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Report Highlights:

Colombian raw sugar production is estimated to slightly decrease to 2.35 million metric tons (MT) in marketing year (MY) 2019/2020, with no changes in MY 2020/21. Despite this decrease, Colombian sugar production remains strong compared to the average production from past years due to favorable weather conditions and technology improvements. Sugar exports are estimated to decrease to 750,000 MT in MY 2019/20, and remain unchanged in MY 2020/21. This decrease is driven by safeguard measures imposed to sugar imports by Andean Community of Nations countries. Colombia is expected to fulfill U.S. export quotas under the U.S.-Colombia Trade Promotion Agreement (CTPA) and the World Trade Organization (WTO) agreement. Sugar imports are estimated to increase given lower domestic production and increasing demand.

Commodities:

Sugar centrifugal

Production:

In MY 2020/21, Colombia sugar production is forecast to remain at 2.35 million MT if weather conditions tend to be normal. Revised production estimate for MY 2019/20 is slightly down from 2.40 million MT to 2.35 million MT as harvested area decreased due to mild wet climate conditions that affected sugarcane crushing by about two percent. The area available for sugarcane in the Cauca River valley is virtually all planted with marginal land for expansion. Sugarcane yields are expected to maintain high levels as favorable weather continues benefiting sucrose content.

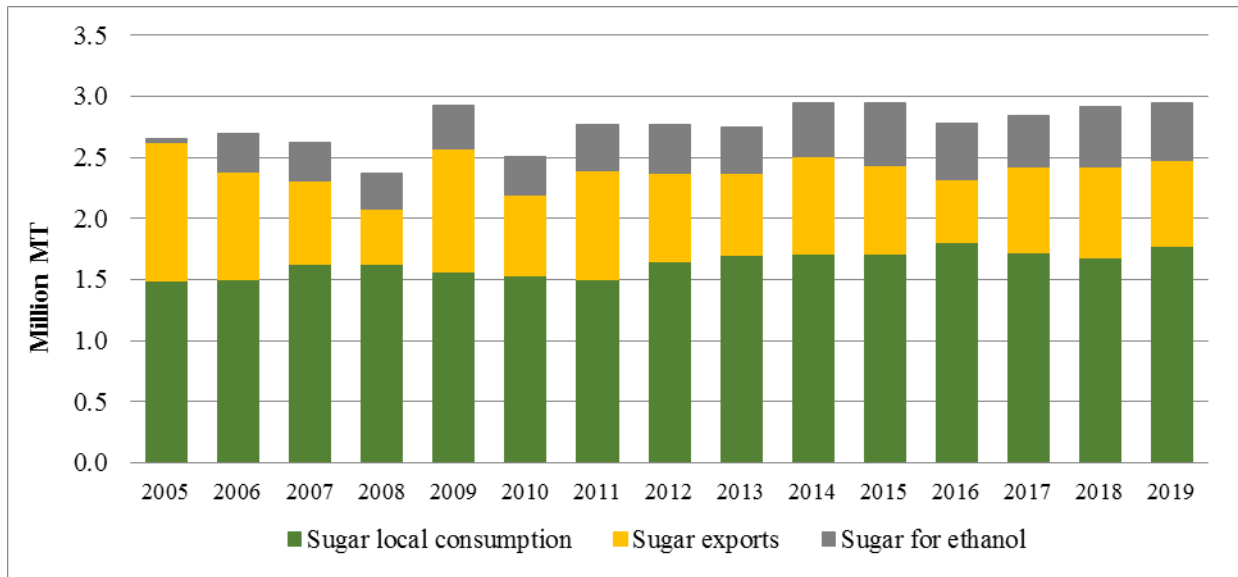
Colombia has a permanent sugar production all year long. A change in sugar production in Colombia depends on changes in weather and /or technology because sugar production is almost exclusively in the Cauca River valley and its area available for sugarcane is almost completely planted. Increases in productivity are the outcome of farmers applying technological improvements developed by the Colombian Sugar Industry Research Center (CENICAÑA). CENICAÑA has developed new seed varieties that are better adapted to climate change and weather volatility.

