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Jamaica & Dep

Sugar

Annual

2000

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Report Highlights:
GOJ plans to invest up to $100 million to revitalize sugar industry. Persistent problems include high production costs, under capitalization, high factory downtime and low yields.

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
Kingston [X91], JM

Executive Summary

The Jamaican sugar industry continues to be challenged by relatively high production costs, high factory down time, under capitalization and low yields. The industry is still working to achieve a three million MT cane production, 300,000 MT sugar production and drastically reduced production costs by the year 2003. To this end the GOJ plans to invest up to US$100 million in the industry for replanting and factory upgrading and is preparing an overall plan to restructure the industry.

The industry is concerned about possible reductions in its quota allocation and continues to lobby for the United States to allow quotas to be transferrable among countries.

Imports of refined and raw sugar remain high as the industry opts to fill its quota requirements and meet domestic demand from imports. Domestic demand remains fairly constant as a result of stable prices and minimal use of artificial sweeteners.

Production Supply and Distribution Tables
PSD Sugar Cane Non - Centrifugal

PSD Table						
Country	Jamaica & Dep					
Commodity	Sugar Cane, Non-Centrifugal				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		12/98		12/99		12/00
Area Planted	46	46	46	46	0	46
Area Harvested	38	38	38	38	0	40
Production	2500	2400	2500	2400	0	2600
TOTAL SUPPLY	2500	2400	2500	2400	0	2600
Utilization for Sugar	2500	2400	2500	2400	0	2600
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	2500	2400	2500	2400	0	2600

PSD Centrifugal Sugar

PSD Table						
Country	Jamaica & Dep					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		12/1998		12/1999		12/2000
Beginning Stocks	5	5	12	6	27	8
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	223	205	225	208	0	215
TOTAL Sugar Production	223	205	225	208	0	215
Raw Imports	40	52	20	50	0	45
Refined Imp.(Raw Val)	45	45	50	45	0	45
TOTAL Imports	85	97	70	95	0	90
TOTAL SUPPLY	313	307	307	309	27	313
Raw Exports	171	177	150	177	0	180
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	171	177	150	177	0	180
Human Dom. Consumption	130	124	130	124	0	124
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	130	124	130	124	0	124
Ending Stocks	12	6	27	8	0	9
TOTAL DISTRIBUTION	313	307	307	309	0	313

Production

Although the 1999/2000 sugar crop began under favorable weather conditions, production is not expected to significantly exceed last year's level due to current drought conditions and inadequate cane supplies. Heavy rains came in September/October 1999 and helped to create the right conditions for the start of the crop. Since then the whole island has been experiencing drought conditions which have very seriously affected overall agricultural production. The lack of cane has been a problem in the industry for some time as replanting and ratoon maintenance have come under stress. These conditions are also expected to affect the 2000/2001 cane production.

The 1999/2000 production began at the Frome and Appleton factories in early December. Four factories started in January and two in late February. By March 19, 2000 the crop was 10 days ahead of the 1998/99 crop and had produced 125,975 MT of sugar, an increase of 49 percent over last year's production. It is anticipated that the crop will continue undisturbed as wage negotiations have been completed and there is a noticeable reduction in unnecessary cane fires. For many years the industry was plagued by labor issues at the peak of the crop as unions and management negotiated the wages and fringe benefits of the sugar workers. With the move to bi-annual and earlier negotiations, fall off in production due to labor issues has been reduced.

For the 1998/99 sugar crop, cropping time was reduced by 28 days to 225 days and sugar cane harvested increased 2 percent. Cane quality also showed an improvement as it took only 11.33 tons of cane to make 1 ton of sugar (Tc/Ts) compared to a Tc/Ts of 12.2/1 for the 1997/98 crop. Over all, cane quality was still poor.

Estate production (those lands owned or leased by the factories), continues to account for the major portion of the total cane production with farmers contributing 44 percent of the 1998/99 cane production. With regard to the amount of cane reaped per hectare the productivity of the farmers decreased from 62 tons cane per hectare (Tc/ha) to 56.7 Tc/ha while the estates increased form 65.1 Tc/ha to 66.3 Tc/ha. This resulted in a decline in the industry average from 63.5 Tc/ha to 61.7 Tc/ha. The lower cane yield resulted from the poor field maintenance, late and insufficient fertilizer application and low levels of replanting. The industry recognizes that it needs to attain 75 Tc/ha to be profitable.

Another factor that has consistently affected the industry is the high level of factory down time during the crop year. Although the country has a total factory capacity of approximately 19,950 tons per day, only 13,446 tons per day were milled in 1999, less than 70 percent of the capacity. This low level of operation is due to mechanical problems, unavailability and poor quality of canes. It is hoped that this will be addressed by the factory rehabilitation program which is now in progress.

Crop Area
Acreage under sugar cane cultivation is 40,000 - 46,000 hectares. Cane production is divided between estate lands and land owned by independent farmers. The amount of cane reaped for the 1998/99 crop was only marginally higher than the 1997/98 crop although 64,000 mt of cane were left in the fields. Of the acreage reaped farmers accounted for 18,150 hectares and estates 19,568 hectares.

