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Report Highlights:

Costa Rica's sugar cane production is forecast to decline 0.5 percent in MY 2019/2020. Sugar production is expected to decline 2.45 percent from 442,187 MT in MY 2018/2019 to 431,325 MT in MY 2019/2020. Lower production was the result of slightly lower yields caused by a significant drought that affected the country in general, and the Northern Pacific region in particular.

Executive Summary

The sugar industry expects MY 2020/2021 to be a better year in terms of weather patterns, which are projected to return to normal levels of rainfall, after a very dry 2019. Area planted, which reached a recent low of 60,000 hectares in 2017/2018, increased slightly in MY 2018/2019 but is not expected to increase during the next production cycle. Producers continue to be under financial stress due to low sugar prices and high production costs. Also, high economic uncertainty caused by the COVID-19 may delay or limit expansion plans. Given these conditions, MY 2020/2021 sugar production is forecast to increase to 440,000 MT. Costa Rica continues to meet its U.S. quota allocations both under the WTO and the CAFTA-DR and continues to export to other markets such as Canada and the European Union.

Costa Rica's sugar cane production in MY 2019/2020 is expected to decrease 0.5 percent to 4,005,000 MT as compared to 4,025,447 MT in MY 2018/2019. Sugar production is also forecast to decrease marginally from 442,187 MT in MY 2018/2019 to 431,000 MT in MY 2019/2020. Production was negatively affected by very dry weather conditions in 2019, and the lingering effects of Tropical Storm Nate, which passed through Costa Rica in October 2017, causing significant damage in Guanacaste, the main production area.

Production

According to information from LAICA (Costa Rican Sugar League), there are 6,292 sugar producers in the country. The number of producers has been declining since MY 2013/2014 when there were 7,830 sugar cane growers. There are fewer sugar mills as well (11). One sugar mill closed its operations in the Grecia region and a second one closed in Turrialba, leaving producers in that region in a difficult situation. Sugar cane is grown in six regions of the country, with different climate, altitude, and topography. The sector is comprised of primarily small producers with roughly 90 percent of the farmers delivering less than 500 MT of sugar to the mills. The large majority of producers plant less than 7 hectares (ha) of sugar cane. On the other extreme, there are 17 producers delivering more than 5,000 MT of cane.

The province of Guanacaste in the northern pacific concentrates a large percentage of the sugar production in the country (roughly 59 percent during MY 2018/2019). Production in the other 5 regions is distributed more evenly, ranging from 6 to 11 percent of the total. Most of the large producers in Guanacaste have irrigation and utilize different irrigation systems to use water efficiently. Most of the sugar mills are owned by Costa Rican nationals, although at least one company is owned by Guatemalan investors. By law, LAICA is the institution that regulates the relationship between producers and millers. LAICA is also involved in the marketing and sales of sugar and sugar products for domestic consumption and for export.

Based on preliminary data from LAICA, cane and sugar production are expected to reach 4,005,000 MT and 431,000 MT respectively during MY 2019/2020, both lower than in the previous year. Sugar cane production has declined every year after reaching a record high of 4,492,123 MT in 2013-2014. Sugar production has fluctuated since that record production year, but it is also trending down. Sugar concentration in the North and South production regions was very good in MY 2018/2019, reaching a historical record of 109.85 kilos of sugar per metric ton of cane. This relationship was also high in MY 2019/2020 (108.2), resulting in a relatively smaller decline in sugar production, given the lower volume of cane produced. After a very dry 2019, weather conditions are expected to return to normal this year and may result in slightly higher production. However, producers are still financially stressed as a result of low prices, and higher production costs. Therefore, sugar production is forecast at 440,000 MT in MY 2020/2021, roughly 2 percent higher than the current marketing year.

Area Planted

Area planted is not expected to increase for MY 2020/2021 as a result of the factors outlined below. Information provided by LAICA, indicates that area planted to sugar cane increased from 60,000 ha. in MY 2017/2018 to 62,630 ha in MY 2018/2019, with 54,548 ha. harvested, as compared to 55,070 harvested in the previous marketing year. Area planted recuperated in the last marketing year after the losses caused by Tropical Storm Nate, which affected production areas in Guanacaste in October of 2017. Area planted to sugar cane remains under pressure from other crops and activities in different production regions, with the exception of Guanacaste. Farmers have also been under financial pressure because of the low prices received for sugar cane, high production costs, and in some cases because of strict labor and immigration regulations that limit the availability of foreign workers. The completion of a new irrigation channel in Guanacaste (expected to result in additional area planted) continues to experience delays in its construction.