On average, and under normal weather conditions, the Cauca River valley harvests about 80 to 90 percent of the available sugarcane area and the rest of the land remains idle as part of a land management strategy. There are about 240,000 hectares of sugarcane planted in the Cauca River valley, which is close to the total agricultural land available that can be planted in the region. The Cauca River valley is one of the most efficient sugarcane producing regions in South America, yielding on average approximately 120 MT per hectare. Sugarcane is 35 percent harvested by hand and 65 percent by machines. The average size of a sugarcane farm is 63 hectares. In the valley alone there are fourteen mills and six ethanol distilleries.

The production of fuel ethanol limits the increase in sugar production as some sugarcane is devoted to ethanol. The facilities for ethanol and sugar production are located one near to the other, which makes it more efficient for the input of sugarcane to be devoted for processing either product.

Since distilleries began producing ethanol in 2005, domestic ethanol demand has offset sugar exports significantly, about 30 to 40 percent annually (see graph below). In 2019, ethanol production decreased by five percent to 444 million liters as a result of an overall sugarcane crushing fall. However, 2019 ethanol production was one percent higher than the last five-year average. In the past two years, ethanol production maintained high levels given that in 2018, the Colombian government increased the national biofuel blend mandate from E8 to E10.

Graph 1. Sugar Cluster Production



Source: Colombian Association of Sugar Producers (Asocaña).

Non-Centrifugal Sugar:

Sugarcane for non-centrifugal sugar (known as panela) is planted in dispersed areas countrywide, with 60 percent of production concentrated in four departments: Cundinamarca, Antioquia, Boyacá and Santander. There are an estimated 350,000 non-centrifugal sugar farmers and 18,500 crushing/milling facilities. Colombian sugarcane area planted for panela has contracted to 220,000 Ha as panela production is driven by domestic prices that have been low. In 2019, area harvested is estimated at 190,000 Ha with an average yield of 6.4 Ton/ha. The reduction in area has been partly compensated by improving yields given good climate and better technologies adopted by some milling facilities. In calendar year 2019, Colombian non-centrifugal sugar production decreased to 1.3 million MT due to low domestic prices. No significant changes are expected in panela's production for 2020.

Consumption:

In MY 2020/21, Colombian sugar consumption is forecast at 1.87 million MT. Colombian sugar consumption is price inelastic; therefore, consumption trends will likely parallel population growth with demand marginally increasing each year. An additional factor that drives sugar consumption is the demand from the confectionary sector to satisfy increased exports of processed food products.

Sugar mills prefer to produce refined sugar for the Colombian market because of higher prices and higher returns compared to raw sugar. Raw sugar is mainly exported to foreign markets to satisfy the U.S. and European Union sugar quotas and meet the demand of the Andean Community countries. Asocaña estimates sugar annual per capita consumption at 75 pounds (34 kilograms). For panela, Colombian annual per capita consumption has contracted to 42 pounds (19 kilograms).

Trade:

In MY 2020/21 sugar exports are forecast to remain at 750,000 MT. In MY 2019/20 sugar exports are estimated to decrease by six percent from the previous marketing year actual trade figures (800,444 MT). This decrease is as a result of lower exports to Andean Community of Nations (CAN) countries given safeguard actions imposed by Peru and Ecuador to CAN members. In MY 2018/19 sugar exports increased given higher production. In addition, Colombian peso devaluation against U.S. dollar contributed to compensate low international prices. Colombia is a net exporter of sugar, and exports are sensitive to international prices and to domestic increases in ethanol production.

Colombia is able to export sugar to the United States under both, the World Trade Organization (WTO) and CTPA quotas. In FY 2019, the WTO quota, without additional allocations, was 25,273 metric tons raw value (MTRV) and it was fully subscribed. In CY 2019, the CTPA quota was 55,250 MT and it was also fully subscribed. In CY 2020, Colombia will likely fill the CTPA quota of 56,000 MT, as well as the FY 2020 WTO quota of 25,273 MT.

In MY 2018/19, Peru continued to be the top destination for Colombian sugar accounting for 24 percent of total sugar exports, although exports to Peru decreased by 15 percent due to safeguards measures. The next largest markets for Colombian sugar were United States (20.0%) and Chile (17.0%). Exports to Ecuador continued to decrease as a result of safeguards implemented against CAN countries, including Colombia.

