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Post: Kingston

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Report Highlights:

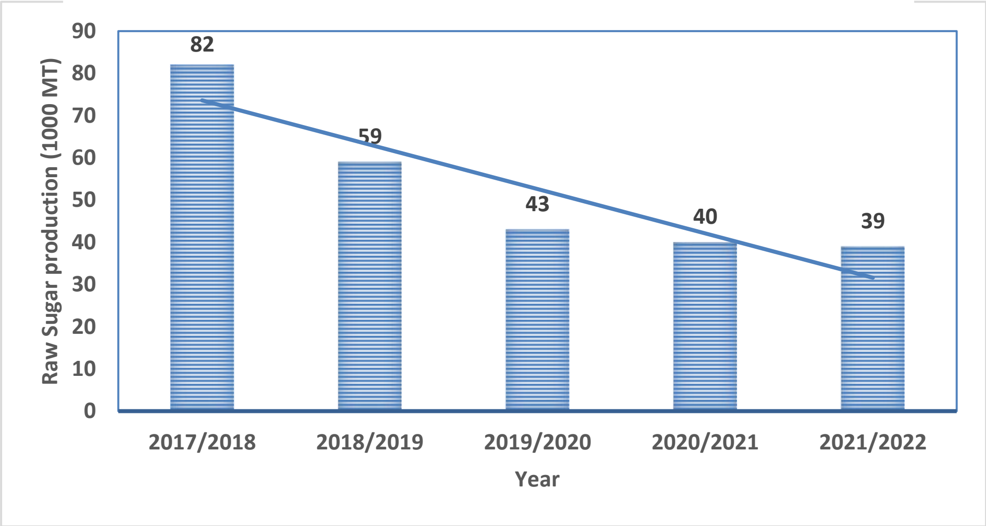
Post forecasts Jamaica's sugar production down eight percent to 36,000 metric tons (MT) for marketing year (MY) 2023/2024, an outlook that reinforces a trend already underway with past estimates for this waning industry. For years, the Jamaican sugar industry has experienced lingering challenges constraining production, such as labor shortages, low-quality sugarcane, and the high costs of production, key factors that have contributed to the closure of all but two sugar mills across the island. For MY2023/2024, Jamaica will continue to export raw sugar to the United States under the Tariff Rate Quota (TRQ) program. However, it remains unlikely that the industry will fill the entire quota due to low production and falling sugar prices on the world market. Jamaica will likely continue to supply the local market, where prices are more competitive.

Production

For marketing year (MY) 2023/2024, Post forecasts Jamaica's sugar production eight percent lower at 36,000 metric tons (MT), in line with the consistent rate of decline over the last five years. Raw sugar production for MY 2022/2023 is estimated at 38,000 MT and produced from 479,000 MT of sugarcane.

Industry sources have indicated that both raw sugar and sugarcane production have consistently underperformed over the last several years. Between 2017 and 2022, raw sugar production dropped from 82,000 MT in MY2017/2018 to 39,000 MT in 2021/2022 (see figure 1). Harvested sugarcane fell by an average of 33 percent over the same period.

Figure 1: Raw sugar production in Jamaica between 2017 and 2022



Source: Graph constructed using data from Sugar Industry Research figures

Sources attribute Jamaica's low sugar quantities to the high cost of inputs, such as fertilizers, as well as labor shortages and reduced land availability, which were previously used for sugarcane production but now used for housing and the cultivation of other crops. As a result, most sugar mills have shut down operations in recent years. Currently, Pan Caribbean and Worthy Park are the only mills producing raw sugar in the country. Jamaica presently imports refined sugar as it does not possess capabilities to manufacture the product, a situation that is expected to linger in the short to medium term.

The Government of Jamaica (GoJ) continues to provide transportation subsidies, particularly to small sugarcane farmers to offset some of the costs associated with moving sugarcane to the factories. The government has also redistributed lands, which were previously under sugarcane cultivation for other agricultural undertakings.

