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Report Highlights:

In marketing year (MY) 2021/22, Colombian raw sugar production is forecast to recover to 2.4 million metric tons (MT), after an expected decline in MY 2020/21 due to excessive rains from La Niña weather phenomena. Colombian sugar consumption continues to increase, in parallel with the population growth rate; however, COVID-19 containment measures have impacted consumption patterns. In MY 2021/22, sugar exports are forecast to increase to 770,000 MT, due to the recovery in production and local consumption increasing at a slower pace. Colombian sugar imports are forecast to decrease 10 percent in MY 2021/22 because of higher production levels.

Commodities:

Sugar centrifugal

Production:

In MY 2021/22, Colombia sugar production is forecast to recover to average levels of 2.4 million MT assuming weather conditions return to normal in the main producing region. In MY 2020/21, post's revised production estimate is down from 2.4 million MT to 2.2 million MT as excessive rains and cloudiness in March and April 2021 – from *La Niña* weather phenomena – affected the sugarcane harvest and the sucrose content in the sugarcane. According to the Colombian Institute of Meteorology (IDEAM), rainfall is estimated to resume its historical average in the second quarter of 2021.

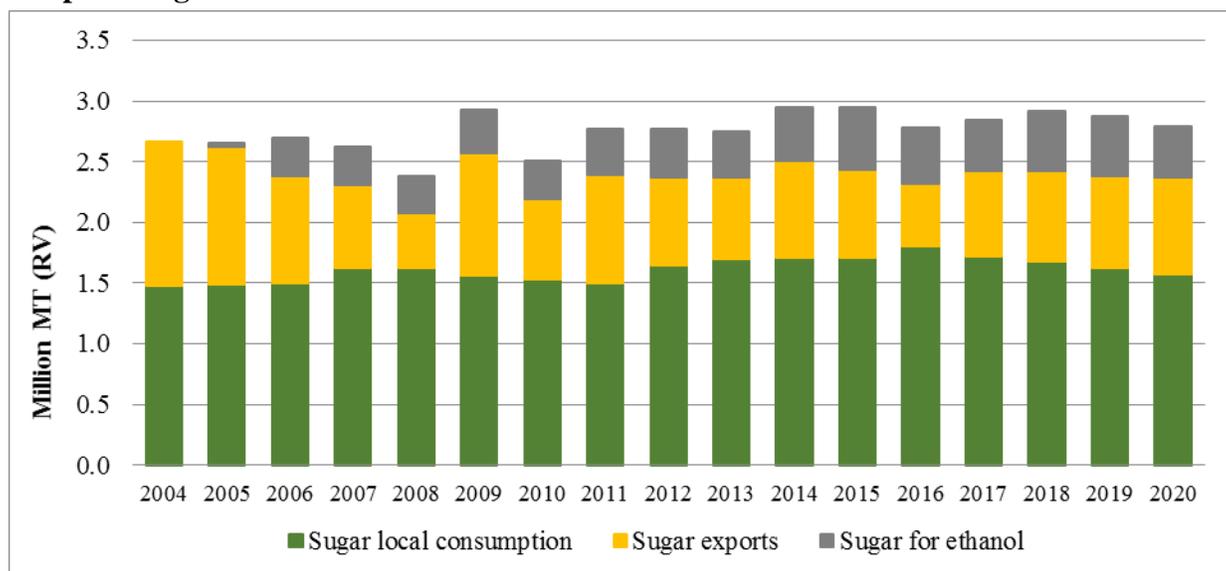
Colombia's 14-sugar mills and a majority (6 out of 7) of its ethanol facilities are located in the Cauca River Valley, which spans six Colombian departments. There are about 240,000 hectares of sugarcane planted in the Cauca River Valley, which is close to the total agricultural land available that can be planted in the region. On average, and under normal weather conditions, the Cauca River valley harvests about 80 to 90 percent of the available sugarcane area, and the rest of the land remains idle as part of a land management strategy. Approximately 70 percent of the sugarcane is harvested by machines with the remaining harvested by hand. When fields are excessively wet, a mechanical harvest is difficult and complicated to conduct.