Table 1. Colombia Sugar Exports (Raw Value)

Partner Country	Unit	Total Exports (Raw value)			% Share		
		MY 2017	MY 2018	MY 2019	MY 2017	MY 2018	MY 2019
World	T	694,638	731,339	800,444			
Peru	T	240,960	222,189	189,702	35%	30%	24%
United States	T	66,018	104,450	160,702	10%	14%	20%
Chile	T	66,469	112,279	133,389	10%	15%	17%
EU 28	T	78,676	47,674	77,379	11%	7%	10%
Haiti	T	65,118	61,683	62,452	9%	8%	8%
Ecuador	T	88,461	67,045	28,441	13%	9%	4%
Others	T	88,936	116,019	148,379	13%	16%	19%

Source: DIAN-Trade Data Monitor.

In MY 2020/21, sugar imports are forecast to 260,000 MT, a four percent increase from the previous year, to satisfy domestic demand and maintain export levels. Revised imports estimate for MY 2019/20 is up from 180,000 MT to 250,000 MT due to increases in consumption and decreases in domestic production.

In MY 2018/19, Peru, Bolivia and Ecuador made up 90 percent of total Colombian imports. Sugar imports from Ecuador, Bolivia and Peru enter Colombia duty free under trade preferences with the CAN agreement. Brazil is subject to a lower duty under a regional trade pact.

Table 2. Colombia Sugar Imports (Raw Value)

Partner Country	Unit	Total Imports (Raw value)			% Share		
		MY 2017	MY 2018	MY 2019	MY 2017	MY 2018	MY 2019
World	T	246,956	115,874	234,405			
Peru	T	32,230	29,431	87,036	13%	25%	37%
Bolivia	T	7,423	33,123	79,171	3%	29%	34%
Ecuador	T	71,800	11,665	43,798	29%	10%	19%
Brazil	T	97,043	36,512	15,940	39%	32%	7%
Guatemala	T	14,955	3,828	6,092	6%	3%	3%
Others	T	23,506	1,314	2,368	10%	1%	1%

Source: DIAN-Trade Data Monitor.

Stocks:

Colombia produces sugar year-round and is able to meet domestic demand without supply disruptions. There are no Colombian government programs or incentives for sugar mills to hold inventories. According to industry, sugar mills can hold stocks for a short timeframe to meet more immediate processing needs. In MY 2020/21, ending stocks are expected to marginally decrease to 217,000 MT. This quantity would satisfy about 45 days of domestic consumption.

Policy:

The Sugar Price Stabilization Fund (FEPA for its acronym in Spanish)

The FEPA mechanism was established in 2000 through Decree 569. It was created to avoid oversupply and low prices in the domestic sugar market by maintaining a price equilibrium. The Colombian Association of Sugar Producers (Asocaña) administers it. The Colombian Minister of Agriculture chairs FEPA's board, and its members include the Colombian Minister of Trade and 11 sugarcane growers and mills.

The FEPA provides incentives for sugar exports by hedging against domestic and international market price differentials, setting a market weighted average price (MWAP). Historically, domestic sugar prices are higher than export prices (except for U.S. export prices under quota).

Milling operations that sell sugar at prices above the MWAP, or typically the domestic market, will contribute the difference to the FEPA. Those that sell sugar at prices below the MWAP, on the other hand, will receive the difference in compensation from the FEPA. Asocaña conducts a monthly calculation to determine contribution and/or compensation values for each sugar mill.

Price Band System

Sugar imports from the Andean Community countries (Peru, Ecuador and Bolivia) are allowed duty-free entry into Colombia. Imports from outside the CAN are subject to a variable duty under the price band system. The basic duty rate on imports of raw and refined sugar from non-CAN countries is 15 percent.

The CAN revises the price band, both ceiling and floor, every April. The duty adjustment is made based on whether a reference price is above, below or within the ceiling and floor price. The reference price is adjusted every two weeks. If the reference price falls within the floor and ceiling price band, the sugar import duty is set at 15 percent of the invoice value. When the reference price falls below the floor price, a variable surcharge based upon the difference between the floor price and the reference price is assessed. When the reference price exceeds the ceiling price, however, a reduction is made to the applied duty rate based upon the difference between the reference and the ceiling price.

