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## Guatemala

## Sugar

## Annual

## 2000

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### Report Highlights:

**In 1999, the sugar industry experienced a decrease in production. According to the Guatemalan Sugar Association (ASAZGUA) the decrease in production was due to weather conditions and international prices. In the year 2000 sugar production is expected to increase by 3.5 percent due to very good yields. In April, Guatemala established an import quota of 5,000 MT for sugar.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Guatemala City, Guatemala

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## Executive Summary

In 1998-99, the sugar industry experienced a decrease in production due to hurricane Mitch and other weather conditions, as well as a slow down in production due to the world economic crisis, low world market prices, and the flood of Brazilian sugar. In addition, the liquidity problems experienced in 1998 and 1999 in the Guatemalan bank system affected the 1998-99 crop. The remains of these problems were expected to affect 1999-00 production. Instead, total production is now expected to increase due to higher yields caused by a cyclical phenomenon and ideal climatic conditions.

2000 planted area remains at the same level as last year. In the year 2001, the planted area is expected to decrease by 5% as some sugarcane producers in response to a decrease in world and local prices, shift to more profitable crops such as bananas and African palm. Sugar production in 2000 is expected to increase by 3.5% and then decrease slightly for the year 2001.

Currently, Guatemala exports around three quarters of total production. Guatemala is considered the seventh largest exporter in the world and third in Latin America. In the 1999-00 period, the industry expects to export 1,139,900 MT, an increase of 5% in comparison with the previous year. As of April 12, 2000, the industry has already produced 1,585,500 MT. In the year 2001, Guatemalan exports are expected to remain steady. The total U.S. quota allocation for Guatemala is 50,549 MT, of which 22,867.15 MT had been used as of April 12 2000. The Guatemalan Sugar Association expects that around 82% of total exports will be in raw sugar, an increase of 7% from the previous year in spite of a decrease in demand for sugar in Russia after their economic downturn. For the 1998-99 crop, 49% of raw sugar exports went to the U.S., Russia, Japan, Indonesia, Korea, Canada, Malaysia, India, Iran and Egypt.

PSD Table						
Country:	Guatemala					
Commodity:	Sugar					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		11/1998		11/1999		11/2000
Beginning Stocks	46	46	20	70	0	96
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1548	1561	1458	1617	0	1591
TOTAL Sugar Production	1548	1561	1458	1617	0	1591
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	1594	1607	1478	1687	0	1687
Raw Exports	827	891	800	935	0	935
Refined Exp.(Raw Val)	300	195	220	205	0	205
TOTAL EXPORTS	1127	1086	1020	1140	0	1140
Human Dom. Consumption	447	451	440	451	0	455
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	447	451	440	451	0	455
Ending Stocks	20	70	18	96	0	92
TOTAL DISTRIBUTION	1594	1607	1478	1687	0	1687

PSD Table						
Country:						
Commodity:	Sugar Cane Centrifugal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		11/1998		11/1999		11/2000
Area Planted	190	180	162	180	0	171
Area Harvested	190	180	162	180	0	171
Production	15448	15,427	14580	16198	0	14670
TOTAL SUPPLY	15448	15427	14580	16198	0	14670
Utilization for Sugar	15448	15427	14580	16198	0	14670
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	15448	15427	14580	16198	0	14670

## Production

Guatemala's planted sugarcane area for 2000-01 is forecast at 171,000 hectares, a decrease of 5 percent in comparison to the 1999-00 area of 180,000 hectares. The increase or decrease of area planted directly responds to sugarcane contracts offered by sugar mills, the price formula for sugarcane and the relative profitability of crops like bananas and palm. For the 2000-01 crop, sugar mills are expecting to process less sugarcane due to a reduction in the local consumer price, increasing costs and decreasing international prices.

For the 1999-00 crop the sugar industry was expecting a decrease in cane and sugar yields because of the lack of fertilization. However, a cyclical phenomenon and ideal climatic conditions caused an increase in cane yields and the sugar recovery rate. For the 2000-01 crop, sugarcane yields and sugar rates of return are expected to decrease to the 1998-99 levels. In part, this will be due to an expected dry season.

