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## Jamaica & Dep

## Sugar

## Annual

## 2005

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**Report Highlights:**

Jamaica's production of 96-degree sugar rebounded during 2003/04 from a historic low of 152,000 MT to 184,000 MT. Sugar production for the 2004/05 crop is projected to decline to 158,000 MT, primarily due to the effect of hurricane Ivan on crop quality and productivity.

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## Executive Summary

Production of 96-degree sugar in Jamaica is expected to decline by approximately 14 percent to 158,000 metric tons (MT) during the 2004/05 sugarcane crop, primarily due to the negative effects of hurricane Ivan on crop quality and productivity. During the 2003/04 crop, production of 96-degree sugar and sugar cane rebounded from the historic lows experienced during 2001 and 2002, to record 184,000 MT and 1,993,000 MT, respectively. The performance of the crop was attributed to increased quality and productivity, which resulted from the influence of better weather conditions during the growing and harvesting periods.

During the 2003/04 sugar cane crop, Jamaica exported 160,000 MT of raw sugar under the EU/ACP (African Caribbean and Pacific) protocol, Special Preferential Sugar and the U.S. Tariff Rate Quota. However, during the current crop, exports of raw sugar are projected to decline to 141,000 MT, while imports of refined sugar should increase to 42,000 MT.

Over the last five years, annual sugar consumption has been stable at approximately 124,000 MT. As the sugar industry continues sub-optimal performance, Jamaica will fulfill an increasing proportion of its demand from imports over the medium-term. However, in the long-term, Jamaica is expected to focus on fulfilling domestic demand, as export markets become less attractive, primarily due to the erosion of the EU/ACP preferential price.

## Production

### Statistical Data

Jamaica & Dep Sugar Cane for Centrifugal							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		12/2002		12/2003		12/2004	MM/YYYY
Area Planted	39	35	39	35	0	0	(1000 HA)
Area Harvested	35	30	35	31	0	31	(1000 HA)
Production	1907	1776	1980	1993	0	1738	(1000 MT)
TOTAL SUPPLY	1907	1776	1980	1993	0	1738	(1000 MT)
Utilization for Sugar	1907	1776	1980	1993	0	1738	(1000 MT)
Utilizatn for Alcohol	0	0	0	0	0	0	(1000 MT)
TOTAL UTILIZATION	1907	1776	1980	1993	0	1738	(1000 MT)

Jamaica & Dep Sugar, Centrifugal							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		12/2002		12/2003		12/2004	MM/YYYY
Beginning Stocks	8	8	6	6	5	10	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	152	152	170	184	153	158	(1000 MT)
TOTAL Sugar Production	152	152	170	184	153	158	(1000 MT)
Raw Imports	35	35	20	40	20	42	(1000 MT)
Refined Imp.(Raw Val)	68	68	68	70	75	70	(1000 MT)
TOTAL Imports	103	103	88	110	85	112	(1000 MT)
TOTAL SUPPLY	263	263	264	300	243	280	(1000 MT)
Raw Exports	129	129	131	160	98	141	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
TOTAL EXPORTS	129	129	131	160	98	141	(1000 MT)
Human Dom. Consumption	128	124	128	130	128	132	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	128	128	128	130	128	132	(1000 MT)
Ending Stocks	6	6	5	10	17	7	(1000 MT)
TOTAL DISTRIBUTION	263	263	264	300	243	280	(1000 MT)

As of April 6, 2005, the 2004/2005 sugar cane crop was 117 days into harvest and had produced 84,548 MT of 96-degree sugar from 876,270 MT of sugar cane, at a tons of cane necessary to produce a ton of sugar (TC/TS ratio) of 10.36. When compared to the previous crop these indices reflect a 34 percent decline in 96-degree sugar production and a 36 percent decline in sugar cane delivered to the factories. The TC/TS ratio of 10.36:1 improved marginal over the 10.68:1 achieved during 2003/04. However, the quality of the crop is expected to deteriorate, as more of the hurricane-affected and least productive fields come into harvest. When compared with the first 120 days of the 2002/2003 crop, which recorded the lowest sugar production in over fifty-six years, the performance of the current crop shows a startling 19 percent decline in 96-degree sugar production and a 25 percent decline in sugar cane ground.

