Domestic sugar consumption in Honduras is forecast at 334,000 MT in 2011/2012. The increase is due to population growth, industrial use, and controlled domestic refined sugar prices. Post is decreasing its initial domestic sugar consumption estimate for 2010/2011 of 321,000 MT to 312,000 MT due to the economic climate. The new estimate is still higher by 6 percent than 2009/2010 domestic sugar consumption of 295,000 MT. Per capita sugar consumption is 85 pounds per person, including soft drinks, of which 33 pounds are direct usage and 52 pounds are indirect use. About 30 pounds of sugar are consumed per capita annually in processed and baked foods, as well as beverages.

Trade:

Sugar exports are estimated at 119,000 MT in 2010/2011. The export forecast for 2011/2012 is 120,000 MT. The decrease from Post's estimate is due to new data provided by APAH. APAH indicates that the goal is to first supply the domestic market and then fulfill the U.S. and World Trade Organization (WTO) quotas. After these markets have been supplied, the sugar mills will proceed to export to the rest of the world. Exports recorded in 2009/2010 show an increase of 17 percent from Post's estimate due to the sugar industry's investment to improve refining capacity and efficiency.

According to the latest data from the Central Bank of Honduras, the U.S. dollar value of sugar exports increased by 51 percent, from US\$29 million in 2009 to US\$44 million in 2010. The main destinations for Honduras's sugar exports were the United States, Mexico, Dominican Republic, Jamaica, Trinidad and Tobago, Puerto Rico, Santa Lucia, Surinam, Guyana and Haiti.

The import tariff for raw sugar is 40 percent (consumption tax is not charged). The import tariff for refined sugar is 15 percent plus a 12 percent consumption tax. By law, quality restrictions require vitamin A to be added to sugar for human consumption, which is done by the Honduras sugar industry. The import tariff for raw sugar averages US\$0.35 per kilogram. The import tariff for refined sugar is US\$0.27 per kilogram.

Sugar exports and imports of Honduras by country are the following:

**EXPORT TRADE MATRIX
Honduras**

Sugar, Centrifugal - Calendar Year 2010

Country	Metric Tons
United States	29,706
Mexico	24,025
Dominican Republic	9,089
Jamaica	8,794
Trinidad and Tobago	8,634
Puerto Rico	6,712
Santa Lucia	1,425
Surinam	993
Guyana	572
Haiti	500
Others	291
T O T A L	90,741

**IMPORT TRADE MATRIX
Honduras**

Sugar, Centrifugal - Calendar Year 2010

Country	Metric Tons
United States	93
El Salvador	52
Guatemala	9
Costa Rica	4
T O T A L	158

Source: Preliminar data. Central Bank of Honduras.

Please note that data reported as exports and imports in the Production, Supply and Distribution (PSD) tables and the data of the Export and Import Matrix differ. The difference is because of the manner of calculation of sugar export statistics by APAH and the Central Bank of Honduras: APAH export statistics include sugar which has been contracted for export, while the statistics of the Central Bank of Honduras only include sugar which has already been physically exported from Honduras.

Stocks:

Stocks are owned by the sugar mills and are located at the CISA warehouses in Tegucigalpa and San Pedro Sula, located at the north and central part of the country. Stock levels are expected to remain similar in 2011/2012.

Policy:

The GOH does not have an overall policy related to sugar. The Secretariat of Agriculture and Livestock (SAG), the Secretariat of Industry and Trade (SIC), sugar mills, and independent producers created the National Sugar Council through Decree 161-2005 in December 2005. The objective of the Council is to regulate matters between independent producers and sugar mills related to land tenure and technical assistance.

Because sugar is considered a basic commodity, which affects the cost of living, SIC must authorize any change in the consumer price for the domestic market. After many years of having the consumer price unchanged, there was an increase in 2010. The prices are indicated in the table shown in the next section on Price Policy. Honduras does not have export taxes; they were eliminated in order to follow WTO recommendations.

For several years, APAH worked and lobbied the Honduran Congress for the approval of the Law for the Production and Consumption of Biofuels. The law was approved and published in December 2007. The law provides fiscal incentives, such as exemptions from customs tariffs, income tax, and other related taxes for 12 years. The regulations for the implementation of the law have been written and they

will make clear the percentage mix of ethanol with gasoline. The approval of this law is important for ethanol production investment.

A sugar mill completed a study of the infrastructure and funding requirements to build an ethanol processing plant. According to data from 2008, the cost would be about US\$40 million if the plant were installed in an existing sugar mill. If a new sugar mill with an ethanol processing plant were built, the cost would be between US\$170-200 million.

The sugar mills produce the energy they use during the harvest months (November-April), through the use of bagasse, generating 128 Mwh, with a potential of 344 Mwh of electricity. They also sell electricity to the GOH's electric company, supplying about 10 percent of the national demand. Due to the high prices of oil, sugar mills started to use coal during the non-harvest season of May-October.

Price Policy

The table below shows the sugar prices for plantation white (standard) and refined sugar sold at the wholesale market and to the consumer.

Honduras Sugar Prices

US\$/pound

Sale place	Plantation white	Refined
Wholesale	0.32	0.35
Consumer	0.38	0.41

Source: Honduran Sugar Producers Association (APAH)

At present, the exchange rate between the Honduran currency, the Lempira and the U.S. dollar is fixed at US\$1 = L.18.90.

Further information can be found at the Honduran Producers Sugar Association (APAH) website: www.azucar.hn

Marketing:

The seven sugar mills sell their production to the Sugar Miller's Central (CISA), which is owned by APAH and has 10 warehouses in the country. CISA distributes the sugar nationwide. CISA has developed marketing programs for new brands and improved packaging. CISA has also increased its distribution areas in the northern region of the country. It was using one quintal bags (equivalent to

45.36 kilograms, or 100 pounds). CISA has changed, however, to 50 kilograms bags to bring Honduras in line with neighboring countries. It is also in the process of investing in individual packages to offer to the consumer.

Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal Honduras	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	55	50	55	52		55
Area Harvested	53	44	54	47		49
Production	4102	4,102	4,327	4,307		4,522
Total Supply	4102	4,102	4,327	4,307		4,522
Utilization for Sugar	4102	4,102	4,327	4,307		4,522
Utilizatr for Alcohol	0	0	0	0		0
Total Utilization	4102	4,102	4,327	4,307		4,522
TS=TD		0		0		0

Sugar, Centrifugal Honduras	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	100	100	120	238		379
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	401	404	409	431		454
Total Sugar Production	401	404	409	431		454
Raw Imports	0	9	15	10		11
Refined Imp.(Raw Val)	9	129	107	131		133
Total Imports	9	138	122	141		144
Total Supply	510	642	651	810		977
Raw Exports	93	109	133	119		120
Refined Exp.(Raw Val)	0	0	0	0		0
Total Exports	93	109	133	119		120
Human Dom. Consumption	297	295	321	312		334
Other Disappearance	0	0	0	0		0
Total Use	297	295	321	312		334
Ending Stocks	120	238	197	379		523
Total Distribution	510	642	651	810		977
TS=TD		0		0		0

