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Jamaica & Dep

Sugar

Annual

2006

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Report Highlights:
Jamaica's production and export of raw sugar plummeted to historic lows of 124,000 metric tons (MT) and 112,000 MT (69 percent of total quota allocation) during the 2004/05-crop. The poor performance resulted principally from the effects of hurricane damages during the growing period. Production for the current crop is projected to increase marginally to 130,000 MT and exports to 118,000 MT (70 percent of total quota allocation). The current crop's yields have been affected by drought during the early months of 2005.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Kingston [JM1]
[JM]

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Executive Summary

Jamaica's total raw sugar production for the hurricane-affected 2004/05 cane crop decreased to a historic low of 124,000 metric tons (MT) from 1.3 million MT of sugarcane. The low production reduced the country's capacity to fulfill its export quota obligations. A total of 112,000 MT (69% of the total quota allocations) was exported to the EU under the EU/ACP protocol and to the U.S. under the USTRQ. Raw and refined sugar imports increased from 42 to 48 MT and 70 to 76 MT, respectively.

Despite deterioration of sugarcane quality, output of raw sugar from the 2005/06 crop is projected to increase marginally to 130,000 MT. The worsening of cane quality is attributed to drought conditions during the first four months of 2005, which restricted replanting efforts, retarded growth and delayed maturity of the plants. Total export for the present crop is estimated at 118MT, well below the country's quota.

Faced with a 39 percent cut in the EU reference price, the new policy direction is geared towards divesting the five government owned estates to companies with the capital base and technical expertise to modernize and diversity the industry. Feasibility studies are currently being conducted on the production of ethanol and cogeneration from sugar. The preferential access of Jamaican ethanol to the U.S. market under the Caribbean Basin Initiative is particularly attractive to South American investors.

Sugar consumption in the Jamaican market has shown only slight variations over the last three years. With the state agency, Jamaican Cane Product Sales maintaining a monopoly on raw sugar sales and retail distribution of refined sugar, sugar prices have remained stable over the last five years.

Production

Statistical data

Jamaica & Dep
Sugar Cane for Centrifugal

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		12/2003		12/2004		12/2005	MM/YYYY
Area Planted	35	35	0	33	0	34	(1000 HA)
Area Harvested	31	31	31	25	0	30	(1000 HA)
Production	1993	1999	1738	1374	1750	1961	(1000 MT)
TOTAL SUPPLY	1993	1999	1738	1374	1750	1961	(1000 MT)
Utilization for Sugar	1993	1993	1738	1369	1750	1956	(1000 MT)
Utilizatn for Alcohol	0	6	0	5	0	5	(1000 MT)
TOTAL UTILIZATION	1993	1999	1738	1374	1750	1961	(1000 MT)

Source: Industry & post estimate; refined imports: Statistical Institute of Jamaica & post estimate

Jamaica & Dep Sugar, Centrifugal							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate New]	USDA Official [Old]	Post Estimate New]	USDA Official [Old]	Post Estimate New]	
Market Year Begin		12/2003		12/2004		12/2005	MM/YYYY
Beginning Stocks	6	6	10	4	7	5	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	184	184	124	124	125	130	(1000 MT)
TOTAL Sugar Production	184	184	124	124	125	130	(1000 MT)
Raw Imports	40	34	42	48	40	44	(1000 MT)
Refined Imp.(Raw Val)	70	70	98	76	195	80	(1000 MT)
TOTAL Imports	110	104	140	124	135	124	(1000 MT)
TOTAL SUPPLY	300	294	274	252	267	259	(1000 MT)
Raw Exports	160	160	135	113	115	118	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
TOTAL EXPORTS	160	160	135	113	115	118	(1000 MT)
Human Dom. Consumption	130	130	132	134	132	135	(1000 MT)
Other Disappearance	0		0	0	0	0	(1000 MT)
Total Disappearance	130	130	132	134	132	135	(1000 MT)
Ending Stocks	10	4	7	5	20	6	(1000 MT)
TOTAL DISTRIBUTION	300	294	274	252	267	259	(1000 MT)

Source: Industry & post estimate; refined imports: Statistical Institute of Jamaica & post estimate

The 2005/06 Sugarcane crop began at Long Pond Sugar Estate on December 11, 2005. On March 28, the crop was 113 days in harvest and produced 95,708 metric tons (MT) of 96-degree sugar from 1,101,228 MT of sugarcane (cane) at a tons cane per ton sugar (Tc/Ts) ratio of 11.51:1. When compared to the corresponding period for the previous crop (2004/05), these parameters reflect a 43 percent increase in the quantity of sugarcane delivered to the factories, and a 29 percent increase in raw sugar production. The disproportionate increase is attributed primarily to a decline in the quality of cane that is delivered to the factories. The lower cane quality translates into an additional 1.03 MT of sugarcane required in producing each metric ton of raw sugar. Total sugar production for the 2005/06 crop is expected to increase slightly above the 2004/05 hurricane-affected crop to approximately 130,000 MT.

The lower quality and depressed yield of the crop resulted from unfavorable weather conditions during the growing period. Following the extensive damage from hurricanes during 2004, the industry was hit by severe drought for the first four months of 2005. The drought reduced irrigation water supply, on an estimated 12,000 Ha of irrigated fields, by more than two-thirds; retarded early re-growth of ratoon fields (crops in production cycle two or more), restricted replanting; and reduced productivity. Additionally, the resulting late maturity (ripening) of fields lowered the sucrose concentration of the canes at harvest.

