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# GAIN Report

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## **Jamaica**

## **Sugar Annual**

## **Jamaica Sugar Annual Report 2015**

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### **Report Highlights:**

Post estimates that Jamaica's production will increase to 160,000 MT in 2014/2015. The improved performance will be a result from increased yield and an extended harvesting period. Jamaica is expected to use its production to fulfill its sugar quota to the U.S. and its commitments to the EU. The remaining sugar will be used to supply the domestic market.

**Executive Summary:**

The 2014/2015 crop is projected to produce about 160,000 MT of raw sugar – a marginally higher volume than the previous year. Jamaica is expected to use its production to fulfill its commitments to Britain's Tate & Lyle Limited, Sucres & Denrées and the allocation under U.S. Raw Sugar Tariff-Rate Quota (TRQ). The remaining sugar production will be used to supply the domestic market. In addition, the Government of Jamaica (GOJ) policy includes strategies for the diversification of the industry to embrace cogeneration and the production of ethanol, rum and specialty sugar.

Consumption of raw and refined sugar in Jamaica has remained relatively flat over the last three years and is expected to remain flat until the economy improves.

For the sugar crop 2013/2014 Jamaica fulfilled its sugar quota of 11,000 MT to the United States. Furthermore, Jamaica is expected to fulfill its sugar quota to the U.S. in 2014/2015. Jamaica will supply all of its domestic raw sugar needs from its own production. It should be noted that for the 2013/2014 sugar crop, Jamaica exported 80,000 MT of raw sugar valued at USD 69 million. The European Union (EU) accounted for the major share of the 80,000 MT due to high prices in that market.

| Sugar Cane for Centrifugal<br>Market Begin Year<br>Jamaica | 2013/2014     |          | 2014/2015     |          | 2015/2016     |          |
|--|---------------|----------|---------------|----------|---------------|----------|
|  | Dec 2013      |          | Dec 2014      |          | Dec 2016      |          |
|  | USDA Official | New post | USDA Official | New post | USDA Official | New post |
| Area Planted   | 35            | 35       | 37            | 37       | 0             | 39       |
| Area Harvested   | 30            | 30       | 32            | 32       | 0             | 34       |
| Production   | 1,700         | 1,800    | 1,900         | 1,900    | 0             | 2,000    |
| Total Supply   | 1,700         | 1,800    | 1,900         | 1,900    | 0             | 2,000    |
| Utilization for Sugar                                      | 1,692         | 1,792    | 1,892         | 1,892    | 0             | 1,992    |
| Utilization for Alcohol                                    | 8             | 8        | 8             | 8        | 0             | 8        |
| Total Utilization  | 1,700         | 1,800    | 1,900         | 1,900    | 0             | 2,000    |
|  |               |          |               |          |               |          |
| 1000 HA, 1000 MT   |               |          |               |          |               |          |

Source: Industry & post estimate

| Sugar, Centrifugal<br>Market Begin Year<br>Jamaica | 2013/2014     |          | 2014/2015     |          | 2015/2016     |          |
|--|---------------|----------|---------------|----------|---------------|----------|
|  | May 2013      |          | May 2014      |          | May 2016      |          |
|  | USDA Official | New post | USDA Official | New post | USDA Official | New post |
| Beginning Stocks                                   | 0             | 0        | 0             | 4        | 0             | 0        |
| Beet Sugar Production                              | 0             | 0        | 0             | 0        | 0             | 0        |
| Cane Sugar Production                              | 140           | 150      | 160           | 160      | 0             | 170      |
| Total Sugar Production                             | 140           | 150      | 160           | 160      | 0             | 170      |
| Raw Imports  | 8             | 0        | 0             | 0        | 0             | 0        |
| Refined Imp.(Raw Val)                              | 70            | 72       | 70            | 70       | 0             | 70       |
| Total Imports                                      | 78            | 72       | 70            | 70       | 0             | 70       |
| Total Supply                                       | 218           | 222      | 230           | 234      | 0             | 240      |
| Raw Exports  | 80            | 80       | 92            | 96       | 0             | 100      |
| Refined Exp.(Raw Val)                              | 0             | 0        | 0             | 0        | 0             | 0        |
| Total Exports                                      | 80            | 80       | 92            | 96       | 0             | 100      |
| Human Dom. Consumption                             | 138           | 138      | 138           | 138      | 0             | 138      |
| Other Disappearance                                | 0             | 0        | 0             | 0        | 0             | 0        |
| Total Use  | 138           | 138      | 138           | 138      | 0             | 138      |
| Ending Stocks                                      | 0             | 4        | 0             | 0        | 0             | 2        |
| Total Distribution                                 | 218           | 222      | 230           | 234      | 0             | 240      |
| 1000 MT  |               |          |               |          |               |          |

Source: Industry & post estimate

### Production:

Jamaica is expected to increase sugar production in 2015/2016 as the Chinese owned Pan Caribbean Sugar Company (PCSC) Limited is expected to have finalized the retrofitting of their two sugar mills which have been under-performing over the last two years. In addition, the Government of Jamaica will be increasing the amount of funds available to farmers for planting and replanting of sugarcane through their Sugarcane Loan Program.

