

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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El Salvador

Sugar Annual

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Report Highlights:

Sugar production in MY19 is estimated at 755,000 metric tons (MT). Based on new data provided by the Salvadoran Sugar Council (CONSAA), production for MY18 has been lowered to 757,000 MT. CONSAA agreed to increase the share that producers receive of total sugar sales from 54.5 to 56 percent, with the other 44 percent going to the sugar mills. Volatile international prices are increasing financial pressure on the sugar sector. The draft law for production of alternative fuels, including ethanol, is still on hold and there is no set date for its entry into force. However, with a new Government of El Salvador (GOES) administration taking office on June 1 this could change. Although El Salvador has joined the Customs Union with Guatemala and Honduras, sugar will likely not be included in the list of products that will benefit with duty-free trade.

Executive Summary:

Improved seed, irrigation systems, continued investment in energy production, new milling technology and rum production will continue to benefit El Salvador's sugar industry over the next three to five years. However, uncertain international prices and abnormal weather conditions continue to be obstacles for the sector.

Sugarcane production for the MY19 harvest is estimated at 6.5 million metric tons (MMT). Based on new data provided by CONSAA, production for MY18 was revised slightly downward to 6.51 MMT.

Assisted by attractive internal prices, exports under free trade agreements and additional access to the U.S. market, the sector is recovering after sustained economic losses due to natural disasters, high transportation costs and lack of government assistance. Ultimately, the success of the industry will depend on continued improvements in yields, increased diversification into energy co-generation projects and final approval of an ethanol law that encourages investment. However, increased crime rates including extortions, uncontrolled sugarcane burning, higher input costs, increases in the minimum wage and climate change will continue to be major concerns for the sector.

Commodities:

Sugar Cane for Centrifugal
Sugar, Centrifugal

Production:

Sugar production in MY19 is estimated at 755,000 metric tons (MT). Production remains stable because of investments in irrigation, refining equipment and improved seeds. Estimated sugar production for MY18 has been lowered to 757,000 MT due to drought conditions that led to a lower sugar recovery rate. According to sugar producers, erratic weather conditions could continue to affect future sugar production. New data provided by CONSAA show exports reaching 449,173 MT for MY18 and are estimated at 451,300 MT for MY19.

Recent production numbers compiled by FAS/El Salvador show that the MY19 sugarcane harvest is expected to reach 6.6 MMT. This production forecast is higher than in MY18 because of new pest-resistant sugarcane varieties, additional investment in irrigation systems, and improved milling yields.

Planted area is expected to increase slightly to 81,000 hectares during MY19 mainly due to new producers joining the sector. Planted area could increase in the near future if security due to gang problems improves in rural areas, sugar prices increase and the ethanol production law is implemented. There is approximately 300,000 hectares of 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. Recently, CONSAA agreed to increase the share that producers receive of total sugar sales from 54.5 to 56 percent, with the other 44 percent going to the sugar mills. The mills distribute this sales income among sugar producers based on the amount of sugarcane provided. Continued investment in sugar mills has reduced downtime during the milling process, and increased sugar recovery rates to a more competitive position within the region.

Consumption:

Due to a sluggish Salvadoran economy, growth of domestic sugar consumption is stagnated reaching 293,000 MT in MY18. Post estimates that consumption will decrease slightly in MY19 reaching 292,000 MT due to poor economic growth forecasts.

Trade:

Exports for MY19 are expected to reach 465,000 MT; the export forecast for MY18 decreased to 451,000 MT due to lower sugarcane production as a result of a drought that affected major growing areas in 2018.

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 encouraged regional tariff harmonization to avoid triangulations and market disruptions, the Central American region still has not agreed on a harmonized import tariff for sugar. El Salvador has joined access to the Customs Union with Guatemala and Honduras; however sugar is not one of the products that will benefit from duty-free trade.

The United States, China, Taiwan, and the United Kingdom are major destinations for Salvadoran sugar. Other export destinations in MY18 for Salvadoran sugar were Haiti, South Africa and New Zealand.