The relatively poor performance of the 2004/05 crop is principally explained by the effects of hurricane Ivan that hit Jamaica during September 2004, resulting in extensive foliage damage, stem breakage, and flooding of sugar cane fields, which ultimately compromised crop quality and productivity. Additionally, wage disputes at two of the major sugar factories have added to factory downtime and affected the quality of sugar cane that was harvested during that period. Given the expected lower yield and sugar cane quality, the production of 96-degree sugar during 2004/05 is projected to decline by 14 percent to 158,000 MT.

Production of raw sugar rebounded during 2003/04 from the historic lows of 174,000 MT and 152,000 MT during 2001/02 and 2002/03 to 184,000 MT. The 20 percent increase in 96-degree sugar production from a disproportionate 12 percent increase in sugar cane is attributed to the effects of favorable weather conditions on crop quality and productivity.

The TC/TS ratio and productivity for the crop improved from 11.64:1 to 10.85:1 and 58.42 tons cane /hectare (TC/Ha) to 64.39 TC/hectare, respectively.

Despite extensive direct financial support by the Government of Jamaica (GoJ), the Jamaican sugar industry consistently performs below its minimum economic viability target. The 1999 sugar industry plan establishes a minimum industry viability target of 311,000 MT of raw sugar. However, the industry currently performs at 50 to 60 percent of that target.

Sugar industry players are highly pessimistic of the future of the Jamaican sugar industry, as a viable producer of raw and refined sugar. Several factors will continue to negatively impact sugar production, i.e., access to capital, high production costs, inefficient factory operations, low yields, poor cane quality, heavy debt burden, poor infrastructure, low soil fertility, poor agronomic practices on independent farms, and high levels of illicit cane fires.

### **Crop Area**

The area under sugarcane cultivation has been reduced over the last five years from approximately 40,000 to 35,000 hectares. The decline is expected to accelerate, as more farmers exit the industry in anticipation of reduced earnings, due to the cut in the EU preferential price. Approximately 82 percent of the area under cultivation is typically harvested each crop. For the 2002/03 and 2003/04 crops an estimated 35,000 hectares of land was planted with sugar cane, of which 31,000 hectares were harvested. Farmers and estates accounted for approximately 42 and 58 percent of acreage respectively. Replanting costs, which vary between US\$1,313 and US\$2,013 per hectare, and poor administration of the cane replanting loan program will restrict replanting efforts and increase the proportion of ratoon (two years and over) fields.

Current production cost of US\$650 per MT and yield of 64 MT/hectare justify the need to replant with higher yielding sugar cane varieties. The Sugar Industry Research Institute continues to research and commercialize higher yielding cane varieties.

### **Crop Quality**

Sugar cane quality, as measured by the Jamaica Recoverable Cane Sugar (JRCS) and the TC/TS ratio, improved during the 2003/04 sugar crop. The improved quality of the crop is attributed to favorable weather conditions and improved harvesting techniques. With the impending changes in the EU/ACP sugar preference, Jamaican farmers are placing greater emphasis on improving cane quality by adopting harvesting techniques that limit the percent of extraneous materials in the sugar canes that are delivered to the factories.

### **Consumption**

Since the 1990's, Jamaica's annual sugar consumption ranged between 118,000 MT and 137,000 MT. Over the last five years, sugar consumption has been relatively stable at approximately 126,000 MT per year. While total sugar consumption is expected to remain stable over the medium-term, consumption of refined sugar, which is used mostly for manufacturing purposes, is projected to grow proportionately with the growth in the carbonated beverages and bakery industries. Production of carbonated beverages, which utilizes most of the 60,000 to 70,000 MT of refined sugar imported into Jamaica each year, grew by 10 percent during 2003 and is projected to grow by three to four percent per year over the next three to five years.

During 2004, the Jamaica Cane Product Sale (JCPS), the sole legal supplier of refined sugar to the retail market, sold 395 MT of refined sugar on the retail market and 3,653 MT to food

processors. This reflects a 6 percent decline in refined sugar sales on the retail market and a 26 percent decline in refined sugar sales to food processors. An additional 70,000 MT of refined sugar was imported and consumed in the manufacturing sector. With the liberalization of the refined sugar market, there is an increase in direct imports by manufacturers and a possible diversion of sugar imported for manufacturing to the retail trade.

