

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Jamaica**

## **Sugar Annual**

## **Jamaica Sugar Annual Report 2016**

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**Report Highlights:**

Post estimates that Jamaica's production will increase to 140,000 MT in 2016/17. The improved performance will be due mainly to an increase in the number of sugar factories that will be in operation. The estimate for 2015/16 is 130,000 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 2016/2017, Post forecasts that approximately 140,000 MT of raw sugar will be produced. This forecast is based on normal weather conditions and an increase in the number of sugar factories that will be in operation.

The 2015/2016 crop is projected to produce about 130,000 MT of raw sugar – a marginally lower volume than the previous year. Jamaica is expected to use its production to fulfill its commitments to Britain's Tate & Lyle Limited and the 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 (GOJ) 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 until the economy improves.

For the sugar crop 2014/2015 Jamaica fulfilled its sugar quota of 11,000 MT to the United States and shipped an additional 2,000 MT under a reallocation of unused TRQ from other countries. Furthermore, Jamaica is expected to fulfill its sugar quota to the United States in 2015/2016. Jamaica will supply all of its domestic raw sugar needs from its own production. It should be noted that for the 2014/2015 sugar crop, Jamaica exported 83,000 MT of raw sugar valued at USD 60 million. The European Union (EU) accounted for the major share of the 83,000 MT due to high prices in that market.

Sugar Cane for Centrifugal	2014/2015		2015/2016		2016/2017		
Market Begin Year	Dec 2014		Dec 2015		Dec 2016		
Jamaica	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Area Planted	37	33	39	33	0	35	(1000 HA)
Area Harvested	32	28	34	28	0	30	(1000 HA)
Production	1900	1600	2000	1600	0	1800	(1000 MT)
Total Supply	1900	1600	2000	1600	0	1800	(1000 MT)
Utilization for Sugar	1892	1592	1992	1592	0	1792	(1000 MT)
Utilization for Alcohol	8	8	8	8	0	8	(1000 MT)
Total Utilization	1900	1600	2000	1600	0	1800	(1000 MT)
TS=TD	0	0	0	0	0	0	

Source: Industry & post estimate

Sugar, Centrifugal	2014/2015		2015/2016		2016/2017		
Market Begin Year	May 2014		May 2015		May 2016		
Jamaica	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Beginning Stocks	4	4	0	4	0	4	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	160	134	170	130	0	140	(1000 MT)
Total Sugar Production	160	134	170	130	0	140	(1000 MT)
Raw Imports	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	70	70	70	70	0	70	(1000 MT)
Total Imports	70	70	70	70	0	70	(1000 MT)
Total Supply	234	208	240	204	0	214	(1000 MT)
Raw Exports	96	83	100	80	0	80	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
Total Exports	96	83	100	80	0	80	(1000 MT)
Human Dom. Consumption	138	121	138	120	0	130	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Use	138	121	138	120	0	130	(1000 MT)
Ending Stocks	0	4	2	4	0	4	(1000 MT)
Total Distribution	234	208	240	204	0	214	(1000 MT)
TS=TD	0	0	0	0	0	0	

Source: Industry & post estimate

### Production:

For the 2016/2017 sugarcane crop, Post forecasts that approximately 140,000 MT of raw sugar will be produced. The forecast is based on favorable weather conditions and the resumption of milling at both the Appleton and Everglades Sugar factories which are out of operation for 2015/2016.

Jamaica's raw sugar production for 2015/2016 will be less than the 2014/2015 crop due to a number of challenges. The Chinese owned Pan Caribbean Sugar Company (PCSC) Limited was expected to finalize the retrofitting of their two sugar mills which have been under-performing over the last three years are still incomplete. In addition, the Everglades Estate factory will not be in operation for this year's sugar crop and their future is uncertain because of the heavy financial losses since 2009. The Appleton factory was scheduled to begin the 2015/2016 crop in January 2016. However, Algix Jamaica, which operates a fish farm close to the Appleton Estate factory, obtained a court injunction against the company after claiming that effluent from the factory was entering its fish farm. The resolution of this court action is still pending.

With only four of the six factories in operations for the start of 2015/2016 crop year there are doubts that the production target of 130,000 MT of 96 degree sugar is attainable. Even if the sugar production target for crop year is achieved this would be a decrease of 3 percent from the 134,000 MT produced during the previous crop.

The 2014/2015 production of 134,000 MT of 96-degree sugar was lower than the previous estimate of 160,000 MT. Furthermore, the 134,000 MT is a fourteen percent decrease over the previous year's production of 154,361MT. Unfavorable weather conditions are regarded as the main factors responsible

for the decrease in production. Sugar production over the last three years has been erratic from 128,000 MT in 2012/2013; 154,361 MT in 2013/2014 to the present 134,000 MT in 2014/2015.

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, labor supply disruptions, and strategic increase in stand-over fields.

