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# GAIN Report

Global Agricultural Information Network

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## **Jamaica**

### **Sugar Annual**

#### **Jamaica Annual Sugar Report 2019**

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**Report Highlights:**

Post projects that Jamaica's Marketing Year (MY) 2018/19 sugar production will be 76,000 MT, a decrease from the 82,000 MT produced during MY 2017/18, due to the reduction in the number of sugar factories from five to four and the inefficiencies of transporting sugarcane over longer distances. For MY 2019/20, Post forecasts that 60,000 MT of raw sugar will be produced because of the reduction in the area planted for sugarcane and the permanent closure of one of the five sugar factories. In MY 2018/19, 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 the prices that the EU pays for Jamaican sugar have become less attractive due to EU policy changes.

## **Commodities:**

### **Production:**

For 2019/20, Post forecasts that approximately 60,000 MT of raw sugar will be produced from 745,000 MT of sugarcane. This reduction will be due to the halting of sugarcane production in the Monymusk area since that mill has permanently closed (see below). With four of the five factories in operation for the start of the 2018/19 crop year, Post projects that 76,000 MT of sugar will be produced. The permanent closure of the fifth factory explains the decrease from the 82,000 MT produced during MY2017/18.

For MY 2017/18, the Jamaica Sugar Industry Authority (SIA) reported an area planted of approximately 22,000 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 again lead – to erratic raw sugar production levels (134,224 MT in MY 2014/15; 82,855 MT in MY 2015/16; 87,978 MT in 2016/17 and 82,359 MT in 2017/18). Each of the four operating factories is currently operating at levels significantly below capacity. The issue of the sub-optimal operating capacity of the factories is compounded by the unavailability of the sugarcane produced in the now-closed Monymusk and surrounding areas for the current crop due to the high transportation cost (see below). Jamaica does not currently have the capacity to produce refined sugar, and this is not expected to change in the near term.

The fifth factory, the Monymusk Sugar factory, ceased operations in August 2018 based on reports that it had been operating at a loss and further investment for the 2018/19 sugarcane crop was not warranted. Sources indicate that the Government of Jamaica (GOJ), which divested the factory to the current owner, Pan Caribbean Sugar Company (PCSC) 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 Monymusk 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 2017/18

Factory	Company	Estate Area Reaped (HA)	Farmers 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	2,819	2,407	5,228	205,415	121,682	327,097	23,274
Monymusk	Pan-Caribbean Sugar	660	2,468	3,128	0	104,192	104,192	8,105
Appleton	Campari	2,137	1,255	3,392	152,231	62,119	214,351	16,480
Worthy Park	Worthy Park	1,717	1,592	3,309	134,128	104,686	238,814	24,251
Everglades*	Hussey Family	220	1,070	1,290	0	0	0	0
Golden Grove	Seprod	971	1,240	2,211	51,733	85,330	137,063	10,248
Total		8,524	10,034	18,558	543,507	478,010	1,021,517	82,359

\* The Everglades factory permanently ceased operations August 2016. In CY 2017/18, year, the sugarcane produced in the Everglades area (27,987 MT) was milled at Appleton (6,229 MT) and Worthy Park (21,758 MT).

Source: Jamaica Sugar Industry Authority (Preliminary) 2019.

### Consumption:

Consumption of raw and refined sugar continues to be relatively flat at 114,000 MT (46,000 MT of raw sugar and 68,000 MT of refined sugar) with a per capita consumption of 90 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 expires in 2020. The IMF “Arrangement” 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:

Post projects MY 2019/20 exports to be 14,000 MT, a substantial reduction based on reduced production and four operating mills, in part as a reaction to policy changes in the European Union (EU),

see below). For MY 2018/19, Post forecasts 30,000 MT of raw sugar exports, based on stable consumption domestically and from the United States, and reduced demand from the EU given its policy changes. Jamaica is expected to fulfil its 11,584 MT U.S. sugar tariff rate quota (TRQ) for 2018/19 and export the remainder to the EU, even though its sugarcane prices have become much less attractive.