The late start of 2014/2015 crop year raised doubts in regards to attaining the production target of 160,000 MT of 96 degree sugar, which would be an increase of 4 percent from the 154,000 MT produced during the previous crop. The current crop, despite starting late, is still projected larger than the previous crop because of the increase in sugarcane yields and the planned prolongation of the harvest to July.

The 2013/2014 production of 154,361 MT of 96-degree sugar was higher than the previous estimate of 140,000 MT. Furthermore, that 154,361 MT is a twenty percent increase over the previous year's production of 128,000 MT. Favorable weather conditions are regarded as the main factor responsible for the increase in production. Sugar production over the last three years has been erratic from 132, 000 MT in 2011/2012; 128,000 MT in 2012/2013 to the present 154,361 MT in 2013/2014.

Approximately 34,000 hectares of land is cultivated with sugarcane each year with, on average, 85 percent harvested. The other 15 percent is not harvested because of illicit cane fires, poor weather conditions, labor supply disruptions, and strategic increase in stand-over fields.

| Factories | Total | Estate Cane | Farmers Cane Milled | Total Cane | Raw Sugar |
|-----------|-------|-------------|---------------------|------------|-----------|
|-----------|-------|-------------|---------------------|------------|-----------|

|              | Area Reaped (Hectares) | Milled (Owned) (MT) | (Independent) (MT) | Milled (MT) | Produced (MT) |
|--------------|------------------------|---------------------|--------------------|-------------|---------------|
| Frome        | 8,008                  | 251,455             | 254,502            | 505,957     | 38,6030       |
| Monymusk     | 7,298                  | 180,214             | 89,963             | 270,177     | 23,091        |
| Appleton     | 5,268                  | 293,896             | 75,906             | 369,802     | 33,890        |
| Worthy Park  | 3,503                  | 98,441              | 148,577            | 247,018     | 27,650        |
| Everglades   | 2,367                  | 67,161              | 64,118             | 131,279     | 11,724        |
| Golden Grove | 3,261                  | 112,781             | 142,243            | 255,024     | 19,403        |
| Total        | 29,705                 | 1,003,948           | 775,309            | 1,779.257   | 154,361       |

According to the Sugar Industry Enquiry Commission Report of 2010, production of between 200,000 and 300,000 MT of raw sugar per annum is essential to the viability of the industry. These production targets are within the existing capacity of the Jamaican Sugar Industry, which has a rated capacity for 336,000 MT of raw sugar per annum. However, the factories have been operating at levels significantly below rated capacity and sugarcane production has been erratic over the past three years. Therefore, it is clear that the viability of the industry is highly dependent on increasing sugarcane acreage, increasing yield, improving factory efficiency and the availability of markets for the products produced.

### **Consumption:**

Consumption of raw and refined sugar and molasses continues to be relatively flat.

Total consumption of raw sugar in Jamaica during 2013/14 was 58,000 MT. Consumption of refined sugar, which is used mostly for manufacturing purposes, grows proportionately with the non-alcoholic beverage and bakery industries. Given that the Jamaican economy is still in recovery from a protracted recession and disposable consumer incomes remain limited, 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.

Artificial and herbal sweeteners are present in the Jamaican market, but have not penetrated the retail sector.

### **Trade:**

Since the EU and U.S. quota prices have converged with world market prices, the economic advantage of exporting at a high price and importing at a lower price no longer exists. Therefore, Jamaica will export approximately one half of its sugar production, consume its own sugar, and import no raw sugar for domestic consumption.

The European Union Sugar Protocol, which allowed Jamaica and other African, Caribbean and Pacific (ACP) countries guaranteed preferential prices, has been replaced by the ACP Economic Partnership Agreement (EPA), reducing the difference between ACP and world market prices. It should be noted that up until 2009, Jamaica's EU quota was 127,000 MT with an additional 24,000 MT exported under the Special Preferential Sugar (SPS) agreement.

The total exports of raw sugar from Jamaica during the crop year 2013/2014 decreased by 2 percent, to 80,000 MT, valued at US\$69 million, from 82,000 MT in crop year 2012/13 (with an export value of US\$73 million). For the 2013/2014 crop, Jamaica exported 69, 000 MT of raw sugar to the European Union and fulfilled their U.S. sugar tariff rate quota (TRQ) of 11,000 MT.

