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## Mexico

### Sugar

## Mexico Announces National Sugar Program

### 2007

**Approved by:**

Erich Kuss  
U.S. Embassy Mexico City

**Prepared by:**

Dulce Flores

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**Report Highlights:**

On April 24, 2007, the Mexican Government announced the National Program of the Sugarcane Agroindustry (Programa Nacional de la Agroindustria de la Caña de Azúcar or PRONAC- by its Spanish acronym) that plans to build a more competitive and sustainable sector to face the full NAFTA opening of the sweeteners market in 2008.

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Mexico [MX1]  
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## NATIONAL PROGRAM OF THE SUGAR CANE AGROINDUSTRY

On April 24, 2007, the government announced the National Program of the Sugarcane Agroindustry (Programa Nacional de la Agroindustria de la Caña de Azúcar or PRONAC by its Spanish acronym) that plans to build a more competitive and sustainable sector to face the full NAFTA opening of the sweeteners market in 2008. The general objective of the program is to form an integrated and competitive agroindustry that can successfully compete within the Mexican and U.S. sweeteners and biofuels markets, with quality products coming from profitable and sustainable processes by 2012.

### Situation of the Sugar Sector

According to the documents outlining both the PRONAC and the current domestic situation of the sugar sector, apparent domestic sugar consumption from 2001-2006 shows average annual consumption to be about 4.8 million MT (5.08 MT-raw value). Using this figure, Mexico's per capita consumption of 47.5 kg/year (104.5 pounds/year) would make Mexico the sixth largest per capita consumer of sugar worldwide. The value generated from the production of sugar is more than \$3 billion dollars per year, with approximately 57% of that amount distributed among the 164,000 sugarcane producers. Sugar industry activity represents 11.6% of the value of Mexico's primary sector and 2.5% of manufacturing sector's GDP. The Mexican sugar industry generates more than 450,000 direct jobs and directly benefits more than 2.2 million people. Sugarcane production is harvested in approximately 664,000 hectares that supply 57 sugar mills in 15 Mexican states.

### Program Goals

The PRONAC document released to the public describes the legal framework under the Mexican Constitution and other dispositions that have to be followed, including international agreements like NAFTA, while defining four main strategic goals it intends to pursue:

- I. **Strengthen Trade Policy**
- II. **Increase Sugarcane Production**
- III. **Increase Sugar Production**
- IV. **Increase Investment and Employment**

Through these main goals the PRONAC hopes to achieve by 2012:

- 1) To have a sugarcane agroindustry sector that guarantees a quality sugar supply for all domestic demand of about 5.4 million metric tons-MMT (5.7 MMT-raw value) of sugar, while exporting about 840,000 MT to the U.S. market including 223,000 tons for IMMEX companies (Mexican re-export program).
- 2) To achieve annual increases of 2.3% a year in sugarcane production to reach a record of 54.2 million tons.
- 3) To achieve annual increase of 3.3% a year in sugar production to reach an annual level of 6.24 MMT of sugar (6.6 MMT-raw value).
- 4) Increase investment and employment and participate in biofuels production by achieving an additional increase in sugarcane production to 6.5 million tons that would allow the industry to produce 7,840 barrels of ethanol per day.

**Program Actions**

PRONAC establishes several actions and goals for each strategy of the program, many of which are the including in the following:

STRATEGIES	ACTIONS AND GOALS
<p><b>I. Strengthen trade policy</b> through: knowledge of the real demand and potential for sweeteners in the region, more efficiency in the distribution chain, coming closer together with the consumer, guaranteeing domestic consumption, and energizing exports.</p>	<ul style="list-style-type: none"> <li>* Consolidate the integration of the Sugar/Sugarcane sectors with the different productive chains and guarantee their participation in decision making on trade policy to generate strategies that favor 'market order'.</li> <li>* Inhibit concentration practices and speculation that generate distortions in the market.</li> <li>* Maintain a system of market information where all relevant factors are transparent allowing: the determination of reference prices, domestic and international price monitoring, and the ability to use sugarcane for either production of sweeteners or biofuels.</li> <li>* Make advancements in harmonizing quality, health, and food safety standards of the different sweeteners in the north American regional market.</li> </ul>
<p><b>II. Increase sugar cane production</b> through: continual growth of yields in the field using precise agriculture, timely fertilization, increase in rain-fed areas, development of new cane varieties, compacted areas, and balance in the field.</p>	<ul style="list-style-type: none"> <li>* Perform integral studies of the needs and potential of production areas and carry out soil analysis to define adequate use of fertilizers.</li> <li>* Based on adequate technological kits, reduce costs of planting, harvesting and cultivation of cane. Modernize the sugar cane field through investment in machinery and harvest equipment.</li> <li>* Increase sugarcane area to be mechanized and industrialized to produce sugar on 25,946 additional hectares</li> <li>* Facilitate access to financing; strengthen the generation and dissemination of technology.</li> <li>* Support activities to produce biofuels and co-generation of electric energy through the production of 6.5 million tons of additional sugar cane.</li> </ul>
<p><b>III. Increase sugar production</b> through: higher mill yields using modernization of the productive process that will allow more efficient crushing of</p>	<ul style="list-style-type: none"> <li>* Complete a technical diagnosis of the 57 sugar mills to establish the requirements of further investment and technology, promoting investment to modernize the mills in order to increase</li> </ul>

STRATEGIES	ACTIONS AND GOALS
cane, decrease losses, make better use of time, and achieve higher sugar recovery rates.	<p>productivity and efficiency.</p> <ul style="list-style-type: none"> <li>* Increase the capacity of cane crushing to 337,648 per day, increase cane sucrose content to 13.7%, and increase mills yields to 11.50%.</li> <li>* Promote the reviewing and modernization of the Contract Law of the Sugar Industry that would allow improved labor/management relations needed to reach new levels of productivity and competitiveness in order to successfully make inroads in the North American market.</li> <li>* Promote actions to produce biofuels and cogeneration of electricity.</li> </ul>
<p><b>IV. Increase in investment and employment:</b> by giving stability to the sector, promoting agreements, research and technology transfer, access to financing, and diversification.</p>	<ul style="list-style-type: none"> <li>* Improve the means for contracting sugarcane by updating the uniform buying/selling contracts for cane and assuring its coexistence with other forms of contracts at the mills that consider the unique conditions of each sugar mill and the importance of exports.</li> <li>* Review the payment system for sugar cane, such as the method for setting the sugar reference price used in determining the payment of cane in order to promote competitiveness in the context of a new North American sweeteners market.</li> <li>* Establish a payment system for sugar cane that is different to the one used for the production for sweeteners that allows Mexico to contemplate ethanol production.</li> <li>* Consider cane bagasse as an alternate source of renewable energy.</li> </ul>

#### Resources Allocated to Program

To achieve the goals of increasing production of sugar cane and sugar, PRONAC will have a multiyear budget of close to \$90.7 million dollars. A technical diagnosis of the sugar mills will be done in order to determine the investment and technology requirements of each mill and promote investment in technologies that will modernize the mills, increasing efficiency and decreasing costs.