The Cauca River Valley is one of the most efficient sugarcane producing regions in South America, yielding on average approximately 120 MT per hectare. As area available for sugarcane is almost completely planted, increases in productivity are the outcome of favorable weather conditions and farmer application of technological improvements developed by the Colombian Sugar Industry Research Center (CENICAÑA).

The production of fuel ethanol limits the increase in sugar production as some sugarcane is devoted to ethanol. The facilities for ethanol and sugar production are located in close proximity, which allows sugarcane to be devoted for processing either product.

Since distilleries began producing ethanol in 2005, domestic ethanol demand has offset sugar exports significantly, about 30 to 40 percent annually (see graph 1). In calendar year (CY) 2020, sugarcane crushing increased 1 percent compared to 2019. Local sugar consumption decreased 3 percent, while sugar exports increased 7 percent, and ethanol production decreased 11 percent due to lower gasoline demand from COVID-19 containment measures in CY 2020. In contrast, sugar mills produced antiseptic alcohol to supply local industry, which faced an alcohol shortage at the beginning of the COVID-19 outbreak. However, post does not have official figures on the sugarcane devoted to produce antiseptic alcohol.

Graph 1. Sugar Cluster Production



Source: Author's calculations based on the information from the Colombian Association of Sugar Producers (Asocaña).

Since January 2001, local sugar prices in Colombia are subject to a price stabilization system called FEPA (see Policy section). The Colombian government designed FEPA as a mechanism to protect local producers from fluctuations in international sugar prices. According to some academics, FEPA has succeeded in shielding domestic prices from international prices.

Non-Centrifugal Sugar:

Sugarcane for non-centrifugal sugar (known as panela) is planted in dispersed areas countrywide in 29 out of 32 department of Colombia, with 80 percent of production concentrated in 8 departments. According to the Panela Producers Association (Fedepanela), there are an estimated 18,500 crushing/milling facilities. In CY 2020, Colombian sugarcane area harvested for panela was nearly 172,000 ha with an estimated average yield of 6.4 MT/ha, bringing production to 1.1 million MT.

In recent years, Colombian non-centrifugal sugar production decreased due to low domestic prices. However, in CY 2020, domestic prices started to recover due to higher demand supported by the COVID-19 pandemic. The measures to prevent and control the spread of COVID-19 affected household incomes and consumption patterns. Some products that are considered cheaper energy sources, such as panela, registered higher demand, especially in rural areas and lower-income households. As a result, panela prices increased from \$1,892 Colombian pesos (COP) (approx. \$0.54) per kilogram in January 2020 to \$3,411 COP/Kg (approx. \$0.97) in January 2021, an 80 percent increase year-over-year. If prices remain high and weather conditions are normal, panela's production is expected to increase to 1.2 million MT in CY 2021.

Consumption:

In MY 2021/22, Colombian sugar consumption is forecast at 1.9 million MT. Colombian sugar consumption is price inelastic; therefore, consumption trends will likely parallel population growth with demand marginally increasing each year. In MY 2020/21, Colombian sugar consumption is estimated at 1.9 million MT, a one percent increase from the previous year.

In CY 2020, domestic sugar consumption patterns changed in response to the government's containment measures to prevent the spread of COVID-19. Overall, sugar consumption did not significantly decrease but shifted from industrial use to household consumption. According to the Colombian Association of Sugar Producers (Asocaña), in CY 2020, the percentage of sales to end consumers increased to 61 percent from 57 percent in 2019. At the same time, industrial sales' share of total consumption decreased due to lower demand from the food service sector and beverage industry.

Asocaña estimates annual per capita consumption of sugar at 75 pounds (34 kilograms). For panela, Colombian annual per capita consumption is estimated at 48 pounds (22 kilograms).

Trade:

In MY 2021/22 sugar exports are forecast to increase to 770,000 MT as a result of production recovery. In MY 2020/21 sugar export estimates are down from 750,000 MT to 700,000 MT. This decrease is a result of lower production affected by adverse weather conditions.

Colombia is able to export sugar to the United States under both, the World Trade Organization (WTO) and the U.S. Colombia Trade Promotion Agreement (CTPA) quotas. In FY 2020, the WTO quota (including additional allocations) was 35,981 metric tons raw value (MTRV), and it was fully subscribed. In CY 2020, the CTPA quota was 56,000 MT, and it was also fully subscribed. In CY 2021, Colombia will likely fill the CTPA quota of 56,750 MT, as well as the FY 2021 WTO quota of 25,273 MT.

