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Honduras

Sugar

Annual

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Report Highlights:

During the last year, Honduras has participated with the Central American countries in Free Trade Agreement negotiations with Canada and the U.S. Their proposal for CAFTA is that free trade should be established conditioned to the net exporter category, rule of origin for sugarcane or beet produced and a common tariff for the region. The report contains more information on policies, production and trade.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Guatemala[GT1], HO

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Section I – Situation and Outlook

The sugar industry in Honduras has in recent years been investing in infrastructure and equipment, thus increasing refining capacity and improving efficiency. This profitability and investment is reflected in the upward trending production of cane and centrifugal sugar. Consequently, the sugar industry has more interest in improving yield than increasing area of production. In 1997, ST/HA yield was 79 percent and in 2002 increased to 86 percent. Industrial yield LB/ST was 186 percent in 1997 increasing to 207 percent in 2002.

With increases in population and controlled domestic refined sugar prices, domestic consumption of sugar continues to rise and annually there is 85 pounds PPC including soft drinks. 33 pounds per capita direct use and 52 pounds per capita indirect use are roughly consumed. About 30 pounds PPC of sugar is used in processed and baked foods as well as beverages.

Honduras depends on sugar exports as a major foreign exchange earner. The U.S. sugar import quota for Honduras is 10,531 metric tons of the total TRQ of 1,117,195 mts. Several years ago sugar exports from Honduras were 15,000 to 25,000 per year, but now the industry is more globally minded and exports are reported to be greater than 70,000 metric tons. In 2002, sugarcane production decreased by 6 percent due to drought conditions in the North coast of Honduras. Sugar mills are working at 90 percent of their productive capacity. The recovery rate is between 9 and 10 percent, low relative to the more efficient industry in Guatemala.

Currently farmers receive for cane at the field between Lps.220 and 230 per short ton (2000 lbs) The retail price for refined sugar is Lps.7.26 (\$0.45) per kilogram and the wholesale price is Lps. 7.04 (\$0.43) per kilogram. Because sugar is considered a sensitive commodity in the cost of living, the Ministry of Economy must authorize any change in consumer price, situation that has kept the same price during the last two years. Marketing programs have brought new brands and improved packaging. The areas of distribution has been increased in the north region of the country. The current floating exchange rate is Lps. 17.18 equals one U.S. dollar.

In last year's Annual Sugar Report, 2002 raw sugar exports were expected to be 126,000 MT. In fact, the Honduran sugar industry has provided statistics that show only 85,000 MT were exported as shipments were delayed and exported in early 2003. Exports were made to Russia, Marocco, China, Haiti, Nigeria and some refined sugar to Colombia.

During the last year, two trade agreements are being considered. The first Free Trade Agreement (FTA) negotiations are with Canada in which Honduras, El Salvador, Guatemala and Nicaragua have had three rounds of negotiations. According to the Central America Sugar Producers (AICA) the following advances in the negotiations with Canada have been registered:

- a. A zero tariff consolidation for the Central America exports of raw sugar.
- b. A regional origin rule that all trade should be from the five countries (including Costa Rica).
- c. Progress in the use of the concept of "net exporter" for sugar trade.

d. Evaluation of a quota for refined sugar with zero tariff and/or reduction of import tariffs.

The second FTA negotiations are taken place between the Central American countries(CA-5) with the U.S. The Honduran Sugar Producers Association (APAH) requested to be included in the negotiations of the FTA. Their proposal is that free trade should be established conditioned to the net exporter category and the rule of origin for sugarcane or beet produced. In addition, a common tariff at the Central America level for sugar should be established. Some of the main objectives are: to have free access for raw, white and refined sugar above the benefits of the Caribbean Basin Initiative (CBI), to consolidate benefits for edulcorantes and ethanol, as well as the U.S. fructose products should be treated in the multilateral WTO round. The CBI benefits include:

- a. Give priority to countries members of the treaty in any increase of volume given.
- b. Give preferencial access to countries members of assignments not covered by other countries.
- c. Reassign quotas not cover by net exporter countries, with priority to Central America.
- d. Rassign to the Central American countries volumes not covered by countries that no longer export or produce sugar.

Furthermore, APAH is a member of the Global Alliance for Sugar Trade Reform and the CBI Sugar Group who are advocating for a re-allocation of quota to the developing countries. They strongly propose that unfilled quota be distributed among the developing countries in most need.

Honduras does not have export taxes, since three years ago was eliminated by the GOH, in order to follow WTO recommendations and bring it to Central American level. Factors that affect trade are the insecurity in land tenure for sugar cane producers, high interest rate for credit to improve production, need of investment and the low world prices for sugarcane.

Sugar production, commerce and distribution is Honduras is privately owned. The GOH does not have any agricultural policy related to sugar. However, there is a proposal in Congress presented by the GOH (Ministry of Agriculture and Industry) producers and industry to regulate matters related to land tenure and technical assistance between independent producers and sugar mills. Honduras has 8 sugar mills and all are privately owned. These sugar mills sell the production to the Sugar Mills Central, who distribute the sugar nationwide. All the sugar mills are associated into APAH, which owns the Central and has around 10 warehouses in the country.

As an alternative program to low world prices for sugar, APAH contracted to do a study at the Central American region level for the conversion of sugar into alcohol, market characteristics and consumption possibilities, which has been finished. The next step will be to do a pre-factibility study for the plant. In addition, proposals are planned to promote investment in ethanol production and approve a law to add alcohol to gas to be presented to Congress. This will help to lower the fiscal deficit the GOH has with a high gas invoice, will benefit trade and improve environmental conditions.

Section II - Statistical Tables

PSD Table						
Country	Honduras					
Commodity	Centrifugal Sugar				(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		09/2001		09/2002		09/2003
Beginning Stocks	100	80	39	80	46	70
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	340	333	357	323	0	339
TOTAL Sugar Production	340	333	357	323	0	339
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	440	413	396	403	46	409
Raw Exports	126	85	70	73	0	75
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	126	85	70	73	0	75
Human Dom. Consumption	275	248	290	260	0	273
Other Disappearance	0	0	0	0	0	0
Total Disappearance	275	248	280	260	0	273
Ending Stocks	39	80	46	70	0	61
TOTAL DISTRIBUTION	440	413	396	403	0	409

PSD Table						
Country	Honduras					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		09/1998		09/1999		09/2000
Area Planted	47	41	50	41	0	41
Area Harvested	47	40	50	40	0	40
Production	3431	3431	3600	3500	0	3600
TOTAL SUPPLY	3431	3431	3600	3500	0	3600
Utilization for Sugar	3431	3431	3600	3500	0	3600
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	3431	3431	3600	3500	0	3600

Export Trade Matrix			
Country	Honduras		
Commodity	Centrifugal Sugar		
Time period	Jan/Dec	Units:	Metric Tons
Exports for:	2002		2003
U.S.	10,531	U.S.	10,531
Others		Others	
World Market	37,317		62,630
Russia	37,000		
Total for Others	74317		0
Others not Listed			62,630
Grand Total	84848		73161