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Date: 4/16/2012

GAIN Report Number: ES1201

El Salvador

Sugar Annual

2012

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Report Highlights:

Sugarcane planted area in 2011/2012 is slightly higher than in 2010/11 reaching 64,000 hectares (ha). The Salvadoran Sugar Council (CONSAA) continues to regulate sugar trade. In Marketing Year (MY) 2011, most sugar exports were destined for Taiwan, Canada, South Korea, Spain, and to the U.S. re-export market. High international prices continue providing financial relief to the sugar sector. The sector continues to get tariff protection from the Government of El Salvador (GOES). The Ministry of Agriculture (MAG) continues efforts to shift traditional agriculture to more profitable non-traditional export crops. The law for production of alternative fuels, including ethanol, continues to be “on hold” by the current administration and there is no set date for its entry into force.

Executive Summary:

Higher yielding sugarcane varieties, diversification of the industry into the production of energy and alcohol/ethanol, investment in milling equipment to improve sugar yields, additional access to the U.S. market due to CAFTA-DR, and continued favorable international prices will all benefit El Salvador's sugar industry over the next 3 to 5 years. A National Sugar Law for commercialization, production, and distribution of sugar is an important component to the reengineering process that the industry has undergone. In addition, assisted by attractive prices and additional access to the U.S. market, the sector seems to be recovering financially after facing debt complications due to natural disasters such as Tropical Storm E12, high transportation costs and lack of government policies to assist sugarcane growers. Ultimately the success of the industry will depend on compliance with the Sugar Law by all parties involved, continued improvement in sugarcane and sugar yields, and increased diversification into additional energy co-generation projects and an Ethanol Law that encourages investment.

Sugarcane production for the 2011/12 harvest is estimated at 5.35 million metric tons (MMT). Based on new data provided by CONSAA, production for 2010/11 has been increased slightly to 4.652 MMT.

Sugar production for 2011/12 is estimated at 640,000 metric tons (MT). Sugar production for 2012/13 is expected to decrease by approximately 20,000 MT. However, weather conditions will continue to play a major role in future sugar production. Erratic weather patterns caused by the global warming phenomenon can pose threats to the upcoming sugarcane production. New data provided by CONSAA show exports reaching 317,000 MT for MY2011 and are estimated at 409,000 MT for MY2012.

El Salvador only exports raw sugar. The GOES continues to control wholesale sugar prices. The current average retail price for white sugar is US\$0.35 per pound plus a 13 percent value-added-tax. Higher fertilizer, fuel and other input costs could play a major role in future sugar production.

El Salvador together with the rest of Central America continues negotiating a Trade Association Agreement with the European Union (EU) that could provide access to up to 100,000 MT of sugar duty free from the region. Also, Central America is negotiating a free trade agreement with Canada that could also benefit the sugar industry.

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Production:

Recent production numbers compiled by FAS office in San Salvador show that the 2011/12 sugarcane harvest is expected to reach 5.35 MMT. Sugar production is estimated to be 640,000 MT in 2011/12. These positive production numbers are a direct result of the local sugar industry working to control sugarcane burning during harvest, to create new sugarcane varieties that are more resistant to pests and diseases, and to increase investment in the sugar milling process. Thus, sugar recovery yields which are

estimated at 119 kilograms per MT for the 2011/12 season are expected to continue a positive trend for the 2012/13 harvest. Sugar production is expected to decrease slightly in 2012/13 reaching approximately 620,000 MT. This 20,000 MT reduction is mainly due to possible unfavorable weather patterns in the coming season.

Area planted grew to 64,000 hectares (ha) during 2011/12 mainly due to positive international sugar cane prices. Planted area could increase in the near future if the Ethanol Production Law is implemented since there is ample idle land in the country that can be devoted to increased sugarcane production.

Grower prices continue to be set according to the sugar content of the cane. According to the Sugar Law, producers receive 54.5 percent of total sugar sales, with the rest going to the sugar mills. The mills distribute this sales income (the 54.5 percent share) among sugar producers based on the amount of sugarcane they provided. Continued investment on part of all sugar mills has helped reduce downtime during the milling process, as well as increase sugar recovery rates to a more competitive position within the region.

Consumption: Continued increased consumption by the candy and juice industry continues to provide stability to internal consumption numbers with domestic consumption reaching 242,000 MT in 2011/12. Higher exports of these products due to opportunities provided by the CAFTA-DR Free Trade Agreement could contribute to increased consumption in the medium term. Post estimates 2012/13 consumption at 243,000 MT; however consumption numbers will ultimately depend on the recovery of the Salvadoran economy.