The industry needs to replant with higher yielding varieties in order to increase production and lower cost. The Sugar Industry Research Institute continues to research and commercialize high yielding cane varieties. Replanting, especially by small farmers, remains inadequate with cost being the primary deterrent.

Crop Quality

Although cane quality for the 1998/1999 crop was slightly better than the previous crop, it was still below the industry standard. The industry measures cane quality using a Jamaica Recoverable Cane Sugar calculation, JCRS. The JRCS for the 1999 crop was 9.52 and 9.29 for the 1998 crop. Quality of the 1998/99 crop was affected by the harvesting of stand over cane from the pervious crop and too much rainfall during the harvesting period.

Production Policy

The major issue surrounding sugar production in Jamaica continues to be the high cost of production resulting from the many inefficiencies from field to factory and beyond. For the industry to attain viability it needs to produce 300,000 mt of sugar, maintain 42,000 hectares of land under sugar cane cultivation, harvest 95% of acreage under production, achieve yields of 75 mt of cane per hectare, achieve Tc/Ts ration of 10.5, achieve JRCS of 10.4/10.5 and limit cropping time to 24 weeks.

As part of its effort to develop policy direction for the industry, the Sugar Industry Authority has designed a five year strategic plan for the industry. The plan identifies current industry problems as high cost of production, inefficient factory operations, low cane production and yields, poor cane quality, low productivity, people problems, declining sugar and cane prices, increasing debt burden, high interest rates and untimely financing of inputs. A steering committee has been set up to implement the plan. So far a cane growers manual has been developed and emphasis is being placed on ratoon maintenance and replanting. The first year of the plan is the 2000/2001 crop year.

Export earnings for the 1999/2000 crop are projected at US$98.00 million. The 1998/99 crop realized earnings of US$95.79 million. Based on the anticipated earnings from the 2000 crop, the GOJ has declared a price of J$18,000 an increase of J$500 over last years crop. Farmers will receive 62 percent and manufacturers 38 percent of the price paid. The payment formula is set by the Sugar Industry Authority.

Consumption

Sugar consumption has begun to decline as a result of a fall off in the manufacture of sugar based products. As competition from imports of soft drinks, juices, cookies etc increase, local manufactures are experiencing a decrease in demand for their products. The imported products are oftentimes cheaper than the locally manufactured items.

At the retail level sugar consumption remains stable not withstanding the increased emphasis on healthy living. Artificial sweeteners are used only by a minority and mostly for health reasons. Sugar prices have remained fairly stable and this has helped to maintain consumption levels.

Trade

The sugar industry continues to satisfy its quota allocation while importing both raw and refined sugar to meet domestic demand. The U.S. quota allocation for FY 2000 is 11,584 MT. The EU quota remains at 127,000 MT with an additional 50,000 MT under the Special Protocol Sugar arrangement. The U.S. quota allocation for FY 99 was 11,916 MT.

Raw sugar imports continue at high levels as local sugar production remains insufficient. to meet both domestic and export market requirements. Raw sugar is imported by the Sugar Industry Authority and was sourced from Columbia, Belize and Guatemala in MY 1998/99.

Jamaica will continue to import refined sugar as long as the export markets remain priority and local production falls short of the 300,000 ton target set by the industry. Refined sugar is used primarily for manufacturing purposes. The United States is the main supplier of refined sugar. Other suppliers include Columbia, EU, Mexico and Brazil. Imports from the EU fell to 645 tons for MY 1998/99.

Stocks

Raw sugar stocks are held by Jamaica Cane Products Sales at warehouses all over the Island. Stocks at October 31, 1999 was 8,837 MT of raw sugar and 1,606 MT refined sugar. Stocks of refined sugar are held primarily by private importers.

Policy

The GOJ continues to be the major shareholder in the sugar industry. After an unsuccessful divestment, the GOJ was forced to increase its stake in the industry as a result of the financial dilemma facing the industry, which had become heavily indebted and lacked working capital. The GOJ's decision to assist the industry was based on the fact that the industry is a major foreign exchange earner, employs 28,000 - 41,000 persons, and benefits from preferential trading agreements. In its ongoing effort to make the industry viable the Prime Minister has called for a social contract with the industry.

Organizations in the Industry have been lobbying the GOJ for exclusive rights to the importation of refined sugar. Effective July 1999 the GOJ implemented a system which allowed duty free importation by manufacturers. Sugar for the retail trade attracted a 40% Common External Tariff and a 63% stamp duty. The concern raised is that sugar purportedly imported at the zero duty level for the manufacturers was being shifted to the retail trade. So far the GOJ has rejected the proposals on the grounds that the GOJ is committed to the reduction of duties on raw materials, that manufacturers of sugar based products need to be competitive and that the GOJ is also moving to reduce duties on imports.

Industry officials continue to be concerned about a possible quota reduction if the TRQ for Mexico is increased to 250,000 MT. They also continue to lobby for quota reallocation among Caribbean countries. This would allow one country to fill the quota of another in the event that the country, for whatever reason, is unable to fulfill its quota requirements.