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Prepared By: Francisco Bueso Ucles

Approved By: Andrew Hochhalter

Report Highlights:

In November 2020, hurricanes Eta and Iota flooded the Sula Valley. Approximately 2500 HA of planted sugarcane were lost and one sugar mill was disabled. The MY2021 harvest was delayed one month. As consequence, MY2021 revised estimates dropped 13% and 39% for sugar production and exports, respectively. Recovery efforts are expected to last until the end of 2021. Therefore, MY2022 forecasts signal a rebound to pre-hurricane estimates: 5.15 million MT of sugarcane harvested, 544,000 MT of sugar produced and 174,000 MT sugar exported. The COVID-19 pandemic had no significant effect on MY2021 sugarcane and sugar production. However, confinement (coupled with hurricane relief efforts) increased direct domestic sugar consumption and decreased industrial demand.

Executive Summary:

The marketing year (MY) 2022 (October 2021 to September 2022) forecast for sugarcane harvested area is expected to increase to 57,000 hectares (HA) of land. The sugar industry is aiming to recover one sugar mill and 2,500 HA flooded by hurricanes Eta and Iota in November 2020 by the end of 2021. Consequently, MY2022 sugarcane production is estimated to rebound to 5.15 million metric tons (MT) from 4.5 million MT revised estimate (15% drop) for MY2021.

Sugar production forecast for MY2022 is 544,000 MT, up 14% from the revised MY2021 estimate (476,000 MT) and on par with MY2020. The 13% drop in MY2021 production estimate is a direct consequence of hurricane damage to planted area and to a sugar mill in the Sula Valley.

The sugar export forecast for MY2022 is 174,000 MT, up 61% from the revised MY2021 estimate (108,000 MT) and similar to the pre-hurricane MY2021 estimate (177,000 MT). Domestic sugar consumption significantly increased in MY2020 due to COVID-19 confinement. Honduras utilizes its full TRQ allocations under bilateral and multilateral trade agreements.

Production:

Sugarcane

Sugarcane planted area is estimated at 58,000 HA for MY2022, up 1.8% from the MY2021 estimate. The estimated increase will be driven by recovery of rented areas affected by hurricanes Eta and Iota. In October-November 2020 Hurricanes Eta and Iota affected 24,000 HA of planted area, of which 2,500 HA were lost.

The Agrarian Reform Law of 1974 establishes a ceiling on how much land mills can own. As a result, the sugar industry has focused on ramping up productivity by investing in drip irrigation, water harvesting technologies, and better seeds and fertilizers. The mills also provide technical assistance and irrigation systems to independent producers. As a result, sugarcane yield has increased 31% compared to 1999 (Table 2). Planted area has increased 27% from 2010 to 2020 (Table 1).

From the area harvested, 96 percent of the sugarcane land is destined for production and 4 percent goes to research and replanting. The sugarcane harvest forecast for MY2022 is 5.15 million MT, up 14.4% from the revised estimate in MY2021. The 15% drop in the revised sugarcane harvest forecast for MY2021 is a direct consequence of the impact of Hurricanes Eta and Iota.

The sugarcane harvest process has been conducted under biosecurity protocols to contain the spread of COVID-19 with no perceptible impact on productivity. As of mid-March, about 60 percent of the sugarcane had been harvested. There was a nationwide one-month delay in the start of sugar cane harvest caused by hurricanes Eta and Iota. One of the six sugar mills remains non-operational due to flooding. Despite these setbacks, all harvested sugarcane is expected to be processed by the end of the normal harvesting season (mid-May 2021).

Table 1. Sugarcane harvest area (1000 Ha) in Honduras 1981-2020.

