

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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GAIN Report Number:

Jamaica

Sugar Annual

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Report Highlights:

Post estimates that Jamaica's sugar production will increase to 150,00 MT in the 2009/2010. The improved performance will be as a result of increased yield due to favorable weather conditions and expansion in acreages replanted. Jamaica is expected to supply its sugar quota to the U.S.

Executive Summary:

Executive Summary

For the first time since 2007, Jamaica will fulfill its sugar quota to the U.S. instead of the EU preferential market, because the EU had to drop its preferential treatment significantly. Jamaica will also consume more of its own production and rely less on imports. As the government of Jamaica continues to divest itself of the state owned sugar operations, the projection is for increased output by 2011. An Italian company has expressed an interest in acquiring the state owned sugar entities and has entered a contract arrangement to procure raw sugar from the GOJ. It should be noted that for the 2008/09 sugar crop, Jamaica exported 120,000 MT of raw sugar valued at USD 76 million. The European Union (EU) accounted for all of this export, except for the miniscule amount of 32 MT exported to the Cayman Islands.

The 2009/10 crop is projected to produce about 150,000 MT of raw sugar - a significantly higher volume than the previous year. Jamaica is expected to use its production to fulfill its combined commitments to Eridania Suisse SA and the USTQR and use the remaining sugar domestically. Assuming the Government of Jamaica (GoJ) successfully divests its 60% ownership of the industry by the end of 2010, sugar production should increase steadily from 2010/11 crop until output reaches the desired industry target of 200,000 MT of 96-degree sugar. In addition, the GOJ policy includes strategies for the diversification of the industry to embrace cogeneration and the production of ethanol, rum and specialty sugar.

Consumption of raw and refined sugar in Jamaica has remained relatively flat over the last three years and is expected to remain flat until the economy improves.

Commodities:

Sugar, Centrifugal
Select

Production:

The dry weather conditions since the start of 2009/2010 crop year has bolstered crop quality and increased overall productivity to an estimated 150,000 MT of 96 degree sugar, an increase of 20 percent from the 123,000 MT produced during the previous crop. On April 1, 2010, sugar production was slightly behind with only 71,000 metric tons (MT) produced; the normal harvest is January – July so by April, the harvest should be more than half way done. The current crop, despite being affected by too dry conditions at the moment, is still projected to perform significantly better than the previous crop.

The 2008/09 production of 123,000 MT of 96-degree sugar was significantly lower than the forecast of 170,000 MT and a 12 percent reduction over the previous year's production of 141,000 MT. The passage of Tropical Storm Gustav (later Hurricane Gustav) in August 2008 and several disruptions of the crop due to poor weather conditions were regarded as the main factors responsible for the decline in production. In addition, the cash strapped Government owned sugar estates and factories were ill prepared to process the crop.

Approximately 34,000 hectares of land is cultivated with sugarcane each year with, on average, 88 percent harvested. The other 12 percent is not harvested because of illicit cane fires, poor weather conditions, labor supply disruptions, and strategic increase in stand-over fields.

Consumption:

Consumption of raw and refined sugar and molasses continues to be relatively flat.

Total consumption of raw sugar in Jamaica increased slightly by 4,000 MT during 2008/09 MT from 53,000 MT to 57,000 MT. Consumers are turning to this lower cost sugar option as the Jamaican economy was hard hit by the world recession. On the other refined sugar consumption has been and is projected to remain relatively flat at approximately 70,000 MT.

Consumption of refined sugar, which is used mostly for manufacturing purposes, grows proportionately with the non-alcoholic beverage and bakery industries. Given the Jamaican economy is still in recession and disposable consumer incomes remain limited, it is expected that the bakery industry and non-alcoholic beverages will not experience robust growth until 2011. The alcoholic beverage industry consumes about 100,000 MT of molasses and about 5,000 MT of raw sugar per year.