Jamaica was able to fulfill all of its local demand for raw sugar by consuming 60,000 MT of domestically produced sugar. While for refined sugar the country imported 72,000 MT during 2013/14 crop year. With retail consumption remaining flat and relatively low stocks, imports of refined sugar are typically driven by manufacturing demand. Despite the liberalization of the refined sugar market in Jamaica, Guatemala and Colombia continue to be the dominant suppliers to the local market on the basis of price and availability.

### **Stocks:**

The liberalization of refined sugar imports allows the Jamaica Cane Product Sales Limited (JCPS), private brokers and manufacturers to import and hold stocks of refined sugar. The JCPS previously handled all raw sugar imports and exports but they now share marketing agent status with the Chinese locally-owned Pan Caribbean Sugar Company (PCSC) Limited. The amount of raw sugar held in stock is uncertain. With the deregulation of refined sugar imports and increasing storage cost, independent importers do not hold significant stocks of refined sugar.

### **Policy:**

The Ministry of Agriculture (MOA) has overall responsibility for the sugar industry. It deals with general policy issues while delegating to the Sugar Industry Authority (SIA) specifics of regulation and control of the industry. The Sugar Industry Authority is a statutory body which was created in 1970 by way of an amendment to the Sugar Industry Control Act of 1937 (The Act) to succeed a weaker body, the Sugar Industry Control Board. The SIA was vested with wide powers to regulate and control the industry, including the functions of arbitration, monitoring, planning, research and development and monitoring and overseeing the marketing of sugar and molasses.

In 1994, Jamaica Cane Products Sales Limited was formed as a private marketing company jointly owned by the sugar manufacturers and cane growers. The board of the JCPS includes representation from the two aforementioned organizations, the 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 provided by legislation. 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, would function more effectively in pursuing the marketing role. JCPS operates under a specific agreement with the SIA that allows it to function as marketing agent.

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". The revised sugar strategy document is now entitled, "The Jamaica Country Strategy for the Adaptation of the Sugar Industry: 2006 to 2020." The document outlines three (3) strategic objectives which are as follow:

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 Government of Jamaica's (GOJ) macro-economic goals.

The Jamaican sugar industry has been completely privatized since August 2011 when the GOJ completed its sale agreement with Complant (International Sugar Industry Company Limited), a company jointly owned by the Government of China and private interests in China on the purchase of the remaining three state-owned sugar factories. It should be noted that the Jamaican Government had no other alternative apart from divesting the state-owned sugar factories given the huge losses these entities incurred over many years.

The government of Jamaica in June 2010 appointed a Commission of Enquiry into the sugar industry sector. According to the GOJ, the Enquiry was necessary given the important changes taking place in the Jamaican Sugar Industry, particularly in relation to adjustments in the European Union's sugar importation policy and the full privatization of the industry. The Commission was given the mandate to ascertain if modifications were required in the regulation, marketing, pricing and institutional controls governing the sector. Twelve main recommendations were made by the Commission and it was felt that these recommendations would have provided the framework for a new, prosperous, multi-product sugar cane industry, led by the private sector. However, to date nothing has been done to implement these recommendations.

Additionally, the policy environment emphasizes 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, and the production of ethanol, refined, specialty and raw sugar, as well as rum and other alcoholic beverages.

**Marketing:**

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

JCPS is a local cooperative marketing firm composed of sugarcane growers and Jamaican sugar manufacturers. PCSC will not be a part of the local raw sugar pooling arrangement that JCPS carries out on behalf of the industry for the current crop but will operate independently of the local formula by which estates pool their product for the European and United States of America markets.

Since 1994 the marketing of Jamaican raw sugar was assigned under an agency agreement to JCPS Limited, a private company which is jointly owned by the Jamaican sugar manufacturers and the Jamaican sugarcane farmers. As marketing agent of the state-owned Sugar Industry Authority (SIA), JCPS undertakes the commercial functions associated with the marketing of raw sugar destined for export and for local consumption. JCPS at present undertakes the marketing of locally produced raw sugar and molasses for approximately one half of the industry and distributes the total revenues to its sugar manufacturers and sugar cane farmers.

In addition, distribution of imported refined sugar in Jamaica for the retail market is handled exclusively by the JCPS. However, refined sugar used in the manufacturing of valued-added products, such as beverages, is imported by independent manufacturers. JCPS remains concerned that duty-free refined sugar imports for manufacturing may be diverted to the retail trade, dampening prices. It should be noted that refined sugar can be imported for the retail trade by private enterprise but is subjected to a

cumulative duty of 128.2%. The Government of Jamaica believes that the heavy involvement of the JCPS in the domestic sugar market serves as a means of stabilizing local retail sugar prices.