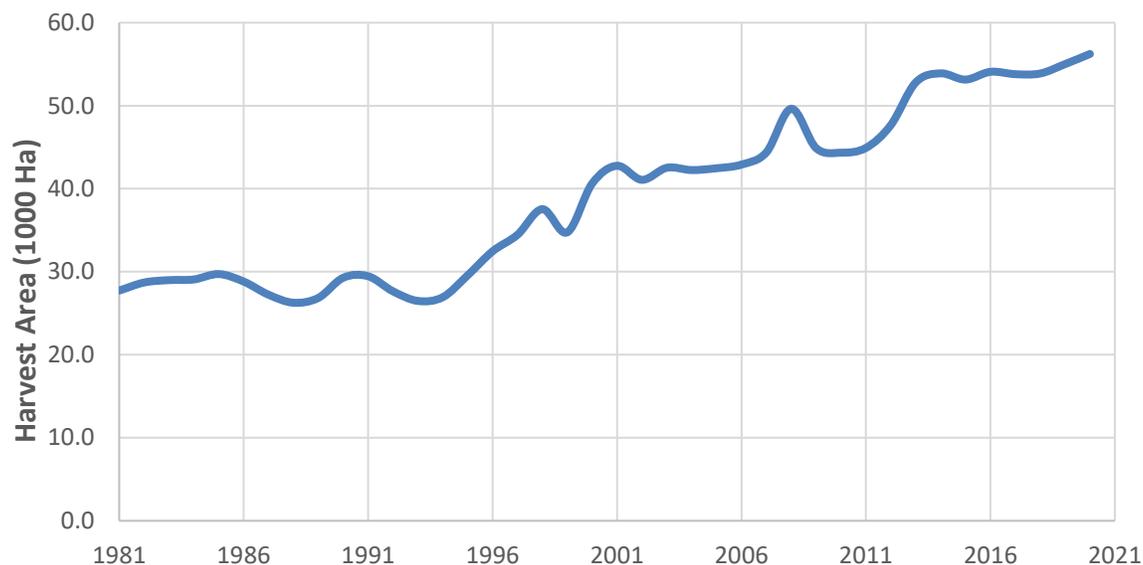
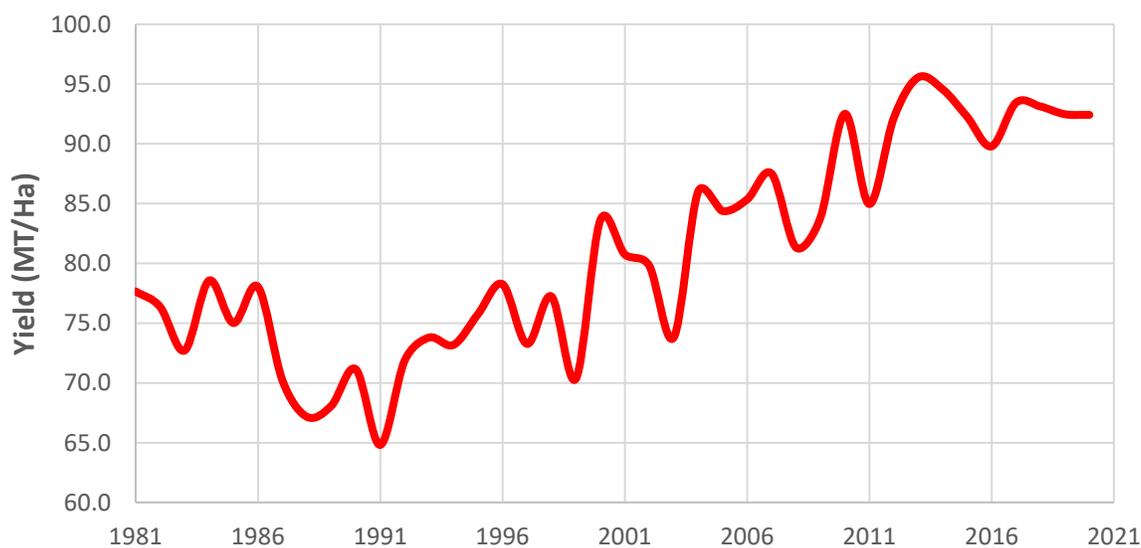


Table 2. Sugarcane yields (MT/Ha) in Honduras 1981-2020.



