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Required Report - public distribution

Date: 4/25/2017

GAIN Report Number:

Jamaica

Sugar Annual

Jamaica Sugar Annual Report 2017

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Report Highlights:

Post estimates that Jamaica's sugar production will be 100,000 MT in 2017/18. This forecast is based on sugar cane production remaining at the same level as 2016/2017, assuming normal weather conditions. The production estimate for 2016/17 is 100,000 MT, and this production will be used to fulfill commitments to the EU, the U.S. Raw Sugar Tariff-Rate Quota (TRQ) and the domestic market.

Executive Summary:

For 2017/2018, Post forecasts that approximately 100,000 MT of raw sugar will be produced. This forecast is based on sugar cane production remains at the same level as 2016/2017, assuming normal weather conditions.

The 2016/2017 sugar cane crop is projected to be 1.4 million MT, resulting in about 100,000 MT of raw sugar – a substantial increase in volume from the previous year. Jamaica is expected to use its production to fulfill its commitments to Britain's Tate & Lyle Limited and its allocation under U.S. Raw Sugar Tariff-Rate Quota (TRQ). The remaining sugar production will be used to supply the domestic market. In addition, the Government of Jamaica's (GOJ) sugar industry policy includes strategies for the diversification of the industry to embrace cogeneration and the production of ethanol, rum and specialty sugar.

Consumption of raw and refined sugar in Jamaica has remained relatively flat over the last three years and is expected to remain flat unless there is robust growth in the economy.

Jamaica is expected to fulfill its sugar quota to the United States in 2016/2017 and supply all of its domestic raw sugar needs from its own production. For the 2015/2016 sugar crop, Jamaica fulfilled its sugar quota of 11,000 MT to the United States. It should be noted that for the 2015/2016 sugar crop, Jamaica exported 35,905 MT of raw sugar, valued at USD 16 million. The European Union (EU) accounted for 24,136 MT, while the remaining 11,769 MT was supplied to the United States market.

| Sugar Cane for Centrifugal | 2015/2016 | | 2016/2017 | | 2017/2018 | | |
|----------------------------|---------------|----------|---------------|----------|---------------|----------|-----------|
| Market Begin Year | Dec 2015 | | Dec 2016 | | Dec 2017 | | |
| Jamaica | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post | |
| | | | | | | | (Units) |
| Area Planted | 33 | 32 | 35 | 33 | 0 | 33 | (1000 HA) |
| Area Harvested | 28 | 21 | 30 | 25 | 0 | 25 | (1000 HA) |
| Production | 1600 | 1100 | 1800 | 1400 | 0 | 1400 | (1000 MT) |
| Total Supply | 1600 | 1100 | 1800 | 1400 | 0 | 1400 | (1000 MT) |
| Utilization for Sugar | 1592 | 1092 | 1792 | 1392 | 0 | 1392 | (1000 MT) |
| Utilization for Alcohol | 8 | 8 | 8 | 8 | 0 | 8 | (1000 MT) |
| Total Utilization | 1600 | 1100 | 1800 | 1400 | 0 | 1400 | (1000 MT) |
| TS=TD | 0 | 0 | 0 | 0 | 0 | 0 | |

| Sugar, Centrifugal | 2015/2016 | | 2016/2017 | | 2017/2018 | | |
|---------------------------|------------------|-------------|------------------|-------------|------------------|-------------|-----------|
| Market Begin Year | May 2015 | | May 2016 | | May 2017 | | |
| Jamaica | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post | |
| | | | | | | | (Units) |
| Beginning Stocks | 4 | 4 | 4 | 4 | 0 | 4 | (1000 MT) |
| Beet Sugar Production | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Cane Sugar Production | 130 | 83 | 140 | 100 | 0 | 100 | (1000 MT) |
| Total Sugar Production | 130 | 83 | 140 | 100 | 0 | 100 | (1000 MT) |
| Raw Imports | 41 | 2 | 0 | 0 | 0 | 0 | (1000 MT) |
| Refined Imp.(Raw Val) | 34 | 70 | 70 | 70 | 0 | 70 | (1000 MT) |
| Total Imports | 75 | 72 | 70 | 70 | 0 | 70 | (1000 MT) |
| Total Supply | 209 | 159 | 214 | 174 | 0 | 174 | (1000 MT) |
| Raw Exports | 80 | 36 | 80 | 50 | 0 | 50 | (1000 MT) |
| Refined Exp.(Raw Val) | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Total Exports | 80 | 36 | 80 | 50 | 0 | 50 | (1000 MT) |
| Human Dom. Consumption | 125 | 119 | 130 | 120 | 0 | 120 | (1000 MT) |
| Other Disappearance | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Total Use | 125 | 119 | 130 | 120 | 0 | 120 | (1000 MT) |
| Ending Stocks | 4 | 4 | 4 | 4 | 0 | 4 | (1000 MT) |
| Total Distribution | 209 | 159 | 214 | 174 | 0 | 174 | (1000 MT) |
| TS=TD | 0 | 0 | 0 | 0 | 0 | 0 | |

Production:

For 2017/2018, Post forecasts that approximately 100,000 MT of raw sugar will be produced from 1.4 million MT of sugarcane. The forecast is based on favorable weather conditions for sugar cane. The owners of Everglades Sugar factory have stated that they have been operating at a loss and are unwilling to invest additional financial resources for the 2016/2017 sugarcane crop. The future of the Everglades Sugar factory is uncertain, however; the GOJ, which divested the factory to the owners in 2009, is in discussions with them. It should be noted that sugarcane farmers are provided with agricultural inputs by the sugar factories and are required to sell their sugarcane to the factory in that geographical area. Therefore, when a sugar mill is not operating, there is a reduction in the quantity of sugar cane grown.