Average sugarcane yields and sugar recovery rates are summarized below:

YIELDS/RECOVERY RATES	1998/99	1999/00	2000/01
Sugarcane (MT/Ha)	85.8	90	86
Sugar (Kg/MT)	101	114	101

The Guatemalan Center for Sugarcane Research (CENGICANÑA) has been supporting the industry a great deal. Their objective is to improve and increase sugarcane and by-products production and yields, by generating, validating and transferring quality technology for the profitable and sustainable development of the industry. Their main goal is to increase sugar yields and to improve varieties through research programs. CENGICANÑA's assistance has been very valuable to the sugar industry in keeping yields at acceptable levels through poor weather conditions. Currently, they are in the last stages of developing a local variety which they expect to be ready for commercialization in about 6 years. Currently, the most commonly planted sugar cane variety is CP722086, followed by 68P23, CP781312, and CP731547. According to officials in the Center for Sugarcane Research (CENGICANÑA) the potential area which could be planted to sugarcane is 350,000 hectares, which could yield up to 30 million MT of sugarcane.

There are 17 sugar mills in the country. Combined milling capacity for 1999-00 is around 131,000 Mt per day, an increase from last year's capacity of 125,000 MT per day. Sugar production for 1999-00 is expected to reach about 1,617,210 MT due to higher yields. As of April 12, 2000, sugar production had reached 1,585,500 MT. Total sugar production for 2000-01 is forecast to decrease slightly. Total supply is expected to remain steady due to higher stocks. There is only one sugar mill that produces alcohol. During 1999-00 it is expected to produce around 400 MT of alcohol. Most of the alcohol is exported to the U.S. and Mexico. In addition, six sugar mills are generating electricity, utilizing the sugarcane bagasse. They are currently generating approximately 148 megawatts of electricity, which accounts for 20% of total electricity produced in the country.

There are two methods of irrigation used in Guatemala, gravity flow and aspersion. Approximately 30 percent of Guatemalan sugarcane is irrigated. The sugar industry generates around 45,000 full-time jobs, which support around 230,000 people. In spite of the financial problems that the industry is going through, they pay salaries above the average for agricultural activities.

The average cost of production for 1999 follows:

DESCRIPTION	VALUE \$/HA ( Q7.67/\$1)	PERCENTAGE
Land adjustment	3.35	0.31
Land preparation	14.56	1.66
Planting	31.30	3.73
Cleaning	3.87	0.38
Weed control out of cane plantation	15.10	1.72
Weed control inside of cane plantation	72.70	8.53
Fertilization	48.64	5.76
Irrigation	48.18	5.70
Maturing agents applications	7.92	0.91
Crop preparation	12.45	0.60
Experiments	6.71	0.75
Plague control	25.76	3.00
Harvesting	569.72	66.95
TOTAL	860.26	100.00

The price paid for sugarcane is determined by ASAZGUA through a price formula set sometime before the harvest season starts. For the current harvest season sugarcane growers received \$14.06 per metric ton, the same as last year's price. According to ASAZGUA, in spite of a decrease in local prices, low world prices and other factors that are affecting this year's production, millers will keep buying sugarcane from independent sugarcane growers. The price is based on a minimum of 87.5 kilos of sugar per metric ton. For sugar content above the basis, the producer receives a proportional adjustment.

Local sugarcane prices for 2000-001 are likely to decrease as a result of a decision between the Government and the industry to hold the line on local sugar prices. This measure will affect the independent sugarcane grower, since sugarcane prices are determined by a formula based in part on the current domestic sugar price. Due to this situation, independent sugarcane growers are trying to discuss with sugar millers and government officials the possibility of changing the formula so that they are not affected by domestic wholesale price movements or receiving some type of subsidy.

## Consumption

Domestic consumption for 1999-00 is estimated to remain steady at 451,000 MT. Per capita consumption of sugar is 41 Kg. In 2000-01 local consumption is expected to increase slightly because of the expected movement of contraband sugar to El Salvador and Honduras. Both neighboring countries have higher local prices, making Guatemalan sugar more attractive for their markets. Distribuidora Azucarera de Guatemala S.A. (DAZGUA) markets and distributes to retailers through 38 warehouses strategically located throughout the country. DAZGUA operates as a wholesaler and retailer. Competition from other retailers has forced DAZGUA to come out with new marketing strategies in order to compete with retailers offering lower prices due to lower costs in packaging, transportation, and inaccurate weights.