Sugar

In Honduras, production, commercialization, and distribution of sugar is handled by the private sector. The sugar industry is represented by the Honduran Sugar Producers Association (APAH). Six sugar mills are members of APAH, but only five are currently operational. In Santa Rita de Yoro, where the mill is under repair, harvested cane sugar is being transferred to a nearby mill. These six sugar mills own 68 percent of the cultivated area, with the remainder owned by independent producers. Sugarcane and sugar production provide employment to approximately 20,000 people per harvest.

The sugar industry comprises these six processors (sugar mills) and 11 warehouses for sugar storage. The sugar industry has invested in sugarcane varieties, infrastructure, and equipment, resulting in increased refining capacity and improved sugar recovery rates.

Sugar production for MY2022 is forecast to increase to 544,000 MT, up 14% from the revised estimate for the previous year. Damage to planted area, lower sugar concentration in harvested cane, and damage to mill infrastructure caused by hurricanes Eta and IOTA are responsible for the 13% decrease in MY2021 sugar production estimate from 544,000 to 476,000 MT.

The recovery rate of sucrose from sugarcane remains between 9 and 10 percent.

Consumption:

Domestic sugar cane consumption is forecast at 373,000 MT for MY2022, up 3.3% from the revised MY2021 estimate. The revised consumption forecast for MY 2021 (361,000 MT) dropped from 371,000 MT due to an estimated reduction in consumption by the food industry as a direct consequence of the COVID-19 pandemic, which shrank the Honduran economy by 9% in 2020.

The sugar industry prioritizes the domestic market to guarantee the nation's supply and food security. In addition, the 2020 average domestic market price for white sugar was about 8% higher than international prices. Per capita sugar consumption is estimated at 80 pounds per person of which 48 percent is for industrial use in beverages, candy, and baked goods. The remaining 52 percent is for direct consumer use. Direct consumer use increased from 48 percent and industrial use decreased due to the COVID-19 pandemic confinement established in March 2020.

The GOH's prevention measures that limited the number of employees in the workplace and ordered the closure of restaurants, bars and movie theaters reduced industrial demand for sugar. At the same time, the direct consumer use of sugar increased due to the "stay at home" measures. In addition, the GOH started buying sugar from CISA to include in the bags of staple foods that were provided to 800,000 low-income families during confinement. The consumption of alternative sweeteners is minimal and has no measurable impact on sugar consumption. Most of the population uses sugar since the price is lower than alternative sweeteners.

The Secretariat of Economic Development must authorize changes to wholesale sugar prices, as sugar is considered an essential food and industrial product that directly affects consumer cost of living.

Table 3. Average Sugar Prices for Plantation White (Standard) and Refined Sugar Honduras, 2020

<i>US\$/pound</i>		
Sale place	Plantation white (Standard)	Refined
Wholesale	0.36	0.38
Consumer	0.43	0.45

Source: Honduran Sugar Producers Association (APAH)

The domestic consumer price of sugar (plantation white) increased slightly in local currency over the past year, due to increases in production costs (Table 3). The price in dollars changed slightly due to a similar offsetting change in the dollar exchange rate.

Trade:

Sugar exports for MY2022 are forecast at 174,000 MT, a 38% (66,000 MT) increase compared to the updated post-hurricanes Eta and Iota MY2021 estimate. This will represent a 98% recovery in exports compared to the MY2021 pre-Eta & IOTA forecast. Sugar mills expect a 13% decrease in sugar production estimate for MY2021 due to the impact of hurricanes Eta and Iota, which will cause a 39% reduction of raw sugar export estimate.

The Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) provides a TRQ of 10,400 MT for Honduras to send to the United States for 2021 (up 1.6% from 2020). The WTO TRQ is 10,530 MT for 2021 (no change from 2020). The free trade agreement (FTA) with the EU approved a TRQ of 21,556 MT for 2021 (up 1.2% from 2020).

Honduras utilized its full TRQ allocations in MY2020 under the WTO Agreement and in agreements with the United States and the European Union. For MY2021, however, Honduras will utilize only 85% of its TRQ allocation for the European Union because of the reduction in sugar production caused by the hurricanes in November 2020. After these quotas are filled, the sugar mills then proceed to export to the rest of the world. In addition, depending on market conditions, Honduras takes advantage of other trade agreements, such as the one with Taiwan. The FTA with Taiwan provides a TRQ of 60,000 MT annually. According to the Central Bank of Honduras, in 2020 sugar exports were \$73 million, up 9% from \$67 million in 2019. The FTA with Canada entered into force on October 1, 2014. However, import requirements still need to be finalized for Honduras to export to Canada. The FTA with Mexico has been ratified, but sugar TRQs were not negotiated, because Mexico so far has had no need to make sugar imports. However, the two parties agreed that Honduras would have preferential access to 10 percent of Mexico's no-supply quota.

In early 2018 South Korea, Honduras, and four other Central American countries signed the Central America-Korea Free Trade Agreement. The FTA includes benefits for sugar exports. The FTA was approved by the Honduras Congress and went into effect in 2020 and Honduras exported 7,410 MT of sugar to Korea (Table 4).

In 2020 a Central America-United Kingdom Free Trade Agreement went into effect and Honduras exported 37,566 MT of sugar to the UK.

It should be noted that countries of the Central American region cannot export or import cane sugar within the region. This is an agreement contained in Annex A of the Central American General Integration Treaty. The entire Central American cane sugar surplus is exported out of the region. Honduras eliminated its export tax on sugar in accordance with WTO recommendations.

The top five destinations for Honduras's sugar exports in calendar year 2020 were: Haiti, the United Kingdom, the United States, Canada and Italy (Table 4). The volume of exports increased in 2019 compared to the previous year.

The following chart shows primary export markets by country.

Table 4. Honduras - Sugar, Centrifugal Exports, 2020

Country	Metric Tons
Haiti	48,775
United Kingdom	37,566
United States	31,239
Canada	21,503
Italy	16,006
Switzerland	15,000
South Korea	7,410
Trinidad and Tobago	7,095
Puerto Rico	5,099
Others	14,182
TOTAL	203,876

Source: Central Bank of Honduras

The import tariff for raw sugar and plantation white (standard) is 40 percent (consumption tax is not charged). The import tariff for refined sugar is 15 percent plus a 15 percent consumption tax. By law, quality restrictions require vitamin A to be added to sugar for human consumption, which is done by the Honduran sugar industry. The import tariff for raw sugar averages \$0.22 per kilogram. The import tariff for refined sugar is \$0.18 per kilogram, based on average U.S. sugar contract #16 prices. The chart below provides imports by country:

Table 5. Honduras – Sugar, Centrifugal Imports, 2020

Country	Metric Tons
United States	137.3
Others	5.7
TOTAL	143

Source: Central Bank of Honduras

According to the Central Bank of Honduras in 2020 sugar imports were 143 MT equivalent to \$274,000. Sugar imports in 2019 were 213 MT equivalent to \$313,219 (Table 5).

NOTE: The exports and imports data in the production, supply, and distribution (PS&D) tables differ from the above export and import matrices. The difference is because of the manner of calculation of sugar export statistics by APAH and the Central Bank of Honduras: APAH export statistics include sugar which has been contracted for export, while the statistics of the Central Bank of Honduras only include sugar which has already been physically exported from Honduras.

Stocks:

Stocks are owned by six processors (sugar mills) and their sugar is stored in CISA warehouses in Tegucigalpa and San Pedro Sula. Stock levels are expected to drop about 15% by the end of MY2021 due to decreased production caused by the hurricanes and remain at just above 200,000 MT in MY 2022, when production and exports rebound close to pre-hurricane levels.

