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Jamaica

Sugar Annual

Jamaica Annual Sugar Report 2018

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Report Highlights:

For Marketing Year (MY) 2018/19, Post forecasts that 100,000 MT of raw sugar will be produced due to expected favorable weather conditions for sugar cane and stable or slightly increased production from each of the five operating factories. Post projects that Jamaica's MY 2017/18 sugarcane production will also be 100,000 MT, an increase from the 88,000 MT produced during MY 2016/17, due to normal rainfall patterns and the availability of more sugar cane from fields that were not harvested in the previous crop. In MY 2017/18, Jamaica is expected to fulfill its U.S. sugar quota, supply all of its domestic raw sugar needs from its own production, and continue exports to the European Union (EU), even though EU sugarcane prices have become less attractive due to policy changes.

Production:

For 2018/19, Post forecasts that 100,000 MT of raw sugar will be produced from 1.2 million MT of sugarcane due to expected favorable weather conditions for sugar cane and stable or slightly increased production from each of the five operating factories. With five of the six factories in operation for the start of MY 2017/18 crop year, Post projects that 100,000 MT sugar will be produced. This reflects an increase from the 88,000 MT produced during MY 2016/17 due to normal rainfall patterns and the availability of sugar cane from fields that were not harvested during the previous MY.

For MY 2016/17, the Jamaica Sugar Industry Authority (SIA) reported an area planted of approximately 24,000 hectares. However, only 85 percent of the area planted is generally harvested due to illicit cane fires, poor weather conditions, and labor supply disruptions. These factors, combined with sugarcane quality issues and factory inefficiencies have led—and could lead—to erratic production levels (134,224 MT in MY 2014/15 versus 82,855 MT in MY 2015/16). Each of the five operating factories is currently operating at levels significantly below capacity. Jamaica does not currently have the capacity to produce refined sugar, and this is not expected to change in the near term.

The sixth factory, the Everglades Sugar factory, ceased operations in January 2017 based on reports that it had been operating at a loss and further investment for the MY 2017/18 sugarcane crop was not warranted. Sources indicate that Government of Jamaica (GOJ), which divested the factory to the current owners in 2009, is in discussions with them regarding the future of the factory. In Jamaica, sugar factories generally provide agricultural inputs to nearby sugarcane farmers, who are then required to sell their sugarcane to that factory. Therefore, since the Everglades Sugar factory is not operating, Post expects reduced production in the surrounding area due to the high transportation costs related to selling the sugarcane to another mill.

Sugarcane Production by Factory: Crop year 2016/17

Factory	Company	Estate Area Reaped (HA)	Farmer s Area Reaped (HA)	Total Area Reaped (HA)	Estate Cane Milled (MT)	Farmers Cane Milled (MT)	Total Cane Milled (MT)	Raw Sugar Produced (MT)
Frome	Pan-Caribbean Sugar	2,357	2,417	4,774	140,823	106,256	247,079	20,451
Monymusk	Pan-Caribbean Sugar	0	3,443	3,443	0	179,193	179,193	11,230
Appleton	Campari	2,900	1,656	4,556	187,038	110,565	297,603	18,921
Worthy Park	Worthy Park	1,812	1,830	3,642	95,523	166,059	261,582	26,077
Everglades	Hussey Family	193	835	1,028	0	0	0	0
Golden Grove	Seprod	892	1,168	2,060	63,965	84,963	148,927	11,299
Total		8,154	11,349	19,503	487,349	647,036	1,134,385	87,978

Source: Jamaica Sugar Industry Authority (Preliminary) 2018

Consumption:

Consumption of raw and refined sugar and molasses continues to be relatively flat at 126,000 MT (55,000 MT of raw sugar and 71,000 MT of refined sugar) with a per capita consumption of 103 pounds per person per year. Refined sugar is used mostly for manufacturing purposes, especially in the non-alcoholic beverage and bakery industries. Jamaica is currently under a three-year International Monetary Fund (IMF) Stand-By Arrangement, which prescribes a program of economic austerity and limits the disposable income of consumers. Therefore, it is expected that output of the bakery industry and production of non-alcoholic beverages will remain flat for the short to medium term. The alcoholic beverage industry consumes about 100,000 MT of molasses and about 5,000 MT of raw sugar per year. Finally, while artificial and herbal sweeteners can be found in imported products sold in the Jamaican market, they have a very small market share.