In MY 2019/20, Peru continued to be the top destination for Colombian sugar accounting for 25 percent of total sugar exports. Since 2018, when Peru imposed safeguard measures on Colombian sugar, exports to Peru have recovered by 2 percent. The next largest markets for Colombian sugar were the United States (20.0 percent) and Chile (20.0 percent). Exports to Ecuador continued to decrease as a result of safeguards implemented against Andean Community of Nations (CAN) countries, including Colombia. Exports to the European Union increased 19.5 percent to account for 12 percent of total sugar exports.

Table 1. Colombia Sugar Exports (Raw Value)

Partner Country	Unit (RV)	Total Exports (Raw value)			% Share		
		MY 2017/18	MY 2018/19	MY 2019/20	MY 2017/18	MY 2018/19	MY 2019/20
World	T	731,339	800,444	777,612			
Peru	T	222,189	189,702	193,464	30%	24%	25%
United States	T	104,450	160,702	158,255	14%	20%	20%
Chile	T	112,279	133,389	155,476	15%	17%	20%
EU 28	T	47,674	77,379	92,452	7%	10%	12%
Haiti	T	61,683	62,452	67,689	8%	8%	9%
Cote d'Ivoire	T	-	26,750	23,567	0%	3%	3%
Ecuador	T	67,045	28,441	22,880	9%	4%	3%
Others	T	116,019	121,629	63,829	16%	15%	8%

Source: DIAN-Trade Data Monitor.

In MY 2021/22, sugar imports are forecast at 285,000 MT, a 10 percent increase from the new post estimate, if domestic production increases. Post's revised imports estimate for MY 2020/21 is up from 265,000 MT to 318,000 MT due to decreases in domestic production and increases in domestic consumption. In MY 2019/20, sugar imports increased compared to USDA's official estimate. This increase supported domestic consumption and local production devoted to increasing exports given higher international prices.

In MY 2019/20, Brazil, Bolivia and Peru made up 97 percent of total Colombian imports. Sugar imports from Bolivia and Peru enter Colombia duty-free under trade preferences with the CAN agreement. In the past, Ecuador was an important supplier of sugar to Colombia; however, the importers shifted to Brazil due to more competitive prices, despite Brazil being subject to a lower duty under a regional trade pact (MERCOSUR).

Table 2. Colombia Sugar Imports (Raw Value)

Partner Country	Unit (RV)	Total Imports (Raw value)			% Share		
		MY 2017/18	MY 2018/19	MY 2019/20	MY 2017/18	MY 2018/19	MY 2019/20
World	T	115,874	234,405	286,244			
Brazil	T	36,512	15,940	94,294	32%	7%	33%
Bolivia	T	33,123	79,171	93,429	29%	34%	33%
Peru	T	29,431	87,036	87,728	25%	37%	31%
Guatemala	T	3,828	6,092	5,387	3%	3%	2%
Ecuador	T	11,665	43,798	2,552	10%	19%	1%
Nicaragua	T	-	2,155	2,410	0%	1%	1%
Others	T	1,315	213	444	1%	0%	0%

Source: DIAN-Trade Data Monitor.

Stocks:

There are no Colombian government programs or incentives for sugar mills to hold inventories, as Colombia is able to produce sugar year-round. According to industry, sugar mills can hold stocks for a short timeframe to meet more immediate processing needs. In MY 2021/22, ending stocks are expected to marginally increase to 207,000 MT following the production recovery. This quantity would satisfy about 38 days of domestic consumption.

Policy:*The Sugar Price Stabilization Fund (FEPA for its acronym in Spanish)*

The FEPA mechanism was established in 2000 through Decree 569. It was created by the Colombian government to avoid oversupply and low prices in the domestic sugar market by maintaining a price equilibrium. The Colombian Association of Sugar Producers (Asocaña) administers it. The Colombian Minister of Agriculture chairs FEPA's board, and its members include the Colombian Minister of Trade and 11 sugarcane growers and mills.

The FEPA provides incentives for sugar exports by hedging against domestic and international market price differentials, setting a market weighted average price (MWAP). Historically, domestic sugar prices are higher than export prices (except for U.S. export prices under quota).

Milling operations that sell sugar at prices above the MWAP, or typically the domestic market, will contribute the difference to the FEPA. Conversely, those that sell sugar at prices below the MWAP will receive the difference in compensation from the FEPA. Asocaña conducts a monthly calculation to determine contribution and/or compensation values for each sugar mill.

Price Band System

Sugar imports from the Andean Community countries (Peru, Ecuador and Bolivia) are allowed duty-free entry into Colombia. Imports from outside the CAN are subject to a variable duty under the price band system. The basic duty rate on imports of raw and refined sugar from non-CAN countries is 15 percent.

The CAN revises the price band, both ceiling and floor, every April. The duty adjustment is made based on whether a reference price is above, below or within the ceiling and floor price. The reference price is adjusted every 2 weeks. If the reference price falls within the floor and ceiling price band, the sugar import duty is set at 15 percent of the invoice value. When the reference price falls below the floor price, a variable surcharge based upon the difference between the floor price and the reference price is assessed. When the reference price exceeds the ceiling price, however, a reduction is made to the applied duty rate based on the difference between the reference and the ceiling price.

The CAN price band to be applied for the period of April 2021 to March 2022 is illustrated below:

Table 3. CAN Floor and Ceiling Prices for Sugar

<i>April 2021 to March 2022</i>		
USD per Ton		
	<i>Floor Price CIF</i>	<i>Ceiling Price CIF</i>
Refined sugar	444	533
Raw sugar	358	436

Source: Resolution 2175/2020, CAN.

For the second part of April 2021, reference prices for raw (\$368/ton) and refined sugar (\$471/ton) are within the floor and ceiling price. Thus, Colombia's current variable effective duty on imports of raw sugar is 15 percent.

U.S.-Colombia Trade Promotion Agreement (CTPA)

On May 15, 2012, the CTPA went into force. The CTPA eliminated the price band duty for imports from the United States. From CY 2021, the import tariff-rate-quota for glucose, which includes high-fructose corn syrup, is unlimited. In CY 2021, the Colombia sugar export quota under the CTPA is 56,750 MT, which is usually fully subscribed. It increases by 750 MT annually.

CAN and Southern Common Market (MERCOSUR)

CAN member countries (Ecuador, Peru and Bolivia) have duty free access to Colombia's sugar market. Colombia maintains the price band system; there was no agreement reached on the timing of tariff reduction under the Colombia MERCOSUR free trade agreement. However, Colombia continues to grant trade preferences under previous bilateral agreements, where MERCOSUR members pay only a percentage of the basic duty rate. Colombia's current total effective duty on Brazilian imports of raw sugar and refined sugar is 13.2 percent.

Sugar, Centrifugal (Raw Value) Market Year Begins	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Colombia						
Beginning Stocks	247	247	232	239	0	197
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2350	2350	2350	2220	0	2400
Total Sugar Production	2350	2350	2350	2220	0	2400
Raw Imports	9	7	5	8	0	5
Refined Imp.(Raw Val)	250	280	260	310	0	280
Total Imports	259	287	265	318	0	285
Total Supply	2856	2884	2847	2777	0	2882
Raw Exports	250	220	250	200	0	220
Refined Exp.(Raw Val)	500	560	500	500	0	550
Total Exports	750	780	750	700	0	770
Human Dom. Consumption	1869	1860	1875	1875	0	1900
Other Disappearance	5	5	5	5	0	5
Total Use	1874	1865	1880	1880	0	1905
Ending Stocks	232	239	217	197	0	207
Total Distribution	2856	2884	2847	2777	0	2882
(1000 MT)						

Sugar Cane for Centrifugal Market Year Begins	2019/2020		2020/2021		2021/2022	
	Sep 2019		Sep 2020		Sep 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Colombia						
Area Planted	240	240	240	235	0	240
Area Harvested	190	190	190	175	0	200
Production	23400	23400	23400	22000	0	24000
Total Supply	23400	23400	23400	22000	0	24000
Utilization for Sugar	18800	18800	18800	18000	0	19500
Utilization for Alcohol	4600	4600	4600	4000	0	4500
Total Utilization	23400	23400	23400	22000	0	24000
(1000 HA) ,(1000 MT)						

Attachments:

No Attachments