Trade:

Exports for 2011/12 are expected to reach 409,000 MT. The export forecast for 2012/13 is 378,000 MT.

The GOES continues to impose a 40 percent ad-valorem import tariff on all sugar; the bound rate is 70 percent as the GOES considers sugar politically sensitive because it is an important driver of rural income and employment. Even though CAFTA-DR has spurred regional tariff harmonization to avoid triangulations and market disruptions, the Central American region still has not agreed on a harmonized import tariff for sugar.

Canada and the U.S. re-export markets are major destinations for Salvadoran sugar exports. In MY2011, 67,390 MT were exported to Canada. Other important destinations include Taiwan, South Korea, Spain and Chile. Export destinations for 2012 are expected to be similar to 2011.

Export Trade Matrix El Salvador Centrifugal Sugar			
Time Period	MY	Units:	MT
Exports for:	2011		2012
U.S.	67,700	U.S.	56,385
Others		Others	

USA re-export	32,832	USA re-export	117,135
Canada	67,390	Canada	70,000
Taiwan	45,000		45,000
South Korea	29,320		30,000
Spain	28,040		30,000
Chile	24,964		25,000
Russian Federation	14,200		20,000
Mexico	2,544		2,500
Total for Others	227,546		317,135
Others not Listed	4,550		12,500
Grand Total	316,540		408,520

Source: CONSAA and USDA/FAS.

Stocks: Ending stocks in 2011/12 are estimated at 20,000 MT. Contraband sugar from neighboring countries is under control and does no longer causes a disruption to the local market. The National Sugar Law states that all sugar sold locally must carry a safety seal provided by CONSAA. Stock levels are expected to decrease by approximately 1,000 MT in 2012/13.

Policy: The GOES continues to require that all sugar sold in the local market be fortified with vitamin A to reduce blindness in the local population. Both producers and millers share this cost. The GOES has not designed a specific production support or assistance program for the sugar sector; instead, limiting market access through tariff protection continues to be the leading support mechanism.

Under the National Sugar Law, CONSAA is in charge of regulating the sector. CONSAA has a board of directors which includes members from the government, sugar producers, and sugar mills.

A law for the production of alternative fuels, including ethanol, is still under review by the Government of El Salvador (GOES). Under the previous GOES administration there was agreement with the sugar industry on a 10 percent mix for ethanol and with gasoline. But thus far the current government administration has not decided on enactment of this law arguing that they need to make sure that it is beneficial and has no negative impact on the environment and on consumers.

The following are some of the areas where the sugar industry continues working to improve sugar profitability:

- Production of only the amount of sugar that can be sold at profitable prices;
- Improvement of milling yields;
- Diversification of mill income by focusing on energy generation;
- Improvement of sugar cane varieties to have better sugar recovery yields and higher quality sugar;
- Exchange of research and technology with other sugar producing countries; and
- Introduction of new sugarcane varieties that are pest and disease resistant.

Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal El Salvador	20010/2011		2011/2012		2012/2013	
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: Nov 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	63	63		64		64
Area Harvested	61	61		62		62
Production	4,650	4,652		5,354		5,300
Total Supply	4,650	4,652		5,354		5,300
Utilization for Sugar	4,650	4,652		5,354		5,300
Utilization for Alcohol	0	0		0		0
Total Utilization	4,650	4,652		5,354		5,300

Units of Measure for Area are in 1,000 Hectares.

Units of Measure for Production, Supply & Utilization are in 1,000 Metric Tons.

Sugar, Centrifugal El Salvador	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: Nov 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	24	24	13	31		20
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	566	566	578	640		620
Total Sugar Production	566	566	578	640		620
Raw Imports	0	0	0	0		0
Refined Imp.(Raw Val)	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	590	590	591	671		640
Raw Exports	327	317	338	409		378
Refined Exp.(Raw Val)	0	0	0	0		0
Total Exports	327	317	338	409		378
Human Dom. Consumption	250	242	241	242		243
Other Disappearance	0	0	0	0		0
Total Use	250	242	241	242		243
Ending Stocks	13	31	12	20		19
Total Distribution	590	590	591	671		640

Units of Measure for Stocks, Production, Imports, Exports & Consumption are in 1,000 Metric Tons.

Author Defined:

Price Policy

The wholesale price for white sugar is US\$0.33 per pound plus a 13 percent value-added-tax (VAT). At the retail level, white sugar is sold at US\$0.35 per pound plus the VAT.

