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Report Highlights:

Costa Rica's sugar cane production is expected to decline about 1 percent in MY 2020/2021 to 4,057,000 MT. Sugar production is expected to decline 7.6 percent to 407,000 MT in MY 2020/2021 as compared to MY 2019/2020. Several factors affected production including lower sugar concentration and the negative effects of Hurricanes Eta and Iota in late 2020. Farm management issues and the slow process of renovation of the plantations also negatively impacted yields.

Executive Summary

Costa Rica's sugar production has declined during the last three harvests. Although weather conditions are partially responsible for the lower production, the slow renovation of plantations has also affected production. Agricultural management has not been optimal mainly due to the financial stress among farmers and the lack of profitability of sugar production.

Production during MY 2021/2022 is not expected to rebound strongly as many of the conditions that have resulted in lower production in the previous years are expected to remain unchanged. Area planted did not increase in MY 2020/2021 and is expected to remain at a similar level during MY 2021/2022. Producers continue to be under financial stress due to high indebtedness, low sugar prices and high production costs. Given these conditions, MY 2021/2022 sugar production is forecast to increase marginally to 420,000 MT. Costa Rica continues to meet its U.S. quota allocations both under the WTO and the CAFTA-DR and continues to export to other markets such as Canada and the European Union.

Costa Rica's sugar cane production in MY 2020/2021 is expected to decrease 0.86 percent to 4,057,000 MT as compared to 4,092,123 MT in MY 2019/2020. Sugar production is forecast to decrease by a larger percentage from 440,393 MT in MY 2019/2020 to 407,000 MT in MY 2020/2021. Calendar year 2020 did not have prolonged dry periods as in previous years, instead, the months of November and December had significantly higher volumes of rainfall in the Guanacaste region, the Central and South Pacific, and the Central Valley, which are important sugar cane production areas of the country.

Production

According to information from the Costa Rican Sugar League (LAICA), there are slightly over 6,000 sugar producers in the country. The number of producers has been declining since MY 2013/2014 when there were 7,830 sugar cane growers. There are fewer sugar mills as well (11). In the last few years, one sugar mill closed its operations in the Grecia region and a second one closed in Turrialba, leaving producers in that region in a difficult situation.

Sugar cane is grown in six regions that have different climate, altitude, and topography. The sector is comprised of primarily small producers as 90 percent of the farmers deliver less than 500 MT of sugar to the mills. The majority of producers plant less than 7 hectares (ha) of sugar cane. On the other end of the spectrum, there are 17 producers delivering more than 5,000 MT of cane.

A large percentage of the sugar production (roughly 60 percent) is concentrated in the province of Guanacaste in the northern pacific. Production in the other five regions is distributed more evenly, ranging from 6 to 11 percent of the total. Most of the large producers in Guanacaste have irrigation and utilize different irrigation systems to use water efficiently. Most of the sugar mills are owned by Costa Rican nationals, although at least one company is owned by Guatemalan investors. By law, LAICA is the institution that regulates the relationship between producers and millers. LAICA is also involved in the marketing and sales of sugar and sugar products for domestic consumption and for export.

Based on preliminary data from LAICA, cane and sugar production are expected to reach 4,057,000 MT and 407,000 MT respectively during MY 2020/2021, both lower than in the previous year. Sugar cane production has declined every year after reaching a record high of 4,492,123 MT in 2013-2014. Although sugar production has fluctuated since that record production year, there is a downward trend.

The harvest and sugar processing has basically ended for the season in the Guanacaste and Southern regions of the country, while it is still underway in the Juan Viñas, Central Valley and San Carlos regions. Cane production and sugar concentration in the North and South production regions declined and that is causing the overall drop in sugar production in MY 2020/2021.

In general, the weather did not play an outsized negative role during this harvest. Factors that negatively affected production are thought to be related to farm management (lower fertilization, slow renovation of plantations, limited use of new recommended varieties). Producers are still financially stressed due to low prices and higher production costs. Therefore, sugar production is forecast at 420,000 MT in MY 2021/2022, roughly 3 percent higher than the current marketing year.

Area Planted

Area planted was basically stable with a small drop in area reported as planted from 62,604 ha. in MY 2019/2020 to 62,500 ha. in MY 2020/2021.

Area planted to sugar cane remains under pressure from other crops and activities in different production regions, with the exception of Guanacaste. Farmers have also been under financial pressure because of the low prices received for sugar cane, high production costs, and in some cases because of strict labor and immigration regulations that limit the availability of foreign workers.