Sugar mills in the Central part of the country struggle to keep sugar area planted from declining. Competition from urbanization, high land prices, lower availability of labor, and higher production costs are slowly taking area away from sugar in this region. One smaller sugar mill in the province of Alajuela closed its operations and another in the Turrialba region (Coope-Atirro) closed because of financial problems. The closing of the Atirro mill has caused logistical problems to the farmers in the surrounding area. For instance, during the 2018/2019 harvest, 28,772 MT of cane from Atirro were processed in Grecia's Coope-Victoria mill, about 75 miles away.

Yield

According to LAICA, the average sugar cane yield is preliminarily estimated at 73.4 MT/ha in MY 2019/2020 as compared to 73.8 MT/ha in MY 2018/2019. The average sugar yield is expected to decline from a record high of 109.85 kg/MT in MY 2018/2019 to 108.2 kg/MT in MY 2019/2020.

Consumption

Costa Rica's sugar consumption reached 230,000 MT in MY 2018/2019, and it is expected to increase to 235,000 MT in MY 2019/2020. According to industry sources, consumption has fluctuated within a relatively narrow range over the last few years. Consumption has not increased much in recent years, since population growth has slowed down in the country. Utilization by the food industry (which is export driven in some sectors), is the main driver of changes in total consumption from year to year. Per capita sugar consumption is estimated at 46.3 kg. based on preliminary data for MY 2019/2020. Costa Rica's per capita sugar consumption is relatively high, although it has declined from a record 59.2 kg in 1997-1998. Direct sugar consumption represented 43 percent, while industrial use accounted for 57 percent of the total in 2018/2019. Costa Rican mills produce different types of sugar for the domestic market including white sugar, refined, white special, and raw sugar. One of the larger sugar mills began production of organic sugar for the domestic market in MY 2018/2019. Another mill plans to export organic sugar to the United States this year.

Trade

Costa Rican sugar exports are expected to reach 222,000 MT in MY 2019/2020, 6 percent higher than the export level during the previous period (209,247 MT). The main destinations for Costa Rica's sugar in MY 2018/2019 were the United States, Canada, the European Union, and the Bahamas. Exports to the United States include the U.S. WTO, the CAFTA-DR sugar quotas, and sugar for re-export. Costa Rica plans to export its full WTO and CAFTA-DR sugar quotas to the United States for the 2020 fiscal year. LAICA also plans to export a recently announced increase to the U.S. WTO quota of 6,692 MT.

Imports of white sugar from Brazil, which amounted to 3,511 MT in 2015, reached 7,969 in 2019. Imports have continued to grow despite the high tariff that protects the local industry. The imported sugar is directed at the domestic market for direct consumption. The sugar sector has

asked the Costa Rican government to impose additional duties on Brazilian sugar to limit import growth. The case is under review by the Ministry of Economy, Industry and Commerce.

Stocks

High ending stocks are the result of unexpected high production outpacing consumption and exports over the last few years. Production has remained relatively stable even though world prices remain weak.

Table 1: Sugar Cane for Centrifugal Sugar: Supply and Utilization

Sugar Cane for Centrifugal Market Begin Year Costa Rica	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	61	62	62	62	0	62
Area Harvested	57	55	58	55	0	55
Production	4157	4025	4200	4005	0	4075
Total Supply	4157	4025	4200	4005	0	4075
Utilization for Sugar	4157	4025	4200	4005	0	4075
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	4157	4025	4200	4005	0	4075
(1000 HA) ,(1000 MT)						

Table 2: Centrifugal Sugar: Production, Supply and Distribution

Sugar, Centrifugal Market Begin Year Costa Rica	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	265	265	261	278	0	262
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	445	442	445	431	0	440
Total Sugar Production	445	442	445	431	0	440
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	10	10	10	10	0	10
Total Imports	10	10	10	10	0	10
Total Supply	720	717	716	719	0	712
Raw Exports	214	199	220	212	0	220
Refined Exp.(Raw Val)	10	10	10	10	0	10
Total Exports	224	209	230	222	0	230
Human Dom. Consumption	235	230	240	235	0	237
Other Disappearance	0	0	0	0	0	0
Total Use	235	230	240	235	0	237
Ending Stocks	261	278	246	262	0	245
Total Distribution	720	717	716	719	0	712
(1000 MT)						

Table 3: Centrifugal Sugar: Export Trade Matrix

Export Trade Matrix	
Costa Rica	
Sugar, Centrifugal	
MT	
Time Period	2018/2019

Attachments:

No Attachments