Alternative sweeteners and other alternative sugar products are not a detrimental or significant factor in total domestic sugar consumption. Sugar confectionery imports and sugar smuggling from Mexico have had some affect on sugar consumption but not to a significant degree. Currently, domestic consumption is split as follows: 28% for industrial and 72% for human. On the industrial side of domestic consumption, the soft drinks industry is the major consumer of sugar. Other major sugar consumers include: confectioneries, bakeries, juices, wineries, dairy products, and pharmaceuticals.

At the beginning of the year the sugar industry increased prices by around 15%. After discussions between the Government and the sector prices were brought down to just slightly above the original rate for higher quality sugars. Prices were reduced on standard and dark sugars. Following is the price structure before the increase, with the increase and the new prices:

DESCRIPTION	1999 PRICE(\$)(50 kg bags)	January 2000 PRICE(\$)(50 kg bags)	April 2000 PRICE(\$)(50 kg bags)
Refined	20.27	23.21	20.56
Superior	19.85	22.82	20.17
Standard	18.74	21.38	18.73
Dark	16.92	18.74	16.09

Export Trade Matrix			
Country:	Guatemala	Units:	Metric Tons
Commodity:	Sugar		
Time period:			
Exports for	1999		2000
U.S.	230,657	U.S.	239,380
Others		Others	
Canada	87,885	Korea	298,374
Chile	58,108	Venezuela	126,000
Haiti	48,741	Canada	93,000
Peru	36,355	Chile	80,000
Dominican Rep.	22,092	Dominican Rep.	83,000
Jamaica	11,473	Malaysia	30,000
Korea	268,000	Russia	100,000
Malaysia	30,000	Peru	35,000
Russia	160,842	Jamaica	15,000
Venezuela	95,289	Haiti	13,000
Total for Others	818,785		823,374
Others not listed	36,172		27,146
Grand Total	1,085,614		1,139,900

## Trade

Sugar exports for 1999-00 are estimated at 1,139,900 MT, up by 5% in comparison to 1998-99 exports of 1,085,614 MT. Sugar exports for 2000-01 are forecast to remain steady. Exports for 1998-99 were divided as follows: 195,300 MT of refined sugar (raw value) and 890,314 MT of raw sugar. Guatemala's base U.S. sugar quota allocation is 50,549 MT. As of April 12 2000, Guatemala had already exported 22,867.15 MT of its allocation.

## Stocks

In 1999-00 stocks are estimated at 96,000 MT. Domestic stocks are held in warehouses managed by DAZGUA throughout the country. All exports are held in warehouses managed by EXPOGRANEL, located in Puerto Quetzal. Their warehousing capacity is 44,000 MT of bulk sugar, and 36,000 MT of sugar in sacks of 50 Kg (400,000 sacks). They have a loading capacity of 500 MT per hour (2,000 sacks per hour).

## Policy

Official decree 92-71 established the Sugar Board, which includes representatives from the Ministry of Economy, sugarcane producers, and sugar mills. The Board establishes production goals, sets sugarcane prices, and also allocates Guatemala's production of the U.S. sugar quota to the different sugar mills. The allocation to each mill is based on past production performance, previous quotas, and milling capacity.

According to the law, all sugar mills have to add vitamin "A" to sugar. The industry claims to invest \$3.5 million a year on vitamin "A". Import tariffs on sugar are 20%.

In January 2000, the sugar industry increased prices by around 15%. In response last month the Guatemalan Government opened the market to sugar imports and established a quota of 216,000 MT per year. After intense discussions, ASAZGUA and the Government came to a new agreement. The industry agreed to roll back the price increase to a level just slightly above the original rate for higher quality sugars and prices were reduced on standard and dark sugars. The Government agreed to reduce the import quota to 5,000 MT per year. For all imports vitamin "A" should be a requirement. Prices and tariffs for imported sugar still need to be determined by both parties. The agreement on price reductions and quotas will be reviewed every year.