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Report Highlights:

In Marketing Year (MY) 2021, Guatemala is forecast to produce 2.8 million metric tons (MMT) of sugar from a harvested area of 265,000 hectares (Ha). The estimate for MY2020 has been revised down 12 percent to 2.78 MMT as a result of abnormal weather conditions and less investment in farm renovations. Exports for MY2020 are forecast at 1.97 MMT, and the estimate for MY2019 has been revised down 4 percent to 1.95 MMT.

Executive Summary:

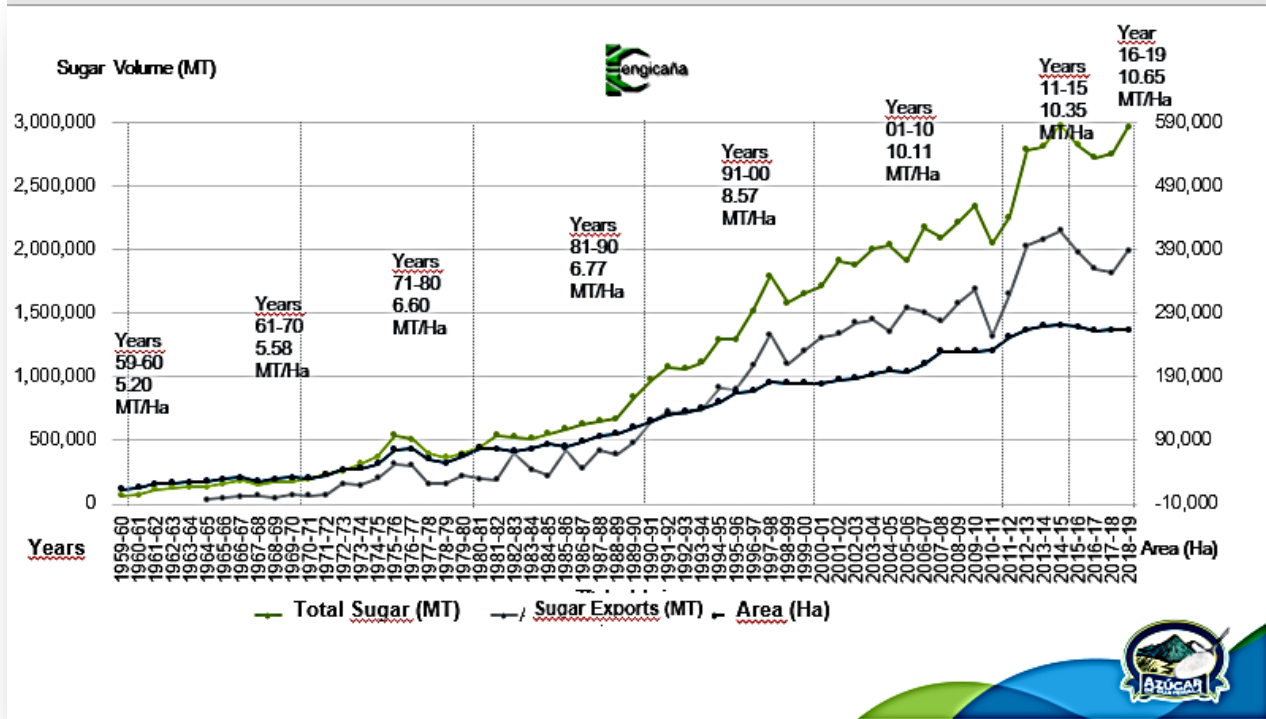
In MY2021, Guatemala is forecast to produce 2.8 MMT of sugar from sugarcane, with a harvested area of 265,000 hectares. The estimate for MY2020 has been revised down 12 percent to 2.78 MMT as a result of poor rainfall distribution, an extended rainfall period, higher minimal temperatures, less farm renovations, and lower extraction rates at the mills. Canada, the United States, and Chile continue to be the three major export markets. In MY2019, Guatemala exported 66 percent of its sugar to the Western Hemisphere, 19 percent to Africa, 6 percent to Asia, 6 percent to Oceania, and 3 percent to Europe. Guatemala's sugar exports are 53 percent refined sugar and 47 percent raw sugar.

Production:

In MY2021, Guatemala is forecast to produce 2.8 MMT of sugar from sugarcane. At the beginning of calendar year 2020, prices started to recover slightly after experiencing low international prices for the past 2 years. This increase incentivized the industry to maintain a steady level of critical investments in the sector. Guatemala maintains its harvested area at 265,000 hectares, with planted area steady at 295,000 Ha. Since MY2019, harvested area in Guatemala increased slightly, with industry players maximizing profits despite the low international prices by limiting major farm renovations.