In addition to field conditions (agronomic, harvesting and transportation techniques), factory operations also affect the final quality of cane. Delay in grinding is one of the main non-field conditions that compromised cane quality in Jamaica. The bacterial conversion of sucrose to dextran in harvested sugarcane is positively related to the time lapse between harvesting and grinding. The total impact of factory operations on sugarcane quality is determined by the difference between the sucrose concentration of the cane (measured by the Jamaica Recoverably Cane Sugar – JRCS core), and the actual sucrose that is extracted at the factory (Ts/Tc). When this method is used to compare government and private factory operations for the 2005/06 crop it shows that the operations at government factories significantly reduce the quality and convertibility of canes. Private factories extract between 82 and 92 percent of the theoretically available sucrose while government factories, excluding Monymusk, extract between 67 and 78 percent. The projected quality-related loss in raw sugar production at government factories for 2005/06 crop is estimated at 35,000 MT.

Output of raw sugar from the 2004/05 crop was exceptionally low, plummeting from an already uncompetitive and unsustainable quantity of 184,000 MT to 124,000 MT. The decline resulted from a combination of reduced field productivity, decreased area harvested, and inferior cane quality. Total cane production declined from 1,993,145 MT to 1,366,729 MT, productivity slipped from 66 MT/hectare (Ha) to 55 MT/Ha, and the Tc/Ts, a measure of quality, worsened from 10.85:1 to 11.02:1. The depressed performance of the crop is directly related to the impact of hurricanes and flooding during the growing period. In addition to foliage damage, flooding, and leaching of soil nutrients, which affected productivity and quality, extensive stem lodging hampered harvesting and contributed to a reduction in area harvested from 30,000 Ha to 25,000 Ha. The loss from acreage that was not harvested is estimated at 25,000 MT of raw sugar.

Approximately 34,000 hectares of land is cultivated with sugarcane each year, with on average 88 percent harvested. Illicit cane fires, poor weather conditions and labor supply disruptions are the main factors that explain the 12 percent differential in acreage. For the 2004/05 crop, of the 34,000 Ha cultivated, hurricane-related factors limited acreage harvested to 73 percent harvested. However, total hectare harvested is projected to increase for the present crop.

Consumption

Consumption of sugar in Jamaica has remained relatively constant over the last three years at about 133,000 MT per year. Refined sugar accounts for approximately 54 percent of total domestic sugar consumption. 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. The alcoholic beverages industry consumes about 100,000 MT of molasses per year and 5,000 MT of raw sugar.

Artificial and herbal sweeteners are present in the Jamaican market, but have not penetrated the retail sector.

Trade

Jamaica fulfills its export quota obligations from domestic production while importing raw and refined sugar to satisfy domestic demands. The European Union's quota is 127,000 MT with an additional 24,000 MT under the Special Preferential Sugar (SPS) agreement. Based on the supply and demand relationships in the U.S., the USTRQ allocation to Jamaica was increased during the 2005/06 crop year from 11,850 MT to 19,774 MT.

Export of raw sugar from Jamaica during the 2004/05 crop mirrored the depressed production situation. Jamaica exported a total of 112,928 MT (69 percent of its total quota allocations) of raw sugar. Of this amount 110,000 MT (87% of protocol quota) valued at Euro 57,628,191 went to the EU under the EU/ACP protocol. A mere 2,823 MT (23% of the USTRQ) valued at USD 1,274,930 was exported to the U.S. No sugar was exported under the SPS agreement during this crop year. Relative to the previous crop, the performance reflects a 29 percent drop in raw sugar exports. Total exports for the 2005/06 crop is projected at 119,000 MT.

In order to fulfill local demand, Jamaica imported 48,097 MT of raw sugar and 67,824 MT of refined sugar during 2005. Major suppliers of raw sugar were Guatemala, Trinidad, Colombia and Belize, while the major suppliers of refined sugar were the aforementioned (excluding Trinidad) and Guyana.

Stocks

The liberalization of refined sugar imports 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 (import and export). As of October 31, 2004 the JCPS held 4,000 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 extended periods.

Policy

Faced with a proposed 39 percent cut in the EU reference prices for raw sugar that are sold under the EU/ACP agreement, Jamaica's current sugar industry policy is geared towards divesting the five government owned sugar estates (80% of the industry) to companies with the technical capacities and capital to modernize and diversify the industry. The diversification efforts that are presently being explored include cogeneration, ethanol production, refined sugar production for the domestic market, and increased production of rum and other value added products.

Preferential access to the U.S market for ethanol under the Caribbean Basin Initiative is particularly attractive to investors outside of Jamaica. Further, Jamaica's proximity to the U.S. is strategic to process ethanol from South American bagasse.

Jamaica's last formal policy document called 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. To achieve some of these targets the industry is increasing the proportion of irrigated fields and shifting irrigation technology from the old drip system to a more efficient and less labor-intensive center pivot system. It is estimated that, other things constant, yields from fields under centre pivot technology is two to three times that of fields under drip irrigation.

The GOJ has not modified its 1994 liberalization policy for the importation of refined sugar. (please see previous reports for a more detailed account of previous policies).

Marketing

The marketing of raw sugar, and the retail distribution of refined sugar, in Jamaica are handled exclusively by the state-own Jamaica Cane Product Sales (JCPS). Refined sugar for manufacturing is imported by independent manufacturers. There is continuous concern by the state agency of duty-free refined sugar for manufacturing being diverted to the retail trade with price and demand effects. The heavy involvement of the JCPS in the market helps to stabilize sugar prices.

JCPS Sugar Prices

Types of Sugar	Wholesale USD/ MT	Processor USD/MT)
Raw (imported)	503	
Raw (local)	509	
G. Crystal	5,600	382
Refined	682	
Icing	809	

Source: Industry