The CAN price band to be applied for the period of April 2020 to March 2021 is illustrated below:

Table 3. CAN Floor and Ceiling Prices for Sugar

April 2020 to March 2021		
USD per Ton		
	Floor Price CIF	Ceiling Price CIF
Refined sugar	447	532
Raw sugar	362	437

Source: Resolution 2118/2019, CAN.

For the second part of April 2020, reference prices for raw (\$267/ton) and refined sugar (\$371/ton) are below the floor price. Thus, Colombia's current variable effective duty on imports of raw sugar is 56 percent and on imports of refined sugar is 39 percent. The basic duty rate on imports of raw and refined sugar from non-CAN countries is 15 percent.

U.S.-Colombia Trade Promotion Agreement (CTPA)

On May 15, 2012, the CTPA went into force. The CTPA eliminated the price band duty for imports from the United States. For calendar year (CY) 2020, the import tariff-rate-quota for glucose, which includes high-fructose corn syrup, is 15,513 MT. It will be unlimited from 2021 on. In CY 2020, the duty on out-of-quota glucose imports from the United States is 2.8 percent. In CY 2020, the Colombia sugar export quota under the CTPA is 56,000 MT, which is usually fully subscribed. It increases by 750 MT annually.

CAN and Southern Common Market (MERCOSUR)

CAN members have duty free access to Colombia's sugar market. Since 2018, Ecuador implemented safeguards against CAN countries, reducing the trade of sugar. Ecuador established a duty free quota for Colombian and Peruvian exports up to 17,229 MT annual, which requires prior government authorization. The duty on out-of-quota imports from CAN members is 45 percent.

Peru has intermittently imposed duties on Colombian sugar imports as a retaliation measure to Colombia for not allowing Peruvian rice. For example, in late 2018, Peru imposed ten percent duty on Colombian raw and refined sugar. This measure was removed in November 2018, as Colombia established a duty free quota for Peruvian rice.

In August 2019, the Peruvian Sugar Producers Association filed a formal complaint against Colombia under the CAN due to the Colombian price stabilization fund (FEPA) to support local sugar prices. No final determination has been released. CAN's Decision 608 prohibits all measures that distort free trade among members.

Colombia maintains the price band system and there was no agreement reached on when tariff reduction would begin under the Colombia/MERCOSUR free trade agreement. However, Colombia continues to grant trade preferences under previous bilateral agreements, where MERCOSUR members pay only a percentage of the basic duty rate. Colombia's current total effective duty on Brazilian imports of raw sugar is 29.92 percent and on imports of refined sugar is 25.52 percent.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal (RV) Market Begin Year Colombia	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	277	277	272	247	0	232
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2400	2400	2400	2350	0	2350
Total Sugar Production	2400	2400	2400	2350	0	2350
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	175	230	180	250	0	260
Total Imports	175	230	180	250	0	260
Total Supply	2852	2901	2852	2847	0	2842
Raw Exports	220	230	250	250	0	250
Refined Exp.(Raw Val)	500	570	500	500	0	500
Total Exports	720	800	750	750	0	750
Human Dom. Consumption	1855	1855	1850	1860	0	1870
Other Disappearance	5	5	5	5	0	5
Total Use	1860	1860	1855	1865	0	1875
Ending Stocks	272	247	247	232	0	217
Total Distribution	2852	2907	2852	2847	0	2842
(1000 MT)						

Sugar Cane for	2018/2019	2019/2020	2020/2021
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Centrifugal Market Begin Year						
	Sep 2018		Sep 2019		Sep 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Colombia						
Area Planted	240	240	240	240	0	240
Area Harvested	200	200	200	190	0	190
Production	24000	24000	24000	23400	0	23400
Total Supply	24000	24000	24000	23400	0	23400
Utilization for Sugar	19800	19800	19800	18800	0	18800
Utilization for Alcohol	4200	4200	4200	4600	0	4600
Total Utilization	24000	24000	24000	24000	0	24000
(1000 HA) ,(1000 MT)						

Attachments:

No Attachments