Policy:

The following policies are related to the sugar sector in Honduras:

- On March 2020, the GOH initiated preventive measures to prevent the spread of COVID19. However, beginning April 2020 sugar mills were authorized by the Secretariat of Labor to operate under biosafety protocols.
- Sugar mills are limited in the planting area they can use. The Agrarian Reform established a ceiling of land they can own. Sugar mills have to rent nearby suitable lands in order to increase their planting area.
- The land where sugar is planted is sometimes illegally occupied by squatters when the sugarcane should be harvested. The squatters do not allow the sugar mills to remove the sugarcane for harvesting and do not harvest it themselves. During the approximately 4 to 5 months it takes to process an eviction order, sugarcane is lost.
- Sugar mills produce the energy that they use during the November to May harvest months through the use of bagasse, generating 130 Megawatts per hour (Mwh) with a potential of 344 Mwh of electricity. The excess energy generated is sold to the Government’s National Enterprise of Electric Energy (ENEE). Sugar mills supply about 10 percent of the renewable energy produced in Honduras. APAH

indicated that the sugar mills sell the energy at an average of \$0.09 per Kilowatt versus the \$0.25 per Kilowatt provided by other energy companies. From June to October, however, there is no sugarcane harvest, which limits energy production.

- Honduras' 2007 Law for Production and Consumption of Biofuels had a modification in 2013 through decree 295-2013. The law provides biofuel producers fiscal incentives, such as exemptions from customs tariff, corporate taxes, and other related taxes for 12 years. Decree 295-2013 stipulated biofuels and ethanol use of up to 10 percent blend in 2015 to increase to a 20 percent blend starting 2020. APAH lobbied the Honduran Congress for the approval of the law and continues to support its future implementation. The regulation for the implementation of the law has been written but is pending approval by Congress.

- The Secretariat of Agriculture and Livestock, the Secretariat of Economic Development, sugar mills, and independent producers created the National Sugar Council through the 2005 Decree 161-2005. The objective of the National Sugar Council is to regulate matters between independent producers and sugar mills related to land tenure and technical assistance.

Marketing:

The six sugar mills in Honduras sell their production to a central warehouse company, Sugar Mill Central (CISA), which is owned by APAH and has 11 warehouses throughout the country. CISA distributes the sugar nationwide. CISA has developed marketing programs for new brands and improved packaging. It has also increased its distribution areas in the northern region of the country. CISA changed to 50-kilogram bags (equivalent to 110 pounds) to bring Honduras in line with neighboring countries. It also has small packages of brown and white sugar to offer to restaurants, hotels, and retailers.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct 2019		Oct 2020		Oct 2021	
Honduras	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	239	239	240	198	0	205
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	540	526	549	476	0	544
Total Sugar Production	540	526	549	476	0	544
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	779	765	789	674	0	749
Raw Exports	173	204	177	108	0	174
Refined Exp. (Raw Val)	0	0	0	0	0	0
Total Exports	173	204	177	108	0	174
Human Dom. Consumption	366	363	371	361	0	373
Other Disappearance	0	0	0	0	0	0
Total Use	366	363	371	361	0	373
Ending Stocks	240	198	241	205	0	202
Total Distribution	779	765	789	674	0	749

(1000 MT)

Sugar Cane for Centrifugal	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct 2019		Oct 2020		Oct 2021	
Honduras	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	56	57	57	57	0	58
Area Harvested	55	56	56	54	0	57
Production	5100	5134	5280	4500	0	5150
Total Supply	5100	5134	5280	4500	0	5150
Utilization for Sugar	5100	5134	5280	4500	0	5150
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	5100	5134	5280	4500	0	5150

(1000 HA), (1000 MT)

Attachments:

No Attachments