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## Honduras

### Sugar Annual

**2018**

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**Report Highlights:**

Sugar production and exports are projected to increase in marketing year 2018/2019, up from the previous year. Honduras had a historical record year of sugar production during the 2017/2018 harvest. Sugar mills are investing more in drip-irrigation, water harvesting and processing systems to improve yields. The weather conditions are anticipated to improve production.

## **Executive Summary:**

In Honduras, the production, commerce, and distribution of sugar are controlled by the private sector. The sugar industry is represented by the Honduran Sugar Producers Association (APAH). Six sugar mills are members of APAH. These sugar mills own around 68 percent of the land with the remainder owned by independent producers.

Marketing year (MY) 2018/2019 forecast for sugarcane harvested areas is approximately 54,000 hectares (ha.). production is expected to continue on 54,000 hectares (ha.) of land. The sugar industry is aiming mainly to increase yields through more investment in drip irrigation equipment, water harvesting and use of better inputs. The area harvested provides an estimated total sugarcane production of 5.3 million metric tons (MT), slightly higher than the previous year.

Cane sugar production is expected to increase to 562,000 MT for MY 2018/2019. The estimated increase in cane sugar production is due to improvements in refining capacity and efficiency. MY 2018/2019 forecast aims at maintaining the same efficient practices as MY 2017/2018; which had the highest record of sugar production in Honduras. Sugar mills are enhancing good farming practices to obtain higher sugar concentrations yields in cane as well as improving sugar recovery rates to increase sugar production. There is no initiative at this time to increase planted area.

The sugar export forecast for MY 2018/2019 is 198,000 MT, up from the previous year due to the expected increase in overall sugar production. Honduras complies with shipping its full tariff rate quota allocation to the United States, the World Trade Organization, European Union and Taiwan.

According to preliminary data from the Central Bank of Honduras, sugar was exported to thirteen countries valued at \$72 million in 2017.

## **Commodities:**

Select

## **Production:**

### **Sugarcane**

The forecast on sugarcane planting acreage for MY 2018/2019 is 57,000 ha. up from the previous year.

The increase in the forecast takes into account the use of equipment and technologies such as Global Positioning System (GPS) for the planting season. The technology helps them plant more sugarcane on the same area of land. This is necessary due to a lack of nearby suitable land to rent. In addition, the Agrarian Reform law establishes a ceiling on how much land mills can own. These limitations drive the sugar industry to use less land and focus its efforts to increasing investments in drip irrigation equipment, water harvesting technologies, and better use of inputs. The mills also provide technical assistance and irrigation systems to independent producers.

Sugarcane harvest forecast for MY 2018/2019 is 5.3 million MT of expected sugarcane production on 54,000 ha. of land. The sugar mills also updated their estimate for MY 2017/2018, since sugarcane has already grown nine months of the twelve months cycle; allowing for a more realistic forecast.

## **Sugar**

Cane sugar production for MY 2018/2019 is forecast to increase to 562,000 MT due to improvements in cane quality, refining capacity and sugar extractions efficiency. The estimate for MY 2017/2018 was revised due to beneficial weather conditions during the growing season resulting in higher sugar yields in all mills. MY 2016/2017 sugar production revised based on updated harvest data.

The sugar industry is comprised of six processors (sugar mills) and 11 warehouses for sugar storage. The sugar industry has invested in the improvement of sugarcane yields, infrastructure, and equipment, resulting in increasing refining capacity and improving sugar recovery efficiencies. The mills are working at 95-100 percent of their productive capacity. The recovery rate of sucrose from sugarcane is between 9 and 10 percent. From the area harvested, 96 percent of the sugarcane enters into production and 4 percent is kept for research and replanting. Primary factors that negatively affect sugar production in Honduras are droughts, floods, lack of security, land tenure, and access to credit.

Independent producers negatively impacted by droughts and rising production costs found themselves with no means to purchase irrigation and water harvesting systems or other technologies to expand production. In addition, there has been the imposition of new bank requirements to obtain loans leaving many farmers with no access to financing. All of these factors contributed to farmers preferring to rent their land to the sugar mills.

Sugar mills assist independent producers to obtain credit by providing solidarity guarantees for producers. APAH and the Honduran Sugar Producers Federation (FEHPROCA) have organized a Sugarcane Committee. The objective of the Committee is to provide support to independent producers to acquire access to credit through commercial banks.

In 2005, the sugar mills created the foundation FUNAZUCAR. FUNAZUCAR develops programs to deliver incentives to sugarcane workers and assist communities where sugar mills are located. They implement literacy programs for young people and adults, trainings to micro enterprises, health care, school meals, educational materials, and other types of donations. Computers and solar panels have been installed in schools and infrastructure repairs to classrooms.

Sugar mills provide independent producers harvesting equipment, road maintenance, in addition to paying teacher salaries for local schools in the communities where independent producers live. Credit for small enterprises is also provided in communities where sugar mills are located.

## **Consumption:**

Domestic cane sugar consumption is forecast at 364,000 MT for MY 2018/2019, up from the previous year. According to a recent industry study, estimated consumption for MY 2017/2018 is 357,000 MT.