During the same period, the JCPS sold 49,374 MT of raw sugar in the local market comprising of 15,380 MT of local sugar and 33,994 17,541 MT of imports. Only a small proportion of the population uses artificial sweeteners, mostly for health purposes. The relative stability of sugar prices has helped to retain current consumption levels.

### **Trade**

Jamaica continues to satisfy its various export quota allocations from domestic production, while importing raw and refined sugar to meet domestic demands. The European Union's quota remains at 127,000 MT, with an additional 24,000 MT under the Special Preferential Sugar (SPS) arrangement. Jamaica supplies 11,580 MT under the U.S. tariff rate quota.

During the 2003/04 sugar cane crop Jamaica exported 159,908 MT of raw sugar valued at 77,523,528 Euros, a 24 percent increase in quantity exported relative to the previous crop. Of the total export, 136,005 MT was shipped under the EU protocol; 12,677 MT under the SPS arrangement; 11,165 MT under the US TRQ; and 62 MT to "other" destinations. No shipment was recorded under the USTRQ for the 2002/03 sugar crop. Output from the industry was insufficient to fulfill Jamaica's total quota allocation and domestic demands.

In order to fulfill domestic demands, Jamaica increased its imports for raw sugar by 14 percent, from 35,000 MT during 2002/03 to 40,000 MT. Belize and Guyana were the only two countries that exported raw sugar to Jamaica during the year. Given the expected decline in sugar production for the current crop, total importation of raw sugar is projected at 42,000 MT. In the medium-term, Jamaica will increase its emphasis in supplying the domestic market with raw sugar, as the EU market becomes less attractive due to the erosion of the preferential price.

Jamaica satisfies its demand for refined sugar from imports. The demand for refined sugar will be heavily influenced by the growth in food manufacturing, particularly the carbonated beverages and baking industries. Since the deregulation of the refined sugar import policy, Jamaica imports refined sugar from over seventeen countries. During 2003, Colombia was the major supplier of refined sugar to Jamaica, followed by Guatemala and the United States. Total annual imports of refined sugar have remained within the proximity of 68,000 MT over the last three years. Total importation of refined sugar is projected at 70,000 MT for 2004/05.

### **Stocks**

The liberalization of refined sugar importation allows the Jamaica Cane Product Sales (JCPS), private brokers and manufacturers to import and hold stocks of refined sugar. The JCPS still retains a monopoly on the raw sugar market. All imports and exports of raw sugar are conducted by the JCPS. As of October 31, 2004 the JCPS held 6,000 MT of raw sugar in stock. With the deregulation of refined sugar imports and increasing storage cost, independent importers do not hold significant stocks of refined sugar for any extended period.

## Policy

Faced with very high production costs, low productivity and a generally inefficient sugar industry, the GOJ and other sugar industry interests crafted a major sugar industry policy in 1999 to bring the ailing sugar industry to more competitive levels. The objectives of the policy addressed investment priorities, operational efficiencies, and established minimum productivity parameters. The current policy document calls for the production of 311,000 MT of 96-degree sugar from 3,155,000 MT of sugar cane at a TC/TS ratio of 10.14. Acreage harvested and average yield were established in the policy at 42,000 hectares and 75 MT/hectare.

In an effort to preserve the sugar industry, mostly on the basis of its social and historic importance, the GOJ is currently exploring the possibility of cogeneration and alcohol production as diversified output from the industry. Three of Jamaica's sugar factories (Frome, Monymusk and Bernard Lodge) have been identified in the current policy document, which gives an exploratory account of cogeneration, as having the potential to generate 30 to 50 megawatts of power from bagasse.

The proposed 37 percent price reduction for raw sugar under the UE/ACP agreement has triggered immediate policy dialogues in the Jamaican sugar industry. Despite being one of the highest cost and least efficient agricultural industries, the GOJ and sugar industry stakeholders are committed to its preservation. Although there is no consensus, present discussions favor diversification within the industry. Other discussions, and possibly the most realistic, support a drastic downsizing of the industry to the core efficient private farms and a consequential focus on supplying the domestic market demand for raw sugar.

The GOJ has not modified its 1994 liberalization policy for the importation of refined sugar (see previous sugar report for details).