Figure 1 shows sugar production in Guatemala since 1959. The growth rate of production is significantly higher than the growth rate of area, reflecting improvements to production and extraction efficiency. In MY2019, Guatemala produced 10.65 MT of sugar per hectare, with a total production of 2.96 MMT. The estimate for MY2020 has been revised down to 2.78 MMT, 12 percent lower than the previous estimate. This decrease corresponds to poor rainfall distribution, an extended rainfall period, higher minimal temperatures, limited farm renovations, and lower extraction rates at the mills. Despite these issues, production in MY2019 was still 8 percent higher than in MY2018, which was 2.75 MMT.

Figure 1 – Guatemalan sugar production, sugar exports, and harvested area, 1959/60-2018/19



Source: CENGICAÑA, Historical Series Publication, Year 20, No. 1

In MY 2019¹ domestic prices in Guatemala averaged US\$0.74/kg for wholesale and US\$0.82/kg for retail. As of April of MY2020², prices are US\$0.71/kg for wholesale and US\$0.79/kg for retail, down 4 percent from last year.

Guatemala is the 11th largest sugar producer in the world, fourth largest exporter, and third most efficient producer. In Latin America, Guatemala represents the fourth largest producer and the second largest exporter, after Brazil. Guatemala has 11 active mills: Concepción, Pantaleón, Palo Gordo, Madre Tierra, Santa Teresa, La Sonrisa, La Unión, Santa Ana, Magdalena, El Pilar, and San Diego. These mills are distributed throughout the south coast in the departments of Escuintla, Suchitepéquez, Retalhuleu, and Santa Rosa, in order of importance. Mills are making significant technological investments to increase efficiency and combine operations to reduce costs. In 2021, Pantaleon and Concepción will merge and Concepción will close.

The sugarcane industry's total carbon footprint is 0.32 kgCO₂eq/kg sugarcane. The Sugarcane Improvement Center – CENGICAÑA – has developed 27 new varieties of sugarcane with higher resistance to pests, diseases, and water stress, reducing the volumes of water and agrochemicals used in production. In addition, for environmental sustainability, the sugar industry planted 5.3 million trees in 2011-2019 to support biological corridors around the riverbeds. The sugar industry has also made important changes to reduce water use such as dry cleaning before extraction, adoption of GPS irrigation technology to apply water only where needed, more efficient irrigators, and recycling the residual water from the mills to incorporate in the irrigation.

Guatemala produces renewable energy from the cane bagasse, a residue of sugar production. In MY2019, 7.5 million MT of bagasse were utilized to generate 933 megawatts, which is equivalent to 31 percent of the country's total energy consumption. In MY2019, the mills sold 63 percent of this energy to the national grid and used the other 37 percent for their own operations. This energy supply is produced during the November-May harvest season, which is also the dry season in Guatemala.

In MY2019 Guatemala produced 65 million gallons of alcohol as a byproduct of sugarcane and the sugar extraction process. During the COVID-19 emergency, sugar mills donated to the Government of Guatemala 10,000 gallons of alcohol with a 70 percent concentration of ethanol for disinfection, as well as US\$1 million for hospital equipment.

¹ Average exchange rate used for MY2019: Q7.7 per dollar.

² Average exchange rate used for MY2020 (up to April 4): Q7.8 per dollar.

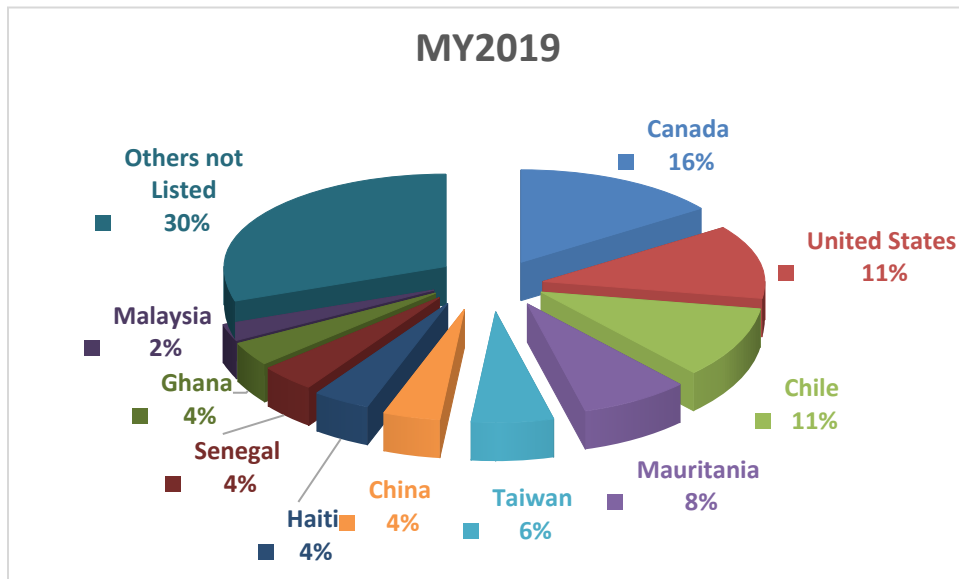
Consumption:

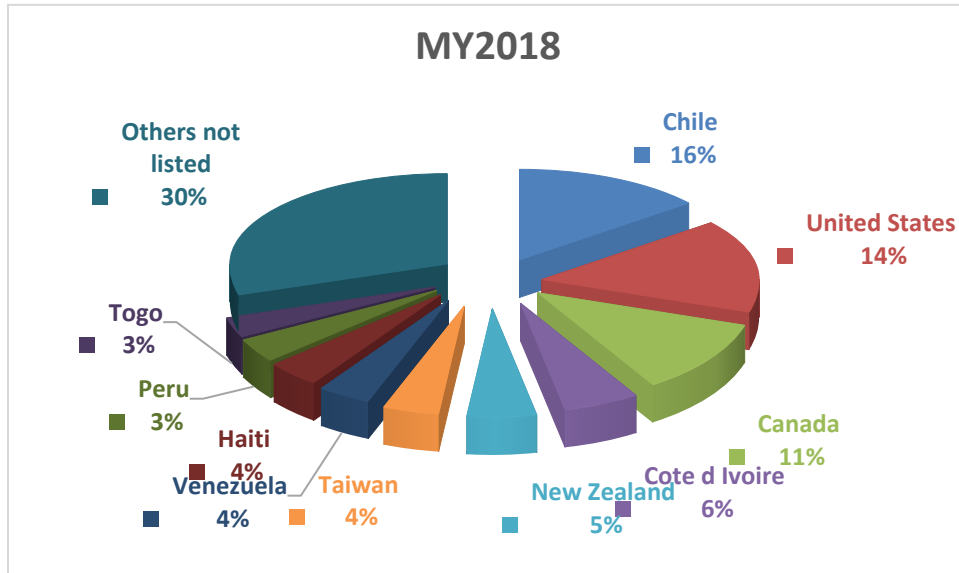
Consumption for MY2021 is forecast at 850,000 MT, which continues to be close to 30 percent of total production. Consumption for MY2020 is estimated at 834,000 MT, down from the previous estimate. In MY2019, consumption was 902,000 MT, 10 percent less than the Foreign Agricultural Service's original estimate. At least 75 percent of domestic sugar consumption is for direct human consumption and 25 percent for industrial use. The soft drink industry is the major industrial consumer of sugar, followed by confectioneries, bakeries, juice makers, dairy producers, and pharmaceutical companies.

Trade:

Figure 2 shows Guatemala's major export markets in MY2018-2019. Canada, the United States, and Chile continue to be the three major export markets. Raw sugar represents 47 percent of Guatemala's exports, while white refined sugar represents 53 percent. Canada increased its share of total Guatemalan sugar exports from 11 percent in MY2018 to 16 percent in MY2019, moving from the third largest export market to the first. China, Senegal, Ghana, and Malaysia were also amongst the ten major export markets in MY2019. In MY2019, Mauritania represented 8 percent of the market share, Taiwan 6 percent, and China and Haiti 4 percent. Guatemala exported 66 percent of its sugar to the Western Hemisphere, 19 percent to Africa, 6 percent to Asia, 6 percent to Oceania, and 3 percent to Europe.

Figure 2
Comparison of Guatemala's sugar export markets for MY2018 and MY2019





Source: Trade Monitoring Data, 2020

Of all exports of Guatemalan sugar and derived products, 82 percent are sugar, 13 percent are alcohols, and 5 percent are molasses. This report only accounts for the 82 percent of exports of the sugar industry's output. As a reference, according to the Bank of Guatemala, molasses export markets are: South Korea (29.2 percent), the United States (28.3 percent), the Netherlands (24 percent), Canada (12.4 percent), and Spain (4.1 percent). In MY2019, the main alcohol export destinations were the Netherlands (34.9 percent), South Korea (20 percent), the United States (18 percent), Japan (11 percent), and the United Kingdom (3.6 percent).

In MY2019, Guatemala exported 2.966 million MT valued at \$299.9 million, for an average price of US\$129.10/MT. In MY 2018, the 2.752 million MT of sugar exported totaled \$382.9 million, selling at an average price of US\$139.14/MT. Guatemala has slightly recovered from the low international sugar prices of the past 3 years, which resulted in a 28 percent decrease in the value of exports just in the past year. In MY2020, a slight, 6.02 percent increase in international prices (equivalent to \$0.15/pound) looks promising for the sugar industry, though this change will not be reflected in MY2020 exports as most of the sugar is traded as futures.

