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Guatemala

Sugar

Annual

2002

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Report Highlights: In 2001-02 sugar production is reported to have been marginally higher due to better sugarcane yields. In the year 2002-03, sugar production is expected to remain steady. In 2001-02, Guatemala established an import quota of 5,000 MT for sugar, so far 12,000 MT of Cuban sugar have been imported, 6,000 MT has entered illegally.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

FAS Guatemala sees the sugar industry performing at a steady output with few changes in the sector. Neither policy, trade, supply and demand is expected to show any significant change in the foreseeable future due to poor expectations of price recovery in the world market. In 2001-02 sugar production experienced a slight increase due to higher yields in sugarcane production. In the year 2002-03, sugar production is expected to remain steady at last year levels as harvest area and yields are expected to remain unchanged.

The sugar industry for the 2001-02 crop remained steady in planted area as a response to low expectations of an increase in world and local prices. Although planted area remained steady, total production increased due to higher yields caused by ideal climatic conditions. In 2002-03 the same trend is expected.

Guatemala exports around three quarters of total production and is considered the world's sixth largest exporter and third in Latin America. In the 2001-02 period, the industry expects to export 1,305,000 MT, an increase of around 9% in comparison with the previous year. As of April 2, 2002, the industry has already exported 971,503 MT. In the year 2003, Guatemalan exports are expected to remain steady. For the 2001-02 crop, a fair amount of sugar exports will go to the U.S., Russia and Korea. In 2001 the import market of sugar to Guatemala was opened, and an authorized quota of 5,000 MT per year came into effect. So far, in 2002 according to the Guatemala Sugar Association around 12,000 MT of sugar have been imported from Cuba from which only 5,000 MT have been authorized and the remaining 6,000 MT has entered illegally.

PSD Table						
Country	Guatemala					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		11/2000		11/2001		11/2002
Area Planted	171	180	171	180	0	180
Area Harvested	171	180	171	180	0	180
Production	14670	14456	14670	14670	0	14670
TOTAL SUPPLY	14670	14456	14670	14670	0	14670
Utilization for Sugar	14670	14456	14670	14670	0	14670
Utilizatr for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	14670	14456	14670	14670	0	14670

PSD Table						
Country	Guatemala					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		11/2000		11/2001		11/2002
Beginning Stocks	96	96	70	70	0	86
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1632	1632	1632	1789	0	1789
TOTAL Sugar Production	1632	1632	1632	1789	0	1789
Raw Imports	0	0	0	12	0	5
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	0	0	0	12	0	5
TOTAL SUPPLY	1728	1728	1702	1871	0	1880
Raw Exports	985	985	985	1100	0	1100
Refined Exp.(Raw Val)	205	205	205	210	0	210
TOTAL EXPORTS	1190	1190	1190	1310	0	1310
Human Dom. Consumption	468	468	468	475	0	475
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	468	468	468	475	0	475

Ending Stocks	70	70	44	86	0	95
TOTAL DISTRIBUTION	1728	1728	1702	1871	0	1880

Production

Guatemala's planted sugarcane area for 2002-03 is forecast to remain at 180,000 hectares. Usually in Guatemala, the increase or decrease of area planted directly responds to sugarcane contracts offered by sugar mills, the price formula for sugarcane and the relative profitability of crops like bananas and palm. In this case sugarcane planted area is expected to remain steady because sugar mills are not increasing production for next year due to poor world prices.

For the 2001-02 crop ideal climatic conditions caused an increase in cane yields and the sugar recovery rate. For the 2002-03 crop, sugarcane yields and sugar rates of return are expected to remain steady at the 2001-02 levels. Eventually, yields and production will largely depend on climatic conditions.