In MY 2017/18, total exports of raw sugar from Jamaica was 35,910 MT, valued at US\$16 million. From this total, 20,255 MT was exported to the European Union, 11,074 MT fulfilled the U.S. sugar TRQ, and 4,581 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. Instead, it is expected to fulfill its TRQ with the United States, fill domestic consumption with domestic production, and seek new markets for the remainder. However, Jamaica does not produce refined sugar and therefore imports to satisfy the domestic demand. In MY 2017/18, Jamaica imported 67,738 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 2018/19 and MY 2019/20. Despite Jamaica's liberalization of the refined sugar market, Guatemala and Colombia continue to be the dominant suppliers based on price and availability.

**Stocks:**

For refined sugar, sources indicate that importers hold only approximately one month of supply in stocks because of the deregulation of refined sugar imports (see below) and increased storage costs. Producers maintain very low stocks of raw sugar. The total stocks of refined and raw sugar is 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. At that time, the industry felt that a more focused entity, operating as a private company, could more effectively market Jamaican sugar. However, over the past seven years, SIA has granted marketing licenses to all the sugar factories, which led to the demise of the JCPS in December 2018. For additional information, see the marketing section below.

In July 2009, the MICAF revised 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 all four-sugar factories/companies, namely, Pan Caribbean Sugar Company (PCSC), Worthy Park, Campari and the Seprod Group.

In November 2012, the GOJ granted marketing agent status to PCSC as part of the sales agreement between the GOJ and the Chinese company Complant, which bought the three remaining state-owned sugar factories, namely, Frome, Monymusk and Bernard Lodge. The Chinese-owned PCSC markets the sugar and molasses produced by their one remaining sugar factory, Frome, 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.

In 2018, the GOJ granted marketing agent status to the Campari Group and Worthy Park, which owns the Appleton Estate and Worthy Park Estate respectively. This status gave Campari and Worthy Park control over the marketing of their raw sugar and hence made JCPS redundant.

The distribution of imported refined sugar for the retail market is handled exclusively by SIA. 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. SIA 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 SIA in the domestic sugar market serves as a means of stabilizing local retail sugar prices for refined sugar. SIA establishes the base price for refined sugar based on historical prices. 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	2017/2018		2018/2019		2019/2020		
Market Begin Year	Dec 2017		Dec 2018		Dec 2019		
Jamaica	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Area Planted	24	22	24	21	0	17	(1000 HA)
Area Harvested	21	19	21	17	0	14	(1000 HA)
Production	1200	1000	1200	900	0	745	(1000 HA)
Total Supply	1200	1000	1200	900	0	745	(1000 HA)
Utilization for Sugar	1192	992	1192	892	0	737	(1000 HA)
Utilization for Alcohol	8	8	8	8	0	8	(1000 HA)
Total Utilization	1200	1000	1200	900	0	745	(1000 HA)

<b>Sugar, Centrifugal</b>	<b>2017/2018</b>		<b>2018/2019</b>		<b>2019/2020</b>		
<b>Market Begin Year</b>	<b>May 2017</b>		<b>May 2018</b>		<b>May 2019</b>		
<b>Jamaica</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	
							(Units)
<b>Beginning Stocks</b>	4	4	4	4	0	4	(1000 MT)
<b>Beet Sugar Production</b>	0	0	0	0	0	0	(1000 MT)
<b>Cane Sugar Production</b>	100	82	100	76	0	60	(1000 MT)
<b>Total Sugar Production</b>	100	82	100	76	0	60	(1000 MT)
<b>Raw Imports</b>	0	0	0	0	0	0	(1000 MT)
<b>Refined Imp.(Raw Val)</b>	71	68	71	68	0	68	(1000 MT)
<b>Total Imports</b>	71	68	71	68	0	68	(1000 MT)
<b>Total Supply</b>	175	154	175	148	0	132	(1000 MT)
<b>Raw Exports</b>	45	36	45	30	0	14	(1000 MT)
<b>Refined Exp.(Raw Val)</b>	0	0	0	0	0	0	(1000 MT)
<b>Total Exports</b>	45	36	45	30	0	14	(1000 MT)
<b>Human Dom. Consumption</b>	126	114	126	114	0	114	(1000 MT)
<b>Other Disappearance</b>	0	0	0	0	0	0	(1000 MT)
<b>Total Use</b>	126	114	126	114	0	114	(1000 MT)
<b>Ending Stocks</b>	4	4	4	4	0	4	(1000 MT)
<b>Total Distribution</b>	175	154	175	148	0	132	(1000 MT)

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