Stocks:

The forecast for MY2021 ending stocks for Guatemalan sugar is 129,000 MT. The estimate for ending stocks for MY2020 is significantly down from the previous estimate due to the expected lower production output. Warehouses managed by the sugar industry throughout the country hold domestic stocks. EXPOGRANEL manages export sugar warehouses at Port Quetzal, the loading port, with a total

capacity of 431,000 MT; 365,000 MT for bulk sugar and 66,000 MT for refined sugar (in 50 kg bags), with a loading efficiency of 2,022 MT/hour, please see Figure 3.

Figure 3
EXPOGRANEL Facilities at Port Quetzal



Source: Expogranel, 2020

Trade (Policy):

The United States continues to be one of Guatemala’s major export markets for sugar. Guatemala filled its MY2019 World Trade Organization (WTO) quota of 50,546 metric tons raw value (MTRV) and 7,437 MTRV reallocated, for a total of 57,983 MTRV and will fill its MY2020 quota of 50,546 MTRV plus 4,472 MTRV reallocated, for a total of 55,018 MTRV. Guatemala is also an active user of the CAFTA-DR first-come, first-served quota.

On July 9, 2019, Taiwan and Guatemala agreed to increase the sugar tariff free quota from 60,000 to 125,000 MT under their Free Trade Agreement (FTA), positioning Guatemala as Taiwan’s main sugar supplier. Guatemala sells Taiwan 35 percent of the sugar as refined and 65 percent as raw. The Central American FTA with South Korea, signed by all parties except Guatemala, has represented a total loss of 400,000 MT of Guatemalan sugar not exported in MY2019.

To avoid export disruptions as the United Kingdom (UK) leaves the European Union, Guatemala negotiated exporting 56,000 MT of sugar to the UK.

In addition to the aforementioned FTAs, Guatemala has FTAs with the European Union and Central America, Chile, Colombia, Mexico, and the Dominican Republic. Guatemala has reached partial agreements with Ecuador, Cuba, Venezuela, and Belize. Guatemala continues negotiating FTAs with Peru and Trinidad and Tobago. The agreement with Peru is on hold due to concerns from the Peruvian side of allowing market access for Guatemalan sugar.

On March 15, 2019, Guatemala requested WTO dispute consultations with India regarding domestic support measures and alleged export subsidies provided by India to producers of sugarcane and sugar. Guatemala claims that the domestic support measures are inconsistent with India's obligations under the WTO's Agreement on Agriculture (AA) and that alleged export subsidies are inconsistent with India's obligations under the AA and the Agreement on Subsidies and Countervailing Measures (SCM Agreement). Guatemala claims that India's measures have resulted in 28 percent less exports by value. On August 15, 2019, the WTO established a dispute settlement panel that will analyze Guatemala's claims, but the panel has not yet issued a report.

Policy:

The Sugar Board of Guatemala, which includes representatives from the Ministry of Economy, sugarcane producers, and sugar mills, establishes production goals, sets sugarcane prices, and allocates the U.S. sugar quota to the different sugar mills. The allocation of the quota to each mill is based on past production, previous quotas, and milling capacity.

Sugar in Guatemala is protected by Presidential Decree 15-1998, making fortification of sugar mandatory for its consumption in Guatemala. The fortification is approved and validated by the Institute of Nutrition of Central America and Panama (INCAP), which monitors and evaluates the impact of Vitamin A fortification. As of 2008, in specific localities with high chronic malnutrition and anemia, additional iron supplementation is provided via sugar. INCAP is responsible for monitoring pilot evaluations for vitamin and mineral fortifications. Law Initiative 5616 seeks to include additional fortification of iron, zinc, and folic acid to address chronic malnutrition and reduce neural tube defects in Guatemala.

PS&Ds

Sugar, Centrifugal Market Begin Year Guatemala	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	210	210	267	149	0	149
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	3049	2966	3110	2781	0	2800
Total Sugar Production	3049	2966	3110	2781	0	2800
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	3259	3176	3377	2930	0	2949
Raw Exports	971	999	981	915	0	920
Refined Exp. (Raw Val)	1028	1126	1038	1032	0	1050
Total Exports	1999	2125	2019	1947	0	1970
Human Dom. Consumption	993	902	1043	834	0	850
Other Disappearance	0	0	0	0	0	0
Total Use	993	902	1043	834	0	850
Ending Stocks	267	149	315	149	0	129
Total Distribution	3259	3176	3377	2930	0	2949
(1000 MT)						

Sugar Cane for Centrifugal Market Begin Year	2018/2019		2019/2020		2020/2021	
	Nov 2019		Nov 2020		Nov 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Guatemala						
Area Planted	0	295	0	295	0	295
Area Harvested	0	263	0	265	0	265
Production	0	2649	0	2650	0	2650
Total Supply	0	2649	0	2650	0	2650
Utilization for Sugar	0	2649	0	2650	0	2650
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	0	2649	0	2650	0	2650
(1000 HA), (1000 MT)						

Attachments:

No Attachments