Average sugarcane yields and sugar recovery rates are summarized below:

YIELDS/RECOVERY RATES	2000/01	2001/02	2002/03
Sugarcane (MT/Ha)	80.3	81.5	81.5
Sugar (Kg/MT)	112.89	121.94	121.94

The Guatemalan Center for Sugarcane Research (CENGICAÑA) keeps supporting the industry with research and technical assistance. Their objective is to improve and increase sugarcane and by-products production and yields, by generating, validating and transferring quality technology for the profitable and sustainable development of the industry. Their main goal is to increase sugar yields and to improve varieties through research programs. CENGICAÑA's assistance has been very valuable to the sugar industry in keeping yields at acceptable levels through poor weather conditions. Currently, they are in the last stages of developing a local variety which they expect to be ready for commercial planting in the crop year 2003/04. Currently, the most commonly planted sugar cane variety is CP722086, followed by 68P23, CP781312, and CP731547. According to officials in the Center for Sugarcane Research (CENGICAÑA) the potential area which could be planted to sugarcane is 350,000 hectares, which could yield up to 30 million MT of sugarcane. Although, the study on potential area for planting is not likely to happen since some areas are reservoirs or are planted with bananas, palm or coffee.

There are 17 sugar mills in the country. Combined milling capacity for 2001-02 is around 131,000 MT per day, steady from last year's capacity. Sugar production for 2001-02 is expected to reach about 1,789,000 MT due to higher yields. Total sugar production for 2002-03 is forecast to remain steady. There is only one sugar mill that produces alcohol. During 2001-02 it is expected to produce around 450 MT of alcohol. Most of the alcohol is exported to the U.S. and Mexico. In addition, six sugar mills are generating electricity, utilizing the sugarcane bagasse. They are currently generating approximately 148 megawatts of electricity, which accounts for 20% of total electricity produced in the country.

There are two methods of irrigation used in Guatemala, gravity flow and aspersion. Approximately 40 percent of Guatemalan sugarcane is irrigated. The sugar industry generates around 45,000 full-time jobs, which support around

230,000 people. The sugar industry pay salaries above the average for agricultural activities. From direct employment around 20,000 are sugarcane cutters. In addition, the sugar industry generates employment indirectly to around 250,000 people.

The average cost of production for 2001 follows:

DESCRIPTION	VALUE \$/HA (Q8.00/\$1)	PERCENTAGE
Land adjustment	3.45	0.31
Land preparation	14.96	1.66
Planting	32.10	3.73
Cleaning	3.96	0.38
Weed control out of cane plantation	15.48	1.72
Weed control inside of cane plantation	74.56	8.53
Fertilization	51.15	5.76
Irrigation	49.41	5.70
Maturing agents applications	8.12	0.91
Crop preparation	12.76	0.60
Experiments	6.88	0.75
Plague control	26.42	3.00
Harvesting	584.32	66.95
TOTAL	883.57	100.00

The price paid for sugarcane is determined by ASAZGUA through a price formula set sometime before the harvest season starts. According to ASAZGUA, in spite of a decrease in local prices, low world prices and other factors that are affecting this year's production, millers will keep buying sugarcane from independent sugarcane growers. The price is based on a minimum of 87.5 kilos of sugar per metric ton. For sugar content above the basis, the producer receives a proportional adjustment.

Local sugarcane prices for 2002 are likely to remain steady as a result of a decision between the Government and the industry to hold the line on local sugar prices. This measure will affect the independent sugarcane grower, since sugarcane prices are determined by a formula based in part on the current domestic sugar price. Due to this situation, independent sugarcane growers are trying to discuss with sugar millers and government officials the possibility of changing the formula so that they are not affected by domestic wholesale price movements or receiving some type of subsidy.

Consumption

In 2001-02 local consumption is expected to increase slightly to 475,000 MT due to a growth in population. Movements of contraband sugar to El Salvador and Honduras have led to unreported exports that are registered as

domestic consumption in Guatemala. Both neighboring countries have higher local prices, making Guatemalan sugar more attractive for their markets. Per capita consumption of sugar is 42 Kg. Distribuidora Azucarera de Guatemala S.A. (DAZGUA) markets and distributes to retailers through 38 warehouses strategically located throughout the country. DAZGUA operates as a wholesaler and retailer. Competition from other retailers has forced DAZGUA to come out with new marketing strategies in order to compete with retailers offering lower prices due to lower costs in packaging, transportation, and inaccurate weights.