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

Trade:

As at October 2009, the European Union (EU) reduced the prices of raw sugar imports from Jamaica by 36 percent. The Sugar Protocol, which allowed Jamaica and other African, Caribbean and Pacific (ACP) countries guaranteed preferential prices, has been replaced by the ACP Economic Partnership Agreement (EPA). Given the fore-mentioned situation an attractive differential no longer exists between world market prices and the EU /ACP Economic Partnership Agreement on sugar.

As a result, it is the first time in approximately ten (10) years that Jamaica will be consuming locally produced sugar. Previously, Jamaica's sugar needs were met largely by wide-scale importation. Data from the Jamaican Sugar Industry Authority (SIA) revealed that sugar imports were up to a high of 75,000 metric tons of refined sugar annually and approximately 60,000 metric tons of raw sugar within the period 2005-2009.

Since Jamaica no longer has a quota obligation with the EU and now has the flexibility to choose which markets are supplied based on economics, they decided to make more of the locally produced sugar to be available to the domestic market. It should be noted that up until 2009, Jamaica's EU quota was 127,000 MT with an additional 24,000 MT exported under the Special Preferential Sugar (SPS) agreement.

The total exports of raw sugar from Jamaica during the crop year 2008/09 declined by twelve percent from 136,000 MT (crop year 2007/08) to 120,203 MT, valued at US\$102 million and US\$76 million, respectively. Of total export, 120,171 MT were exported to the European Union and the remainder (a small proportion) to other destinations. It is important to note that no sugar was exported to the USA under the U.S. sugar tariff rate quota (TRQ) for that crop year.

For the current crop (2009/2010), Jamaica has agreed to supply 79,000 MT of raw sugar to the Italian company Eridania Suisse SA. An agreement was reached in early 2009 between the Jamaican Government and Eridania whereby Eridania Suisse would provide interim financing in the amount of approximately US\$15 Million to undertake the necessary preparatory works for the factories, as well as field maintenance work, on the three (3) Government owned estates. The US\$15 million is a pre-payment on the supply of the fore-mentioned quantum of raw sugar, which will be sold to Eridania at a minimum price of Euro 335 per metric ton. Furthermore, Eridania will share with the Government of Jamaica on a 50-50 basis any profits made on the final sales price, less agreed cost. In addition, Jamaica supplied its USTRQ obligations by May 2010.

In order to fulfill local demand, Jamaica imported 71,000 MT of refined sugar during 2008/09-crop year, a slight reduction in quantities over the 74,000 MT imported during the previous year. With retail consumption remaining flat and inventory minuscule, increased imports of refined sugar typically varies with manufacturing demand. Despite the liberalization of the refined sugar market in Jamaica, Guatemala and Colombia continue to be the dominant suppliers to the local market on the basis of price and availability. Belize and Guyana are minor suppliers of refined sugar to the Jamaican market. Imported raw sugar showed a marginal increase during 2008/09 moving from 52,752 MT during the previous year to 56,903 MT.

Stocks:

The liberalization of refined sugar imports allows the Jamaica Cane Product Sales Limited (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 November 30, 2008 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.

Policy:

In July 2009, the Jamaican Ministry of Agriculture & Fisheries reviewed its main policy document on the sugar industry of Jamaica: "The Jamaica Country Strategy for the Adaptation of the Sugar Industry 2006 to 2015". The revised sugar strategy

document is now entitled: "The Jamaica Country Strategy for the Adaptation of the Sugar Industry: 2006 to 2020." The document outlines three (3) strategic objectives which are as follow:

1. The development and maintenance of a sustainable private sector-led sugar cane industry based on multiple products;
2. Strengthening of the social resilience, economic diversification and environmental sustainability of Sugar Dependent Areas (SDA);
3. Maintaining progress towards the Government of Jamaica's (GOJ) macro-economic goals.

Jamaica's current sugar industry strategy is anchored on divesting the state-owned sugar estates to the private sector. The privatization of these public sector sugar assets have made some progress with the divestment of two (2) of the five (5) estates in June 2009. These two sugar factories were sold to Jamaican interests and involved leases of 50 years for the sugar estate cane lands. The divestment of the remaining government-owned sugar estates is slated to be completed by the end of 2010. Although the divestment process has been protracted, the Government has no other alternative given the huge losses these entities have incur over many years and the commitments they have agreed to in the recent agreement with the International Monetary Fund (IMF). It should be noted that the remaining three state-owned sugar estates is approximately 60% of the industry.