Table 1: Sugarcane production for crop year 2021/2022

Factory	Company	Estate Area Reaped (HA)	Farmer Area Reaped (HA)	Total Area Reaped (HA)	Estate Cane Milled (MT)	Farmer Cane Milled (MT)	Total Cane Milled (MT)	Raw Sugar Produced (MT)
Appleton	Campari	0.00	1,428.83	1,428.83	0.00	64,586.00	64,586.00	0.00
Frome	Pan Caribbean	2,086.55	1,011.50	3,098.05	126,389.72	43,305.94	169,364.50	13,028.47
Worthy Park	Worthy Park (includes Monymusk farmers)	1,875.00	2,155.35	4,030.35	162,058.56	84,215.02	246,273.58	25,891.09
*	Everglades	0.00	64.43	64.43	0.00	0.00	0.00	0.00
GRAND TOTAL		**2,987.96**	**4,660.11**	**8,621.66**	**288,448.28**	**192,106.96**	**480,555.24**	***38,919.56***

* Farmer-reaped sugarcanes are generally transferred to one of the above factories for processing.
Source: Sugar Industry Authority (Preliminary) 2023

Consumption

Post expects local sugar consumption for MY 2023/2024 down three percent at 89,000 MT (29,000 MT of raw sugar and 60,000 MT of refined sugar). In MY 2022/2023, local consumption of sugar was estimated at 32,000 MT of raw sugar and 60,000 MT of refined sugar. Consumption of sugar in Jamaica fluctuates but averages 82 lbs. per capita.

Jamaica’s food and manufacturing sectors consume most of the refined sugar in the country. However, in recent years, the Ministry of Health and Wellness, as well as the Heart Foundation of Jamaica, have launched a joint national campaign warning of the dangers of excess sugar consumption. In response, some manufacturers have lowered sugar content in products. The GoJ has recommended a tax on sugary beverages to discourage consumers from purchasing and using products high in sugar. Should this legislation pass, it will limit both raw and refined sugar consumption in Jamaica.

The spirits’ industry generally uses approximately 100,000 MT of molasses and 5,000 MT of raw sugar annually. Although there are other sweeteners available locally, market share is minimal compared to cane sugar, which remains the predominant choice among consumers.

Trade

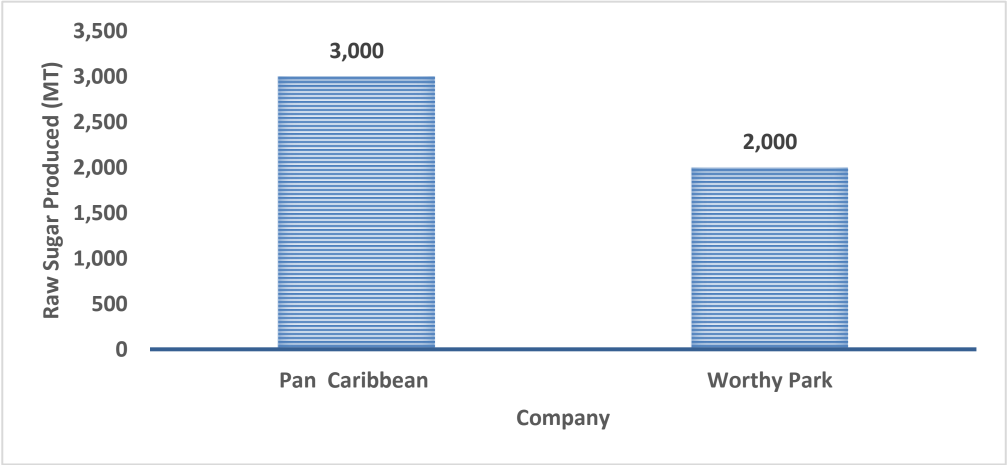
Jamaica has historically exported sugar to the European Union (EU) under the European Union Sugar Protocol (EUSP), which was extended to countries of the African, Caribbean, and Pacific (ACP) group. Under the EUSP, raw sugar garnered a premium price when sold to the EU as well as importing raw sugar for local consumption.

In 2009, the Economic Partnership Arrangement replaced the EUSP. Under the pact, the difference between the world market price and that of the ACP countries dipped. In 2013, the EU revised the Common Agricultural Policy (CAP), EUCAP, effectively removing the preferential price enjoyed by ACP countries. This led to ACP countries, such as Jamaica, to operate under regular market conditions, which include high input costs and low efficiency relative to other global sugar markets.

The changes to the EU policy shifted marketing for Jamaican raw sugar. Currently, sugar is primarily used for domestic purposes, and exported to the Caribbean, the United States (based on a pre-determined quota), and a limited amount to the EU, even at reduced prices.

Although production is forecast lower for MY 2023/2024, local industry anticipates continuing to supply sugar to the United States under the TRQ. In 2022, Jamaica exported 5,000 MT of raw sugar to the United States, of the 11,584 MT allocated. The remainder is expected to be consumed locally or exported to other markets, including to those in the Caribbean Community (CARICOM).

Figure 2: Export quantities of raw sugar from Jamaica to the United States in MY 2021/2022



Source: Graph constructed using data from Sugar Industry Authority figures

Post expects Jamaica to continue importing refined sugar as it is not produced locally. Imports are projected to remain relatively flat for the outyear. In 2022, Jamaica imported refined processed sugar mainly from Guatemala, Colombia, and Canada.