Jamaica's sugarcane production and raw sugar production for 2016/2017 is expected to be greater than the 2015/2016. The favorable weather conditions and the resumption of milling at the Appleton Sugar factory are the main reasons for this expectation. The Appleton factory was out of operation last year because of a court order to cease operations due to an environmental violation. The issue has been resolved, and they are now operating.

With five of the six factories in operation for the start of 2016/2017 crop year, the production target of 100,000 MT of 96 degree sugar is attainable. Sugar production over the last three years has been - declining from 154,361 MT in 2013/2014, to 134,000 MT in 2014/2015, to 83,000 MT in 2015/2016 - due to the poor quality of sugar cane, factory inefficiencies, and unfavorable weather conditions.

Approximately 34,000 hectares of land is cultivated with sugarcane each year with, on average, 85 percent harvested. The other 15 percent is not harvested because of illicit cane fires, poor weather conditions and labor supply disruptions.

Sugarcane Production: Crop year 2015/2016

| Factories | Estate Area Reaped (Hectares) | Farmers Area Reaped (Hectares) | Total Area Reaped (Hectares) | Estate Cane Milled (MT) | Farmers Cane Milled (MT) | Total Cane Milled (MT) | Raw Sugar Produced (MT) |
|------------------|---|---|---|--|---|---|--|
| Frome | 3,265 | 3,195 | 6,460 | 222,655 | 173,421 | 396,076 | 27,507 |
| Monymusk | 2,734 | 1,991 | 4,725 | 128,706 | 113,459 | 242,165 | 16,985 |
| Appleton | 1,191 | 14 | 1,205 | 0 | 0 | 0 | 0 |
| Worthy Park | 1,855 | 2,250 | 4,105 | 57,499 | 193,004 | 250,503 | 24,054 |
| Everglades | 995 | 1,317 | 2,312 | 25,748 | 36,999 | 62,747 | 3,027 |
| Golden Grove | 921 | 1,409 | 2,330 | 64,384 | 101,840 | 166,224 | 11,282 |
| Total | 10,961 | 10,176 | 21,137 | 498,992 | 618,723 | 1,117,715 | 82,855 |

Source: Jamaica Sugar Industry Authority (Preliminary)

According to the Sugar Industry Enquiry Commission Report of 2010, production of between 200,000 and 300,000 MT of raw sugar per annum is essential to the viability of the industry. These production targets are within the existing capacity of the Jamaican Sugar Industry, which has a rated capacity for 336,000 MT of raw sugar per annum. However, the factories have been operating at levels significantly below rated capacity, and sugarcane production has been declining over the past three years.

Consumption:

Consumption of raw and refined sugar and molasses continues to be relatively flat.

Total consumption of raw sugar in Jamaica during 2016 was 49,000 MT. Consumption of refined sugar, which is used mostly for manufacturing purposes, grows proportionately with the non-alcoholic beverage and bakery industries. Given that Jamaica is under a three-year International Monetary Fund (IMF) Stand-By Arrangement (SBA), which prescribes a program of economic austerity and therefore limits the disposable income of consumers, it is expected that output of the bakery industry and production of non-alcoholic beverages will remain flat for the short to medium term. The alcoholic beverage industry consumes about 100,000 MT of molasses and about 5,000 MT of raw sugar per year.

Artificial and herbal sweeteners are present in the Jamaican market, but have not penetrated the retail sector.

Trade:

The export prices that Jamaica has been able to secure for 2016/2017 are close to the prevailing world sugar prices due to declining premiums associated with preferential access to the EU and U.S. markets. Therefore, the economic advantage of exporting at a high price and importing at a much lower price no longer exists. Hence, Jamaica is expected to export approximately one-half of its sugar production - that is, 50,000 MT in 2017 and 2018 - consume its own sugar (50,000 MT), and import no raw sugar for domestic consumption.

The European Union Sugar Protocol, which granted Jamaica and other African, Caribbean and Pacific (ACP) countries guaranteed preferential prices, was replaced in 2009 by the ACP Economic Partnership Agreement (EPA), reducing the difference between ACP and world market prices. Reforms to the EU's Common Agricultural Policy (CAP) in March 2013 will result in the abolition of guaranteed sugar quotas as of October 1, 2017, which will bring an end to the preferential treatment that ACP sugar producers have been enjoying since 1975. Under this new regime, Jamaica will have to compete with more efficient sugar-producing countries, resulting in uncertainty regarding the future of the Jamaican sugar industry.