Sugar mills in the Central part of the country struggle to keep sugar area planted from declining. Competition from urbanization, high land prices, lower availability of labor, and higher production costs are slowly taking area away from sugar in this region.

Yield

According to LAICA, the average sugar cane yield is preliminarily estimated at 73.0 MT/ha in MY 2020/2021 as compared to 73.4 MT/ha in MY 2019/2020. The average sugar yield is expected to decline from 108.2 kg/MT in MY 2019/2020 to 107 kg/MT in MY 2020/2021.

Consumption

Costa Rica's sugar consumption reached 235,000 MT in MY 2019/2020 and is expected to increase only slightly in MY 2020/2021. According to industry sources, consumption has fluctuated within a relatively narrow range over the last few years. Consumption has not increased much in recent years as population growth has slowed down.

Utilization by the food industry (which is export driven in some sectors), is the main driver of changes in total consumption from year to year. Per capita sugar consumption is estimated at 46.2 kg. based on preliminary data for MY 2020/2021. Costa Rica's per capita sugar consumption is relatively high, although it has declined from a record 59.2 kg in 1997-1998.

Industrial use accounted for 55 percent of total consumption in 2019/2020, while direct consumption represented 45 percent of the total. Costa Rican mills produce different types of sugar for the domestic market including white sugar, refined, white special, raw sugar, and organic sugar.

Trade

Costa Rican sugar exports are expected to reach 225,000 MT in MY 2020/2021, 12.9 percent higher than the export level during the previous period (199,294 MT). The main destinations for Costa Rica's sugar in MY 2019/2020 were South Korea, the United States, United Kingdom, the Bahamas, and Canada. Exports to the United States include the U.S. WTO, the CAFTA-DR sugar quotas, and sugar for re-export. Costa Rica plans to export its full WTO and CAFTA-DR sugar quotas to the United States for the 2021 fiscal year.

Imports of white sugar from Brazil, which amounted to 3,511 MT in 2015, reached 12,771 MT in 2020. Imports have continued to grow despite the high tariff that protects the local industry. The imported sugar is directed at the domestic market for direct consumption. The sugar sector requested that the Costa Rican government to impose additional duties on Brazilian sugar to limit import growth. As a result, the Costa Rican government imposed a safeguard measure in August 2020 raising the import duty by 27.68 percent to 72.68 percent on sugar imports.

Stocks

High ending stocks are the result of unexpected high production outpacing consumption and exports over the last few years. Production has remained relatively stable even though world prices remain weak.

Table 1: Sugar Cane for Centrifugal Sugar: Supply and Utilization

Sugar Cane for Centrifugal	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2021		Oct 2022	
Costa Rica	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	62	62	62	62	0	62
Area Harvested (1000 HA)	55	56	55	56	0	56
Production (1000 MT)	4005	4092	4075	4057	0	4080
Total Supply (1000 MT)	4005	4092	4075	4057	0	4080
Utilization for Sugar (1000 MT)	4005	4092	4075	4057	0	4080
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	4005	4092	4075	4057	0	4080
(1000 HA) ,(1000 MT)						

Table 2: Centrifugal Sugar: Production, Supply and Distribution

Sugar, Centrifugal	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2020		Oct 2021	
Costa Rica	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	278	278	262	294	0	251
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	431	440	440	407	0	420
Total Sugar Production (1000 MT)	431	440	440	407	0	420
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	21	10	10	12	0	10
Total Imports (1000 MT)	21	10	10	12	0	10
Total Supply (1000 MT)	730	728	712	713	0	681
Raw Exports (1000 MT)	212	189	220	215	0	220
Refined Exp.(Raw Val) (1000 MT)	27	10	10	10	0	10
Total Exports (1000 MT)	239	199	230	225	0	230
Human Dom. Consumption (1000 MT)	229	235	237	237	0	237
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	229	235	237	237	0	237
Ending Stocks (1000 MT)	262	294	245	251	0	214
Total Distribution (1000 MT)	730	728	712	713	0	681
(1000 MT)						

Table 3: Centrifugal Sugar: Export Trade Matrix

Export Trade Matrix Costa Rica Sugar, Centrifugal MT	
Time Period 2019/2020	
Exports for:	
U.S.	51,198
Others	
South Korea	115,563
United Kingdom	15,919
Bahamas	3,672
Switzerland	3,069
Total for others	138,223
Others not listed	9,873

Attachments:

No Attachments