Stocks

Producers generally limit stock levels to 4,000 MT of raw sugar due to prohibitive storage costs. Importers also stock a limited amount of refined sugar.

Policy

The Ministry of Agriculture and Fisheries (MOAF) governs policies for the operation of Jamaica's sugar industry. The policies address land usage, irrigation, and subsidies as well as other topics. The Sugar Industry Authority (SIA) is the regulatory body under MOAF that exercises oversight in areas of arbitration, research and development and monitoring and evaluation. The SIA also regulates and markets sugar and molasses.

The Jamaica Cane Products Sales (JCPS) Limited was a private marketing company created in 1994 to grant marketing licenses to the factories it represented under the SIA, as these factories lacked individual licenses to market their own products. After changes to the policy by the GoJ, the SIA started to grant licenses to sugar factories directly, therefore, making the JCPS obsolete; the company eventually closed in 2018.

The Jamaica Country Strategy for the Adaptation of the Sugar Industry (JCS) is the main policy guiding the Jamaican sugar industry. The JCS I (2009-2015) was designed to respond to the EU's policy changes that regulated sugar export trade in ACP countries. Following the revisions to the policy, the prices paid for raw sugar to ACP countries fell by 36 percent.

The *JCS II (2016-2020),* which the MOAF updated in July 2019, has three main strategic objectives outlined below:

i. developing and maintaining a sustainable private sector-led sugar cane industry based on multiple products;
ii. strengthening of the social resilience, economic diversification, and environmental sustainability of Sugar Dependent Areas (SDA);
iii. maintaining progress towards the GOJ's macroeconomic goals.

The policy, which is now in effect, has a three-phase approach: transition, transformation, and consolidation. These policy updates are expected to minimize the risks associated with the industry and provide an avenue to boost revenue streams. MOAF envisions the changes in the entire sugarcane value chain so that it no longer focuses only on any singular commodity. The Ministry states that the value-added prospects include the production and generation of energy products, such as ethanol, refined sugar, as well as the expanded production of premium products, such as rum and other spirits.

Marketing

At present, Pan Caribbean Sugar Company and Worthy Park Estate Limited are the only two sugar marketing agents in Jamaica. The GoJ licensed these companies to market its own products, which allowed them to set their own prices. All refined sugar is imported and distributed by independent companies to the retail markets and manufacturers of beverages and baked goods.

Table 2: Price of sugar

Type of Sugar	Prices (US$/pound)		
	Producer to wholesaler	**Wholesaler/Importer to retail**	**Retail to consumer**
Raw	N/A	0.51	0.80
Refined	N/A	0.92	1.30

Table 3: Production, Supply, and Distribution

Sugarcane, Centrifugal	2021/2022		2022/2023		2023/2024	
Marketing Year Begins	**Dec. 2021**		**Dec. 2022**		**Dec. 2023**	
Jamaica	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted (1000 HA)	14	14	14	14	0	14
Area Harvested (1000 HA)	9	9	7	7	0	7
Production (1000 MT)	515	515	479	479	0	475
Total Supply (1000 MT)	515	515	479	479	0	475
Utilization for Sugar (1000 MT)	507	507	471	471	0	467
Utilization for Alcohol (1000 MT)	8	8	8	8	0	8
Total Utilization (1000 MT)	515	515	479	479	0	475

Table 4: Production, Supply, and Distribution

Sugar. Centrifugal	2021/2022		2022/2023		2023/2024	
Marketing Year Begins	May 2021		May 2022		May 2023	
Jamaica	USDA Official (1000 MT)	New Post (1000 MT)	USDA Official (1000 MT)	New Post (1000 MT)	USDA Official (1000 MT)	New Post (1000 MT)
Beginning Stocks	4	4	4	4	0	4
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	42	40	39	39	0	36
Total Sugar Production	42	40	39	39	0	36
Raw Imports	0	0	0	0	0	0
Refined Imp. (Raw Val)	60	60	60	60	0	60
Total Supply	106	104	103	103	0	100
Raw Exports	12	7	7	7	0	7
Refined Exp. (Raw)	0	0	0	0	0	0
Total Exports	12	7	7	7	0	7
Human Domestic Consumption	90	93	92	92	0	89
Other Disappearance	0	0	0	0	0	0
Total Use	90	93	92	92	0	89
Ending Stocks	4	4	4	4	0	4
Total Distribution	106	104	103	103	0	100

Attachments:

No Attachments