Jamaica is expected to fulfil its U.S. sugar tariff rate quota (TRQ) for 2016/2017 and 2017/2018 given the abolition of guaranteed access to the EU market. The Jamaican sugar industry is also exploring the possibility of supplying the Caribbean Community (Caricom) market with raw sugar in 2018 and beyond. Total exports of raw sugar from Jamaica during the crop year 2015/2016 decreased by 57 percent, to 36,000 MT, valued at US\$16 million, from 83,000 MT in crop year 2014/2015 (with an export value of US\$60 million). For the 2015/2016 crop, Jamaica exported 24,000 MT of raw sugar to the European Union and fulfilled their U.S. sugar tariff rate quota (TRQ) of 11,000 MT.

In the second half of the 2015/2016 MY, Jamaica imported 2,000 MT of raw sugar from Guyana because of damage to locally produced raw sugar that was in storage for the retail market.

Jamaica does not produce refined sugar, and therefore imports to satisfy domestic demand. In 2015/2016, the country imported 70,000 MT of refined sugar. The demand for refined sugar for 2017 and 2018 is expected to remain flat given the IMF austerity program. Despite the liberalization of the refined sugar market in Jamaica, Guatemala and Colombia continue to be the dominant suppliers to the local market on the basis of price and availability.

Stocks:

Sources indicated that, as a result of the deregulation of refined sugar imports and increasing storage costs, importers hold approximately one month of supply in stocks.

Policy:

The Ministry of Industry, Commerce, Agriculture and Fisheries (MICAFA) has overall responsibility for the sugar industry. It deals with general policy issues while delegating to the Sugar Industry Authority (SIA) specifics of regulation and control of the industry. The Sugar Industry Authority is a statutory body which was created in 1970 by way of an amendment to the Sugar Industry Control Act of 1937 (The Act) to succeed a weaker body, the Sugar Industry Control Board. The SIA was vested with wide powers to regulate and control the industry, including the functions of arbitration, monitoring, planning, research and development. The SIA also monitors and oversees the marketing of sugar and molasses.

In 1994, Jamaica Cane Products Sales Limited was formed as a private marketing company jointly owned by the sugar manufacturers and cane growers. The board of the JCPS includes representation from sugar manufacturers, sugarcane growers, trade unions and the SIA. The JCPS was created to market sugar for the industry on behalf of the SIA, under the SIA's authority to market sugar. Prior to the creation of the JCPS, the marketing of all sugar and molasses was done by the SIA. However, the industry felt that a more focused entity, operating as a private company, would function more effectively in pursuing the marketing role. JCPS operates under a specific agreement with the SIA that allows it to function as a marketing agent.

In July 2009, the Jamaican Ministry of Agriculture & Fisheries reviewed its main policy document on the sugar industry of Jamaica, "The Jamaica Country Strategy for the Adaptation of the Sugar Industry 2006 to 2015". The revised sugar strategy document is now entitled, "The Jamaica Country Strategy for the Adaptation of the Sugar Industry: 2006 to 2020." The document outlines three strategic objectives as follows:

1. The development and maintenance of a sustainable private sector-led sugar cane industry based on multiple products;
2. Strengthening of the social resilience, economic diversification and environmental sustainability of Sugar Dependent Areas (SDA);
3. Maintaining progress towards the GOJ's macro-economic goals.

The policy environment emphasizes diversification as a necessary risk mitigation and revenue generation mechanism. The predominant vision of diversification within the industry foresees the creation of a sugarcane (as opposed to sugar) industry, focusing on co-generation, and the production of ethanol, refined, specialty and raw sugar, as well as rum and other alcoholic beverages.

Marketing:

There are three marketing agents - namely, PCSC, Seprod and JCPS - that handle domestically produced raw sugar.

In November 2012, PCSC was granted marketing agent status by the GOJ as part of the sale agreement between the Chinese company Complant- which bought the three remaining state-owned sugar factories -- and the government. The Chinese-owned PCSC markets the sugar and molasses produced by their sugar factories locally and internationally.

The Seprod Group, a local entity which owns the Golden Grove Sugar Company Limited, acquired a license as a marketing agent from the GOJ in November, 2015. This status gives Seprod control over the marketing of Golden Grove's sugar, and Seprod has since entered the local raw sugar retail market.

JCPS is a local cooperative marketing firm composed of sugarcane growers and Jamaican sugar manufacturers. PCSC and Seprod are not a part of the local raw sugar pooling arrangement that JCPS carries out on behalf of the industry for the current crop but operate independently of the local formula by which estates pool their product for the European and U.S. markets.

The distribution of imported refined sugar for the retail market is handled exclusively by JCPS. However, refined sugar used in the manufacturing of valued-added products, such as beverages, is imported by independent manufacturers. JCPS remains concerned that duty-free refined sugar imports for manufacturing may be diverted to the retail trade, dampening prices. It should be noted that refined sugar can be imported for the retail trade by private enterprises, but is subjected to a cumulative duty of 128.2 percent. The GOJ believes that the heavy involvement of the JCPS in the domestic sugar market serves as a means of stabilizing local retail sugar prices.

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