A recent decision by the GOES to break diplomatic relations with Taiwan and recognize China created enormous uncertainty in the sugar sector. El Salvador and Taiwan have a Free Trade Agreement (FTA) that includes favorable terms for Salvadoran sugar exports. However, the GOES notified Taiwan that El Salvador would withdraw from the FTA. The sugar sector appealed the decision to El Salvador's highest court and the withdrawal was temporarily halted. This is an evolving situation that will be a major issue for the new GOES administration that takes office on June 1.

El Salvador also benefits from CAFTA-DR and World Trade Organization (WTO) quotas that allow duty-free entry to the United States for Salvadoran sugar. In 2019 El Salvador was allocated 35,360 Metric Tons (MT) under CAFTA-DR and 27,379 MT under WTO for the period October 1, 2018 - September 30, 2019.

Export Trade Matrix El Salvador Centrifugal Sugar (Metric Tons)			
	MY		MY
Exports for:	2018		2019

U.S.	100,080	U.S.	100,200
Others		Others	
China	210,886	China	210,500
Taiwan	57,773	Taiwan	57,800
United Kingdom	27,871	United Kingdom	28,000
Haiti	14,272	Haiti	14,000
South Africa	6,633	South Africa	6,700
Tanzania	5,985	Tanzania	6,000
New Zealand	5,131	New Zealand	5,000
Rwanda	5,000	Rwanda	5,000
Peru	4,000	Peru	4,000
Total for Others	337,551		337,000
Others not Listed	11,542		14,100
Grand Total	449,173		451,300

Source: CONSAA and USDA/FAS.

Stocks:

Ending stocks in MY19 are estimated at 72,000 MT. Contraband sugar from neighboring countries is negligible and causes no disruption to the local market. The national sugar law states that all sugar sold locally must carry a safety seal provided by CONSAA.

Policy:

The GOES continues to require that all sugar sold in the local market be fortified with vitamin A. 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 import 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 that includes members from government, sugar producers, and sugar mills.

A law for the production of alternative fuels, including ethanol, which was drafted in 2009, is still on hold. The sugar industry and the GOES have discussed setting a 10 percent blend for ethanol in gasoline. But the current administration has not enacted this law because it says it needs to analyze the impact on the environment and on consumers. This is another issue that the sugar industry will be discussing with the incoming administration.

The following are areas where the sugar industry is working to improve sugar profitability:

- Increased extraction rates;
- Investment in irrigation systems;
- Diversification into energy generation;
- Improved sugarcane varieties;
- Research and technology exchange with other sugar producing countries;
- Introduction of pest and disease-resistant sugarcane varieties;
- Rum production;

- Coordination with law enforcement to diminish the impact of sugarcane burning and extortions from gangs.

Production, Supply and Distribution Data Statistics:

Sugar Cane for Centrifugal Market Begin Year El Salvador	2017/2018		2018/2019		2019/2020	
	Nov 2017		Nov 2018		Nov 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	82	82	82	80	0	81
Area Harvested	81	81	81	79	0	80
Production	6535	6512	6600	6560	0	6640
Total Supply	6535	6512	6600	6560	0	6640
Utilization for Sugar	6535	6512	6600	6560	0	6640
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	6535	6512	6600	6560	0	6640
(1000 HA) ,(1000 MT)						
Sugar, Centrifugal Market Begin Year El Salvador	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	50	50	49	62	0	76
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	760	754	765	757	0	755
Total Sugar Production	760	754	765	757	0	755
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	810	804	814	819	0	831
Raw Exports	468	449	473	451	0	465
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	468	449	473	451	0	465
Human Dom. Consumption	293	293	295	292	0	294
Other Disappearance	0	0	0	0	0	0
Total Use	293	293	295	292	0	294
Ending Stocks	49	62	46	76	0	72
Total Distribution	810	804	814	819	0	831
(1000 MT)						