Preferential access to the U.S market for ethanol under the Caribbean Basin Initiative provides an incentive to international sugar companies to operate in the Jamaican sugar industry. Additionally, the policy environment emphasizes diversification as a necessary risk mitigating and revenue generating mechanism. The predominant thought on diversification within the industry relates to the creation of a sugarcane (as opposed to sugar) industry, focusing on cogeneration, and the production of ethanol, refined, specialty and raw sugar, rum and other alcoholic beverages.

Marketing:

The marketing of raw sugar locally and internationally are handled exclusively by Jamaica Cane Products Sales Limited (JCPS). It should be noted that since 1994 the marketing function has been assigned under an agency agreement to JCPS Limited, a private company which is jointly owned by sugar manufacturers and sugarcane farmers. As marketing agent of the state-owned Sugar Industry Authority (SIA), JCPS undertakes the commercial functions associated with the marketing of sugar destined for export. Although sugar manufacturers are free to sell privately that portion of raw sugar not required to fill preferential quotas, JCPS undertakes the marketing of locally produced sugar and molasses in the domestic market and distributes the total revenues of the industry to sugar manufacturers and sugar cane farmers.

In addition, the retail distribution of imported refined sugar in Jamaica is also handled exclusively by the JCPS. However, refined sugar used in the manufacturing of valued-added products is imported by independent manufacturers. But JCPS always remains concerned the duty-free refined sugar for manufacturing maybe diverted to the retail trade with price and demand effects. It is felt that the heavy involvement of the JCPS in the domestic market serves as a means of stabilizing local retailed sugar prices.

Production, Supply and Demand Data Statistics:

Statistical data

Jamaica & Dep Sugar Cane for Centrifugal										
	2008	Revised		2009	Estimate		2010	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		12/2007	12/2007		12/2008	12/2008		12/2009	12/2009	MM/YYYY
Area Planted	33	33	33	33	33	33	0	0	33	(1000 HA)
Area Harvested	30	30	30	31	31	31	0	0	31	(1000 HA)

Production	1750	1750	1750	1900	1900	1900	0	0	1900	(1000 MT)
Total Supply	1750	1750	1750	1900	1900	1900	0	0	1900	(1000 MT)
Utilization for Sugar	1744	1744	1744	1892	1892	1892	0	0	1892	(1000 MT)
Utilization for Alcohol	6	6	6	8	8	8	0	0	8	(1000 MT)
Total Utilization	1750	1750	1750	1900	1900	1900	0	0	1900	(1000 MT)

Source: Industry & post estimate

Jamaica & Dep										
Sugar, Centrifugal										
	2008	Revised		2009	Estimate		2010	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		12/2007	12/2007		12/2008	12/2008		12/2009	12/2009	MM/YYYY
Beginning Stocks	8	8	8	10	6	6	10	0	6	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	140	160	160	150	170	170	130	0	150	(1000 MT)
Total Sugar Production	140	160	160	150	170	170	130	0	150	(1000 MT)
Raw Imports	54	54	54	53	53	53	50	0	54	(1000 MT)
Refined Imp.(Raw Val)	50	75	75	50	70	70	50	0	75	(1000 MT)
Total Imports	104	129	129	103	123	123	100	0	129	(1000 MT)
Total Supply	252	297	297	263	299	299	240	0	285	(1000 MT)
Raw Exports	104	153	153	113	153	153	90	0	100	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	104	153	153	113	153	153	90	0	135	(1000 MT)
Human Dom. Consumption	138	138	138	140	140	140	140	0	140	(1000 MT)
Other Disappearance	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Use	138	138	138	140	140	140	140	0	140	(1000 MT)
Ending Stocks	10	6	6	10	6	6	10	0	10	(1000 MT)
Total Distribution	252	297	297	263	299	299	240	0	285	(1000 MT)

Source: Industry & post estimate

Author Defined: