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## Colombia

### Sugar

### Sugar Semi-Annual Report

1999

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#### Report Highlights:

**Sugarcane area continues to grow but analysts do not feel that it will expand much above 200,000 hectares. Domestic sugar consumption fell 3 percent in 1998/99, because of the severe Colombian recession. Sugar exports reached a record of one million tons in 1997/98 but declined in 1998/99, because of the low world sugar prices. Sugar exports will remain at the 1998/99 level in 1999/2000.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Semi-Annual Report  
Bogota [CO1], CO

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## Executive Summary

Growers continue to shift from less profitable crops to sugarcane. Colombia's total planted sugarcane acreage in 1998/99, an all-time record of 192,000 hectares, is reaching its maximum potential area of about 200,000 hectares. Because of this, Colombia has become interested in expanding cane plantations into neighboring countries. In the early 1990's, a group of Colombian sugar mills purchased a mill in Venezuela and in 1998 they bought a large mill in Peru. Sugar consumption in 1998/99 dropped three percent, due to the severe economic crisis that Colombia is suffering. Colombia exports about 40 percent of its sugar output. During 1997/98, Colombia exported one million tons of sugar valued at \$291 million. This included shipments of 149,000 tons to the United States. In the period October-September 1998/99, Colombia's exports under the U.S. tariff rate quota were 26,000 tons. Sugar exports fell eight percent in 1998/99, due to low world sugar prices. Sugar shipments in 1999/2000 are projected to remain at about the same levels as in the previous year.

## Production

Growers continue to shift from less profitable crops, such as soybeans, sorghum, and cotton, to sugarcane production. Colombia's planted sugarcane area reached an all-time record of 192,000 hectares in crop year 1998/99, up one percent from the previous year. Another one percent increase in area is projected for 1999/2000. Growth in planted area over the following three years is expected to be less than one percent annually. Industry observers believe that total planted sugarcane area is not likely to exceed 200,000 hectares. Expansion of sugarcane area beyond this level would require taking the crop into new producing zones lacking the particular micro-climate conditions existing in the current sugarcane area. In fact, some of the recent plantations are already in marginal land and their yields are lower than the average for this region. Other restrictions to sugar area growth are an underdeveloped infrastructure and insecurity because of guerrilla activity in the area.

This situation has prodded Colombians toward expanding cane plantations into neighboring countries. In the early 1990's, a group of Colombia's sugar mills purchased a mill in Venezuela and in 1998 they bought a large mill in Peru. Interest in purchasing foreign sugar mills continues to be high.

Sugar production in 1998/99 totaled 2.2 million tons, up three percent from 1997/98. Sugar output in 1999/2000 is forecast to be up one percent from 1998/99. Although planted area is expected to grow slightly, harvested area is not projected to change in 1999/2000, since recent plantings will not be ready to harvest. In subsequent years, only about one percent annual increases in sugar production are forecast. Recent discussions with sugar industry officials resulted in two and one percent downward adjustments to sugar output in 1997/98 and 1998/99, respectively. The 1999/2000 output figure is also revised upward one percent.

The sugar industry has embarked on a campaign to eliminate the practice of burning cane fields to reduce foliage before harvesting. The industry is attempting to reach minimum levels of burning by the year 2005. In the last two years, the sugarcane industry has reduced burning of cane in 50,000 hectares or one-fourth of current sugar cane area. The Colombian sugar industry has begun to mechanize cane harvesting, which is an important factor in reducing burning. The sugar industry is also developing cane varieties that drop their leaves just before harvesting.

Colombia's non-centrifugal sugar (panela) situation has not changed since our last report (CO-9010 of April 9, 1999).

## Consumption

Colombia's human consumption of sugar in 1998/99 fell three percent to 1.2 million tons, as a result of the

severe economic recession that Colombia has experienced over the past two years. Unemployment is running as high as 20 percent, drastically reducing purchasing power of the population. During this time, sugar utilization in the manufacture of processed foods and soft drinks also decreased. These two categories account for approximately one-third of Colombia's total sugar consumption. The fact that sugar prices to the consumer did not grow during 1998/99 is an indication of weak demand for this product. The average retail price for sugar in September 1999 was 1,000 pesos per kilo (\$0.22 per pound), a mere two percent above a year ago. Inflation during this period was nine percent. In fact, domestic retail sugar prices have remained virtually unchanged at 1,000 pesos per kilo during the past two years.

The outlook for 1999/2000 is for a one percent recovery in local sugar consumption. A two percent annual increases in consumption is projected for the following three years, based largely on a population growth rate of 1.7 percent. Post recently received final sales data from the Sugar Growers Association (Asocana), which resulted in 2, 7, and 8 percent downward revisions in our previous estimates of local sugar consumption in 1997/98, 1998/99, and 1999/2000, respectively.

## Trade

Sugarcane exports during 1997/98 totaled 25,000 tons, down 18 percent from 1997/98, due mainly to transportation restrictions at the Venezuelan border during this year. All of Colombia's sugarcane exports are from the eastern production area and are shipped to a mill in Venezuela, owned by Colombian investors (please see "Production"). No other sugar mills exist in the area. The rest of the sugarcane produced near the Venezuelan border is used for non-centrifugal sugar (panela) manufacturing in Colombia.

Colombia exports about 40 percent of its sugar output. During 1997/98, Colombia exported one million tons of sugar valued at \$291 million. Sugar exports in 1998/99 are estimated to drop to 940,000 tons. World sugar prices weakened markedly in marketing year 1998/99, due partly to the Asian crisis and the devaluation of the Brazilian real. Lower export prices combined with tight exportable supplies limited sugar exports to 940,000 tons in 1998/99. Export shipments in 1999/2000 are forecast at about the same level as in 1998/99. Significant increments in Colombia's future sugar export volumes are not anticipated.

In 1997/98, almost 150,000 tons of sugar were exported to the United States. Sugar exports to the United States consist of the raw product and most of them are for refining and transshipment to other countries. Colombia's sugar export quota to the United States for the period October 1998-September 1999 amounted to 26,999 tons. According to local industry contacts, the export quota was filled.

Sugar imports are minimal and occur only when price differentials favor them. They come mainly from Andean Community countries. Since world sugar prices are low, sugar imports in 1998/99 are estimated to be double those of the previous year.

In an attempt to protect the domestic sugar industry, Ecuador has restricted the entry of sugar, since November 1998. Ecuador is an important sugar market for Colombia; in 1998, Colombia exported 184,000 tons of sugar to that country. Also, beginning October 1, 1999, Venezuela will suspend sugar

imports from Andean Community (Colombia, Ecuador, Peru, and Bolivia) and Central American countries. For the Andean Community, in practice, this measure affects only Colombia since other countries are not important sugar exporters. Venezuela is the largest sugar market for Colombia, taking about 30 percent of the Colombian sugar shipments.

## Stocks

Our previous estimates of ending stocks for 1997/98 and 1998/99 are adjusted downward, due to revisions of production, exports, and consumption during the same years. Stocks at the end of 1998/99 meet local and export needs for about two weeks. Although slightly tight, this level is judged to be adequate, since sugar is harvested year-round in Colombia.

## Tables

**Colombia: Centrifugal Sugar, PS&D, 1997/98 - 1999/2000 (1,000 tons)**

PSD Table						
Country:	Colombia					
Commodity:	Sugar					
	1998		1999		2000	
	Old	New	Old	New	Old	New
Market Year Begin	09/1997		09/1998		09/1999	
Beginning Stocks	255	255	105	64	97	57
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2154	2110	2180	2169	2220	2240
TOTAL Sugar Production	2154	2110	2180	2169	2220	2240
Raw Imports	2	1	2	1	1	1
Refined Imp.(Raw Val)	6	3	5	7	5	7
TOTAL Imports	8	4	7	8	6	8
TOTAL SUPPLY	2417	2369	2292	2241	2323	2305
Raw Exports	636	661	450	530	450	530
Refined Exp.(Raw Val)	362	359	410	410	410	410
TOTAL EXPORTS	998	1020	860	940	860	940
Human Dom. Consumption	1259	1230	1290	1194	1320	1210
Feed Dom. Consumption	55	55	45	50	45	50
TOTAL Dom. Consumption	1314	1285	1335	1244	1365	1260
Ending Stocks	105	64	97	57	98	105
TOTAL DISTRIBUTION	2417	2369	2292	2241	2323	2305

**Colombia: Sugarcane for Centrifugal Sugar, 1997/98 -1999/2000**

(1,000 hectares and 1,000 tons)

PSD Table						
Country:	Colombia					
Commodity:	Sugar Cane Centrifugal					
	1998		1999		2000	
	Old	New	Old	New	Old	New
Market Year Begin	09/1997		09/1998		09/1999	
Area Planted	189	190	190	192	191	194
Area Harvested	185	186	184	186	184	186
Production	17900	17900	18200	18200	18400	18400
TOTAL SUPPLY	17900	17900	18200	18200	18400	18400
Utilization for Sugar	17900	17900	18200	18200	18400	18400
Utilizati for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	17900	17900	18200	18200	18400	18400

Source: Asocana (Colombian Sugar Growers Association).

**Colombia: Exports of Centrifugal Sugar, 1998 (1,000 tons)**

Export Trade Matrix			
Country:	Colombia	Units:	1,000 metric tons
Commodity:	Sugar		
Time period:	9/1997		
Exports for	1998		1999
U.S.	149	U.S.	
Others		Others	
Venezuela	434		
Ecuador	184		
Peru	92		
Haiti	41		
Sri Lanka	26		
Russia	22		
Canada	18		
Honduras	17		
Chile	11		
Dominican Rep.	4		
Total for Others	849		0
Others not listed	22		
Grand Total	1020		0

Source: DANE (National Statistics Bureau).

**Colombia: Imports of Centrifugal Sugar, 1998 (1,000 tons)**

Import Trade Matrix			
Country:	Colombia	Units:	1,000 metric tons
Commodity:	Sugar		
Time period:	9/1997		
Imports for	1998		1999
U.S.	1	U.S.	
Others		Others	
Bolivia	1		
Brazil	1		
Mexico	1		
Total for Others	3		0
Others not listed			
Grand Total	4		0

Source: DIAN (Revenue and Customs Agency).



**Colombia: Retail Prices for Refined Sugar, 1997-98 (Pesos per kilo)**

Prices Table					
Country:	Colombia				
Commodity:	Sugar				
Year:	1998				
Prices in (currency)	Pesos	per (uom)	kilo		
Year	1997	1998	% Change		
Jan	726	810	11.6%		
Feb	698	789	13.0%		
Mar	714	817	14.4%		
Apr	730	1000	37.0%		
May	730	1050	43.8%		
Jun	740	1050	41.9%		
Jul	750	1025	36.7%		
Aug	755	1000	32.5%		
Sep	762	984	29.1%		
Oct	774	990	27.9%		
Nov	786	995	26.6%		
Dec	798	1000	25.3%		
Exchange Rate	2015	(Local currency US/\$)			
Date of Quote	01-Oct-99	(MM/DD/YY)			

Source: Agricultural Attache's Office surveys.

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