Alternative sweeteners and other alternative sugar products are not a detrimental or significant factor in total domestic sugar consumption. Sugar confectionery imports and sugar smuggling from Mexico have had some affect on sugar consumption but not to a significant degree. Currently, domestic consumption is split as follows: 28% for industrial and 72% for human. On the industrial side of domestic consumption, the soft drinks industry is the major consumer of sugar. Other major sugar consumers include: confectioneries, bakeries, juices, wineries, dairy products, and pharmaceuticals.

Import Trade Matrix			
Country	Guatemala		
Commodity	Centrifugal Sugar		
Time period	Jan-Dec	Units:	Metric Tons
Imports for:	2001		2002
U.S.		U.S.	
Others		Others	
		Cuba	12,000
Total for Others	0		12000
Others not Listed			
Grand Total	0		12000

Export Trade Matrix			
Country	Guatemala		
Commodity	Centrifugal Sugar		
Time period	Jan-Dec	Units:	Metric Tons
Exports for:	2001		2002
U.S.	234,497	U.S.	245,000
Others		Others	
Canada	262,000	Korea	400,000
Korea	128,000	Russia	200,000
Bulgaria	151,000	Canada	110,000
Morocco	117,000	Malaysia	80,000
Haiti	65,000	Iran	40,000
Chile	48,000	Taiwan	40,000
Russia	47,000	Egypt	35,000
Venezuela	34,000	Venezuela	30,000
Taiwan	30,000	Chile	30,000
China	25,000	Haiti	30,000
Total for Others	907000		995000
Others not Listed	48,503		70,000
Grand Total	1190000		1310000

Trade

Guatemala exports are around three quarters of total production. Guatemala is considered the sixth largest exporter in the world and third in Latin America. In the 2001-02 period, the industry expects to export 1,305,000 MT, an increase of around 9% in comparison with the previous year. As of April 2, 2002, the industry has already exported 971,503 MT. In the year 2003, Guatemalan exports are expected to remain steady. The total U.S. quota allocation for Guatemala in FY2002 is 50,546 MT. The Guatemalan Sugar Association expects that around 84% of total exports will be in raw sugar, an increase of 1% from the previous year due to an increase in the U.S. re-export market and an increase of raw sugar imports from Canada, in spite of a decrease from the Russian import market. For the 2001-02 crop, a fair amount of sugar exports are expected to go to the U.S., Russia and Korea.

Stocks

In November 2002 ending stocks are expected to be 79,000 MT. Domestic stocks are held in warehouses managed by DAZGUA throughout the country. All sugar that is to be exported is held in warehouses managed by EXPOGRANEL, located in Puerto Quetzal. Their warehousing capacity is 44,000 MT of bulk sugar, and 36,000 MT of sugar in sacks of 50 Kg (400,000 sacks). They have a loading capacity of 500 MT per hour (2,000 sacks per hour).

Policy

Official decree 92-71 established the Sugar Board, which includes representatives from the Ministry of Economy, sugarcane producers, and sugar mills. The Board establishes production goals, sets sugarcane prices, and also allocates Guatemala's production of the U.S. sugar quota to the different sugar mills. The allocation to each mill is based on past production performance, previous quotas, and milling capacity.

According to the law, all sugar mills have to add vitamin "A" to sugar. The industry claims to invest \$3.5 million a year on vitamin "A". Import tariffs on sugar outside the quota is 20%.

In 2001 the Guatemalan government opened the market to sugar imports and established an import quota of 5,000 MT per year at 0% tariff. For all imports vitamin "A" is a requirement. In 2002 according to the Guatemala Sugar Association around 12,000 MT of sugar have been imported from Cuba from which only 5,000 MT have been authorized and the remaining 6,000 MT have entered illegally.