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**Country:** Honduras

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**Report Highlights:**

Sugar production and exports are projected to increase slightly in marketing year 2021. The COVID-19 pandemic may negatively impact production by as much as 10 percent, mainly because preventative measures limit the number of workers in the fields and sugar mills, however the overall impact is still unknown.

## **Executive Summary:**

Marketing year (MY) 2021 (October 2020 to September 2021) forecast for sugarcane harvested areas is expected to slightly increase to 56,000 hectares (HA) of land. The sugar industry is aiming mainly to use less land and increase yields through more investment in drip irrigation equipment, water harvesting, and better inputs. MY2021 sugarcane production is estimated at 5.3 million metric tons (MT). Sugar mills expect that sugarcane yields will increase due to favorable weather conditions and investments in water systems to overcome drought.

Despite the COVID-19 pandemic's negative impact on the sugarcane harvest and sugar production, sugar production is expected to increase to 549,000 MT for MY2021. The estimated increase is due to improvements in refining capacity and efficiency. Sugar mills are using good farming practices to obtain higher sugar concentration in cane and improving sugar recovery rates during the refining process.

The sugar export forecast for MY2021 is 177,000 MT, up slightly from the previous year. This increase is from growth in sugar production and supply to new markets. Honduras utilizes its full TRQ allocations under bilateral and multilateral trade agreements.

## **Production:**

### **Sugarcane**

Sugarcane planted area is estimated at 57,000 HA for MY2021, up slightly from the MY2020 estimate. The increase in the forecast takes into account the use of newer equipment and technologies, such as GPS, used for planting. This technology allows producers to plant more sugarcane on the same area of land, which is especially important given the lack of additional nearby suitable land. In addition, the Agrarian Reform Law establishes a ceiling on how much land mills can own. Because of these limitations, the sugar industry is increasing investments in drip irrigation, water harvesting technologies, and better inputs. The mills also provide technical assistance and irrigation systems to independent producers. From the area harvested, 96 percent of the sugarcane enters into production and 4 percent goes to research and replanting.

The sugarcane harvest forecast for MY2021 is 5.3 million MT, up from the revised estimate in MY2020. Sugar mills expect favorable weather conditions with enough rain but are planning to strengthen investment in water systems to overcome any drought. Their aim is to improve agricultural yields in order to have more sugarcane per hectare. The sugarcane harvest process was normal until mid-March. The GOH initiated preventive measures to contain the spread of COVID-19. The measures included a limit to the number of workers that can harvest sugarcane at one time, and also

limits the number of workers that can be transported on sugar mill vehicles. Additional workers have not been able to travel to the sugarcane fields due to the lack of public transportation. In some cases, the trucks with sugarcane have not been able to pass through some municipalities that decided to block the entrances or exits of their towns from visitors that might carry COVID-19. As of mid-March, about 70 percent of the sugarcane had been harvested.

## **Sugar**

In Honduras, production, commercialization, and distribution of sugar is handled by the private sector. The sugar industry is represented by the Honduran Sugar Producers Association (APAH). Six sugar mills are members of APAH. These sugar mills own around 68 percent of the production area with the remainder owned by independent producers. Sugarcane and sugar production provide employment to approximately 20,000 direct jobs per harvest in a marketing year.

The sugar industry is comprised of these six processors (sugar mills) and 11 warehouses for sugar storage. The sugar industry has invested in sugarcane varieties, infrastructure, and equipment, resulting in increased refining capacity and improved sugar recovery rates.

Sugar production for MY2021 is forecast to increase to 549,000 MT, up slightly from the revised estimate the previous year. Sugar production has also been impacted due to preventive measures for COVID-19. According to APAH, sugar mills have had to operate with approximately 50 percent of their personnel since the government restrictions have been in place. The overall increase in sugar production is therefore due to increased sugarcane production, despite a slowdown in sugar production at mills. The recovery rate of sucrose from sugarcane is between 9 and 10 percent.

Primary factors that negatively affect sugar production in Honduras are droughts, floods, lack of security, land tenure, and access to credit. Independent producers negatively impacted by droughts and rising production costs have found themselves with no means to purchase irrigation and water harvesting systems or other technologies to expand production. In addition, new bank requirements for loans left many farmers with no access to financing. All of these factors led to many farmers renting their land to the sugar mills.

Sugar mills assist independent producers to obtain credit by providing solidarity guarantees for producers. APAH and the Honduran Sugar Producers Federation (FEHPROCA) have organized a Sugarcane Committee. The objective of the Committee is to provide support to independent producers to access credit through commercial banks. Sugar mills also provide independent producers with harvesting equipment and road maintenance, in addition to paying teacher salaries for local schools. In addition, they provide credit for small enterprises in communities where sugar mills are located.

### **Consumption:**

Domestic sugar cane consumption is forecast at 371,000 MT for MY2021, unchanged from MY2020. The sugar industry prioritizes the domestic market to guarantee the nation's supply and food security. In addition, the domestic market price for sugar is more favorable than the lower international prices.

Per capita sugar consumption is estimated at 80 pounds per person of which 52 percent is for industrial use in beverages, candy, and baked goods. The remaining 48 percent is for direct consumer use. However, due to the COVID-19 pandemic, these percentages could change. The GOH's prevention measures limit the number of employees in the workplace, which might reduce the industrial use of sugar. At the same time, the direct consumer use of sugar might increase due to the "stay at

home” measures. In addition, the GOH started buying sugar from CISA to include in the bags of staple foods that will be provided to 800,000 low income families.

The consumption of alternative sweeteners is minimal and has no measurable impact on sugar consumption. Most of the population uses sugar since the price is lower than alternative sweeteners.

The Secretariat of Economic Development must authorize changes to wholesale sugar prices, as sugar is considered an essential food and industrial product that directly affects consumer cost of living.

<b>Average Sugar Prices for Plantation White (Standard) and Refined Sugar Honduras, 2019</b> <i>US\$/pound</i>		
<b>Sale place</b>	<b>Plantation white (Standard)</b>	<b>Refined</b>
Wholesale	0.33	0.35
Consumer	0.41	0.44

Source: Honduran Sugar Producers Association (APAH)

The domestic consumer price of sugar (plantation white) increased slightly in local currency over the past year, due to increases in production costs. The dollar amount changed slightly due to a similar offsetting change in the dollar exchange rate.

### **Trade:**

Sugar exports for MY2021 are forecast at 177,000 MT, slightly up from the previous year. Sugar mills expect an increase in sugar production. This increase would allow for additional exports to take advantage of free trade agreements, such as with Taiwan and Korea.

Honduras utilizes its full TRQ allocations under the WTO Agreement and in agreements with the United States, Taiwan, and the European Union. After these quotas are filled, the sugar mills then proceed to export to the rest of the world. According to the Central Bank of Honduras, in 2019 sugar exports were \$67 million, up from \$55 million in 2018.

The Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) provides a TRQ of 10,240 MT for Honduras to send to the United States for 2020. The WTO TRQ is 10,530 MT for 2020. The free trade agreement (FTA) with the EU approved a TRQ of 21,294 MT for 2020. The FTA with Taiwan provides a TRQ of 60,000 MT annually.

The FTA with Canada entered into force on October 1, 2014 and will allow a 5,000 MT TRQ from the second year on. However, import requirements still need to be finalized for Honduras to export to Canada. The FTA with Mexico has been ratified, but sugar TRQs were not negotiated. However, the

two parties agreed that Honduras would have preferential access to 10 percent of Mexico’s no-supply quota.

In early 2018 South Korea, Honduras, and four other Central American countries signed the Central America-Korea Free Trade Agreement. The FTA includes benefits for sugar exports. The FTA was approved by the Honduras Congress and will enter into effect in the coming months.

It should be noted that countries of the Central American region cannot export or import cane sugar within the region. This is an agreement contained in Annex A of the Central American General Integration Treaty. All of the Central American cane sugar surplus is exported out of the region. Honduras eliminated its export tax on sugar in accordance with WTO recommendations.

The top five destinations for Honduras's sugar exports in calendar year 2019 were: the United States, Haiti, Romania, New Zealand, and Switzerland. The volume of exports increased in 2019 compared to the previous year. The following chart shows primary export markets by country.

**Honduras - Sugar, Centrifugal Exports, 2019**

<b>Country</b>	<b>Metric Tons</b>
United States	60,772
Haiti	36,771
Romania	22,809
New Zealand	18,000
Switzerland	15,225
South Korea	9,000
Jamaica	8,401
Trinidad & Tobago	7,933
Puerto Rico	2,782
Others	6,719
<b>TOTAL</b>	<b>188,411</b>

Source: Central Bank of Honduras

The import tariff for raw sugar and plantation white (standard) is 40 percent (consumption tax is not charged). The import tariff for refined sugar is 15 percent plus a 15 percent consumption tax. By law, quality restrictions require vitamin A to be added to sugar for human consumption, which is done by the Honduran sugar industry. The import tariff for raw sugar averages \$0.22 per kilogram. The import tariff for refined sugar is \$0.18 per kilogram, based on average U.S. sugar contract #16 prices. The chart below provides imports by country:

## Honduras – Sugar, Centrifugal Imports, 2019

Country	Metric Tons
United States	185
Others	28
<b>TOTAL</b>	<b>213</b>

Source: Central Bank of Honduras

According to the Central Bank of Honduras in 2019 sugar imports were 213 MT equivalent to \$313,219. Sugar imports in 2018 were 281 MT, equivalent to \$402,157.

**NOTE:** The exports and imports data in the production, supply, and distribution (PS&D) tables differ from the above export and import matrices. The difference is because of the manner of calculation of sugar export statistics by APAH and the Central Bank of Honduras: APAH export statistics include sugar which has been contracted for export, while the statistics of the Central Bank of Honduras only include sugar which has already been physically exported from Honduras.

### **Stocks:**

Stocks are owned by six processors (sugar mills) and their sugar is stored in CISA warehouses that are located in Tegucigalpa and San Pedro Sula. Stock levels are expected to remain at historical levels in MY2021.

### **Policy:**

The following policies are related to the sugar sector in Honduras:

- On March 2020, the GOH initiated preventive measures to prevent the spread of COVID-19. The measures limit the number of workers that a mill can have harvesting the sugarcane and the number of workers in the sugar mills. Sugar mills are investing in safety measures for working staff, which is approximately 50 percent of normal personnel. According to APAH, the final effect on the harvest and sugar production will depend on how long the measures continue, which will cause the harvest to be longer.
- Sugar mills are limited in the planting area they can use. The Agrarian Reform established a ceiling of land they can own. Sugar mills have to rent nearby suitable lands in order to increase their planting area.
- The land where sugar is planted is sometimes illegally occupied by squatters when the sugarcane should be harvested. The squatters do not allow the sugar mills to remove the sugarcane for harvesting and do not harvest it themselves. During the approximately 4 to 5 months it takes to process an eviction order, sugarcane is lost.
- Sugar mills produce the energy that they use during the November to May harvest months through the use of bagasse, generating 130 Megawatts per hour (Mwh) with a potential of 344 Mwh of electricity. The excess energy generated is sold to the Government's National

Enterprise of Electric Energy (ENEE). Sugar mills supply about 10 percent of the renewable energy produced in Honduras. APAH indicated that the sugar mills sell the energy at an average of \$0.09 per Kilowatt versus the \$0.25 per Kilowatt provided by other energy companies. From June to October, however, there is no sugarcane harvest, which limits energy production.

- Honduras' 2007 Law for Production and Consumption of Biofuels had a modification in 2013 through decree 295-2013. The law provides biofuel producers fiscal incentives, such as exemptions from customs tariff, corporate taxes, and other related taxes for 12 years. Decree 295-2013 stipulated biofuels and ethanol use of up to 10 percent blend in 2015 to increase to a 20 percent blend starting 2020. APAH lobbied the Honduran Congress for the approval of the law and continues to support its future implementation. The regulation for the implementation of the law has been written but is pending approval by Congress.
- The Secretariat of Agriculture and Livestock, the Secretariat of Economic Development, sugar mills, and independent producers created the National Sugar Council through the 2005 Decree 161-2005. The objective of the National Sugar Council is to regulate matters between independent producers and sugar mills related to land tenure and technical assistance.

### **Marketing:**

The six sugar mills in Honduras sell their production to a central warehouse company, Sugar Mill Central (CISA), which is owned by APAH and has 11 warehouses throughout the country. CISA distributes the sugar nationwide.

CISA has developed marketing programs for new brands and improved packaging. It has also increased its distribution areas in the northern region of the country. CISA changed to 50 kilogram bags (equivalent to 110 pounds) to bring Honduras in line with neighboring countries. It also has small packages of brown and white sugar to offer to restaurants, hotels, and retailers.

## Production, Supply and Demand Data Statistics:

Sugar, Centrifugal  Market Begin Year  Honduras	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	239	239	239	239	0	240
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	540	544	544	540	0	549
<b>Total Sugar Production</b>	540	544	544	540	0	549
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
<b>Total Imports</b>	0	0	0	0	0	0
<b>Total Supply</b>	779	783	783	779	0	789
Raw Exports	176	180	173	170	0	177
Refined Exp.(Raw Val)	0	0	0	0	0	0
<b>Total Exports</b>	176	180	173	170	0	177
Human Dom. Consumption	364	364	371	369	0	371
Other Disappearance	0	0	0	0	0	0
<b>Total Use</b>	364	364	371	369	0	371
Ending Stocks	239	239	239	240	0	241
<b>Total Distribution</b>	779	783	783	779	0	789
(1000 MT)						



Sugar Cane for Centrifugal  Market Begin Year  Honduras	2018/2019		2019/2020		2020/2021	
	Sep 2019		Sep 2019		Sep 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	57	55	56	56	0	57
Area Harvested	54	55	55	55	0	56
Production	5281	5092	5250	5100	0	5280
Total Supply	5281	5092	5250	5100	0	5280
Utilization for Sugar	5281	5092	5250	5100	0	5280
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	5281	5092	5250	5100	0	5280
(1000 HA), (1000 MT)						

**Attachments:**

No Attachments