Per capita sugar consumption is estimated at 80 pounds per person of which 52 percent is for industrial use in beverages, candy factories, and baked goods. The remaining 48 percent is for direct consumer use. The consumption of alternative sweeteners is minimal and has no measurable impact on sugar consumption. Most of the population uses sugar per their purchasing power, since the price is lower than the alternatives.

The Secretariat of Economic Development (previously known as Ministry of Industry and Trade –SIC) must authorize changes to wholesale sugar prices, as sugar is considered an essential food and industrial product that directly affects consumer cost of living.

<b>Average Sugar Prices for Plantation White (Standard) and Refined Sugar Honduras, 2017</b> <i>US\$/pound</i>		
<b>Sale place</b>	<b>Plantation white (Standard)</b>	<b>Refined</b>
Wholesale	0.32	0.34
Consumer	0.40	0.43

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. The dollar amount did not change due to a similar offsetting change in the dollar exchange rate.

### **Trade:**

Sugar export forecast for MY 2018/2019 is 198,000 MT, up from the previous year due to an expected increase in production. MY 2017/2018 estimated exports were revised upward by of favorable weather conditions during important growing months prior to harvest that improved sugar concentration levels in the sugarcane and subsequent sugar recovery yields.

Honduras complies with shipping its full tariff rate allocation to the United States, the World Trade Organization, European Union, and Taiwan. After these markets have been supplied, the sugar mills will then proceed to export to the rest of the world. According to Central Bank of Honduras preliminary data, major sugar exports were to thirteen countries and reached \$72 million in 2017; which is up from \$59 million exported the previous year.

The FTA with the EU approved a sugar tariff rate quota (TRQ) of 20,858 MT for 2017. Exports to the EU began in the middle of 2013. The FTA with Taiwan provided a standard TRQ of 50,000 MT annually beginning in 2014. The FTA with Canada was ratified and will allow 2,500 MT sugar TRQ the first year; and 5,000 MT TRQ from the second year on. However, import requirements still need to be finalize for Honduras to export to Canada. The FTA with Mexico has been ratified, but sugar TRQs

were not negotiated; however, there was an agreement that Honduras would have preferential access to 10 percent of Mexico's no-supply quota.

On February 21, 2018 the Central America-Korea Free Trade Agreement was signed. The FTA includes benefits for sugar exports. The FTA has been signed but has not entered into effect since it must be approved by Congress.

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. All of Central American cane sugar surplus is exported out of the region.

Honduras eliminated its export tax on sugar in accordance with WTO recommendations.

The main destinations for Honduras's sugar exports in Calendar year 2017 were the United Kingdom, United States, Spain, Haiti, China, Jamaica, Trinidad and Tobago, Peru, Taiwan, Russia and Sri Lanka. The volume of exports increased in 2017 compared to the previous year. The following chart shows primary export markets by country.

#### **Honduras - Sugar, Centrifugal Exports, 2017**

<b>Country</b>	<b>Metric Tons</b>
United Kingdom	43,583
United States	34,307
Spain	20,510
Haiti	15,250
China	15,000
Jamaica	9,247
Trinidad & Tobago	7,401
Peru	4,650
Taiwan	3,000
Others	4,197
<b>TOTAL</b>	<b>157,145</b>

Source: Central Bank of Honduras. Preliminary data.

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 US\$0.22 per kilogram. The import tariff for refined sugar is US\$0.18 per kilogram, based on average U.S. sugar contract #16 prices. The chart below provides imports by country:

#### **Honduras – Sugar, Centrifugal Imports, 2017**

Country	Metric Tons
United States	124
Others	132
<b>TOTAL</b>	<b>256</b>

Source: Central Bank of Honduras. Preliminary data.

**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 that are located in Tegucigalpa and San Pedro Sula. Stock levels are expected to remain at historical levels in MY 2018/2019.

### **Policy:**

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

- Sugar mills are limited in the planting area they can use. The Agrarian Reform law established a ceiling of land they can own. Sugar mills have to rent nearby suitable lands in order to increase their planting area.
- APAH and the foundation FUNAZUCAR contributes to combatting child labor. This was accomplished by including in producers' contracts the prohibition of hiring children and by placing signs in buses and public areas about this prohibition. Sugar mills supervise the compliance of this regulation throughout the sugar production and harvest period.
- Sugar mills produce the energy that they use during the November – 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 GOH'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 for US\$0.09 per Kilowatt versus the US\$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. The regulation 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, Sugar Mill Central (CISA), which is owned by APAH and has 11 warehouses overall in 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 has changed, however, to 50 kilogram bags (equivalent to 110 pounds) to bring Honduras in line with neighboring countries. It also has small packages to offer to restaurants and hotels, as well as at the retail level.

### **Production, Supply and Demand Data Statistics:**

<b>Sugar, Centrifugal</b>	<b>2016/2017</b>		<b>2017/2018</b>		<b>2018/2019</b>	
<b>Market Begin Year</b>	<b>Oct 2016</b>		<b>Oct 2017</b>		<b>Oct 2018</b>	
<b>Honduras</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Beginning Stocks</b>	239	239	238	239	0	239
<b>Beet Sugar Production</b>	0	0	0	0	0	0
<b>Cane Sugar Production</b>	549	520	567	550	0	562
<b>Total Sugar</b>	549	520	567	550	0	562