Trade:

For MY 2017/18, Post forecasts 45,000 MT of raw sugar exports, based on stable consumption domestically and from the United States, and reduced demand from the European Union (EU) given recent policy changes (see below). Jamaica is expected to fulfil its 11,584 MT U.S. sugar tariff rate quota (TRQ) for 2017/18 and export the remainder to the EU, even though its sugarcane prices have become much less attractive. Post projects MY 2018/19 exports to remain stable at 45,000 MT.

In MY 2016/17, total exports of raw sugar from Jamaica decreased by 3 percent to 35,000 MT, valued at US\$17 million. From this total, 19,000 MT was exported to the European Union, 11,222 MT fulfilled the U.S. sugar TRQ, and 4,745 MT were exported to Caribbean markets.

Historically, Jamaica exported sugar to the EU under the European Union Sugar Protocol, which granted Jamaica and other African, Caribbean and Pacific (ACP) countries guaranteed preferential prices. This allowed it to export raw sugar to the EU at a high price and import raw sugar for domestic consumption at a much lower price. In 2009, this Protocol was replaced by the ACP Economic Partnership Agreement (EPA), which reduced the difference between ACP and world market prices. Additionally, reforms to the EU's Common Agricultural Policy (CAP) in March 2013 abolished the guaranteed sugar quotas on October 1, 2017, which brought to an end the preferential treatment that ACP sugar producers had enjoyed since 1975. Under this new regime, Jamaica has to compete with other, more efficient, sugar-producing countries. Due to losing its preferential access to the EU market, stable domestic demand, and limited access to the U.S. market, Jamaica is currently exploring increasing its exports to more attractive markets within the Caribbean Community (Caricom) to increase its viability. However, it would have to compete with other sugarcane-producing member states, including Belize, Guyana, and Barbados.

Due to the EU policy change, Jamaica is not expected to import raw sugar for domestic consumption. However, Jamaica does not produce refined sugar and therefore imports to satisfy the domestic demand. In MY 2016/17, Jamaica imported 71,259 MT of refined sugar. Given Jamaica's commitment to the IMF austerity program and associated flat domestic consumption, refined sugar imports are expected to remain flat for MY 2017/18 and MY 2018/19. Despite Jamaica's liberalization of the refined sugar market, Guatemala and Colombia continue to be the dominant suppliers on the basis of price and availability.

Stocks:

For refined sugar, sources indicate that importers hold only approximately one month of supply in stocks as a result of the deregulation of refined sugar imports and increased storage costs. Producers maintain very low stocks of raw sugar, at approximately 4,000 MT.

Policy:

The Jamaican Ministry of Industry, Commerce, Agriculture and Fisheries (MICAFA) has overall responsibility for the sugar industry. It deals with general policy issues, including land usage, irrigation, and subsidies. However, SIA, which is still under MICAFA, regulates and controls the industry. The SIA was created by statute to regulate and control the industry, including the functions of arbitration, monitoring, planning, research, and development. The SIA also monitors and oversees the marketing of sugar and molasses.

In 1994, Jamaica Cane Products Sales Limited (JCPS) was formed as a private marketing company, jointly owned by the sugar manufacturers and sugarcane growers. Its board includes representation from sugar manufacturers, sugarcane growers, trade unions, and the SIA. The JCPS was created to market sugar for the industry on behalf of the SIA, under the SIA's authority to market sugar via an agreement.

Prior to the creation of the JCPS, the marketing of all sugar and molasses was done by the SIA. However, the industry felt that a more focused entity, operating as a private company, could more effectively market Jamaican sugar. For additional information, see the marketing section below.

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” (now extended to 2020). The document outlines three strategic objectives:

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 GOJ’s macro-economic goals.

MICAF has emphasized the importance of diversification as a necessary risk mitigation and revenue generation mechanism. The predominant vision of diversification within the industry foresees the creation of a sugarcane (as opposed to sugar) industry; focusing on co-generation to produce energy; developing an ethanol industry; and producing refined, specialty and raw sugar, as well as increasing the production of rum and other alcoholic beverages.

Marketing:

Prior to 2012, JCPS was the only marketing agent handling domestically produced raw sugar and did so via a marketing agreement with SIA as described above. However, the GOJ has since granted marketing agent status to two additional companies: Pan Caribbean Sugar Company (PCSC) and the Seprod Group.

In November 2012, the GOJ granted marketing agent status to PCSC as part of the sale agreement between the GOJ and the Chinese company Complant, which bought the three remaining state-owned sugar factories. The Chinese-owned PCSC markets the sugar and molasses produced by their sugar factories locally and internationally.

In November 2015, the GOJ granted marketing agent status to the Seprod Group, a local entity that owns the Golden Grove Sugar Company Limited. This status gives Seprod control over the marketing of Golden Grove’s sugar, and Seprod has since entered the local raw sugar retail market.

PCSC and Seprod are not part of the local raw sugar pooling arrangement that JCPS carries out on behalf of the industry to facilitate exports to the EU and the United States. Instead, PCSC and Seprod operate independently in order to market their product domestically and to export markets. However, JCPS acts as the certifying agent for all Jamaican sugar exports.

The distribution of imported refined sugar for the retail market is handled exclusively by JCPS. However, refined sugar used in the manufacturing of valued-added products, such as beverages, is imported by independent manufacturers duty-free. Refined sugar can be imported for the retail trade by private enterprises, but is subject to a cumulative duty of 128.2 percent. JCPS therefore remains concerned that duty-free imports for manufacturing may be diverted to the retail trade, dampening

prices. The GOJ believes that the heavy involvement of JCPS in the domestic sugar market serves as a means of stabilizing local retail sugar prices for refined sugar. JCPS establishes the base price for both raw and refined sugar based on historical prices and production estimates. The prices in the local market are as follows:

Current Prices for Sugar

Type of Sugar	Prices (US\$/pound)		
	Producer to wholesaler	Wholesaler/Importer to retail	Retail to consumer
Raw	-	0.51	0.69
Refined	N/A	0.92	1.27

Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal	2016/2017		2017/2018		2018/2019		
Market Begin Year	Dec 2016		Dec 2017		Dec 2018		
Jamaica	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Area Planted	33	24	33	24	0	24	(1000 HA)
Area Harvested	25	20	25	21	0	21	(1000 HA)
Production	1400	1100	1400	1200	0	1200	(1000 HA)
Total Supply	1400	1100	1400	1200	0	1200	(1000 HA)
Utilization for Sugar	1392	1100	1392	1200	0	1200	(1000 HA)
Utilization for Alcohol	8	0	8	0	0	0	(1000 HA)
Total Utilization	1400	1100	1400	1200	0	1200	(1000 HA)

Sugar, Centrifugal	2016/2017	2017/2018	2018/2019	
Market Begin Year	May 2016	May 2017	May 2018	

Jamaica	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Beginning Stocks	4	4	4	4	0	4	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	100	88	100	100	0	100	(1000 MT)
Total Sugar Production	100	88	100	100	0	100	(1000 MT)
Raw Imports	0	2	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	70	71	70	71	0	71	(1000 MT)
Total Imports	70	73	70	71	0	71	(1000 MT)
Total Supply	174	165	174	175	0	175	(1000 MT)
Raw Exports	50	35	50	45	0	45	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
Total Exports	50	35	50	45	0	45	(1000 MT)
Human Dom. Consumption	120	126	120	126	0	126	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Use	120	126	120	126	0	126	(1000 MT)
Ending Stocks	4	4	4	4	0	4	(1000 MT)
Total Distribution	174	165	174	175	0	175	(1000 MT)