### **Sugarcane Production: Crop year 2014/2015**

<b>Factories</b>	<b>Estate Area Reaped (Hectares)</b>	<b>Farmers Area Reaped (Hectares)</b>	<b>Total Area Reaped (Hectares)</b>	<b>Estate Cane Milled (MT)</b>	<b>Farmers Cane Milled (MT)</b>	<b>Total Cane Milled (MT)</b>	<b>Raw Sugar Produced (MT)</b>
Frome	3,059	3,777	6,836	232,942	194,039	426,981	32,785
Monymusk	3,997	1,861	5,858	155,786	97,629	253,415	19,775
Appleton	3,773	1,505	5,278	221,895	92,857	314,752	26,914
Worthy Park	1,122	2,620	3,742	88,114	159,494	247,608	27,628
Everglades	1,432	1,360	2,792	74,454	58,527	132,981	11,103
Golden Grove	1,293	1,737	3,030	77,996	118,635	196,631	16,018
<b>Total</b>	<b>14,676</b>	<b>12,860</b>	<b>27,536</b>	<b>851,187</b>	<b>721,181</b>	<b>1,572,368</b>	<b>134,224</b>

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 erratic over the past three years. Therefore, it is clear that the viability of the industry is highly dependent on increasing sugarcane acreage, increasing yield, improving factory efficiency and the availability of markets for the products produced.

### **Consumption:**

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

Total consumption of raw sugar in Jamaica during 2014/15 was 51,000 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 an International Monetary Fund (IMF) Extended Fund Facility (EFF) arrangement 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 2015/2016 are close to prevailing world sugar prices due to declining premiums associated with preferential access to the EU and US markets.

Therefore the economic advantage of exporting at a high price and importing at much lower price no longer exists. Hence, Jamaica will export approximately one half of its sugar production, consume its own sugar, and import no raw sugar for domestic consumption.

The European Union Sugar Protocol, which allowed Jamaica and other African, Caribbean and Pacific (ACP) countries guaranteed preferential prices, has been replaced 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 and hence the future of the sugar industry is very uncertain. It should be noted that up until 2009, Jamaica's EU quota was 127,000 MT with an additional 24,000 MT exported under the Special Preferential Sugar (SPS) agreement.

The total exports of raw sugar from Jamaica during the crop year 2014/2015 increased by 4 percent, to 83,000 MT, valued at US\$60 million, from 80,000 MT in crop year 2013/14 (with an export value of US\$69 million). For the 2014/2015 crop, Jamaica exported 70,000 MT of raw sugar to the European Union and fulfilled their U.S. sugar tariff rate quota (TRQ) of 11,000 MT. It should be noted that Jamaica exported an additional 2,000 MT of raw sugar to the United States under a reallocation of unused TRQ from other countries. Hence, total volume of raw sugar exported the United States was 13,000 MT valued at US\$6 million.

Jamaica was able to fulfill all of its local demand for raw sugar by consuming 51,000 MT of domestically produced sugar. While for refined sugar the country imported 70,000 MT during 2014/15 crop year. With retail consumption remaining flat and relatively low stocks, imports of refined sugar are typically driven by manufacturing demand. 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:**

The liberalization of refined sugar imports allows the Jamaica Cane Product Sales Limited (JCPS), private brokers and manufacturers to import and hold stocks of refined sugar. The JCPS previously handled all raw sugar imports and exports but they now share marketing agent status with the Seprod Group Limited and the Chinese locally-owned Pan Caribbean Sugar Company (PCSC) Limited. The amount of raw sugar held in stock is imprecise. With the deregulation of refined sugar imports and increasing storage cost, independent importers do not hold significant stocks of refined sugar.

**Policy:**

The Ministry of Agriculture (MOA) 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 and monitoring and overseeing 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 the two aforementioned organizations, the 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 provided by legislation. 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 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 (3) strategic objectives which are as follow:

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 Government of Jamaica's (GOJ) macro-economic goals.

The Jamaican sugar industry has been completely privatized since August 2011 when the GOJ completed its sale agreement with Complant (International Sugar Industry Company Limited), a company jointly owned by the Government of China and private interests in China on the purchase of the remaining three state-owned sugar factories. It should be noted that the Jamaican Government had no other alternative apart from divesting the state-owned sugar factories given the huge losses these entities incurred over many years.

The government of Jamaica in June 2010 appointed a Commission of Enquiry into the sugar industry sector. According to the GOJ, the Enquiry was necessary given the important changes taking place in the Jamaican Sugar Industry, particularly in relation to adjustments in the European Union's sugar importation policy and the full privatization of the industry. The Commission was given the mandate to ascertain if modifications were required in the regulation, marketing, pricing and institutional controls governing the sector. Twelve main recommendations were made by the Commission and it was felt that these recommendations would have provided the framework for a new, prosperous, multi-product sugar cane industry, led by the private sector. However, to date nothing has been done to implement these recommendations.

Additionally, 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 (3) marketing agents; namely, PCSC, Seprod and JCPS, which 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 GOJ in November, 2015. This status gives Seprod control over the marketing of Golden Grove's sugar and 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 will not be a part of the local raw sugar pooling arrangement that JCPS carries out on behalf of the industry for the current crop but will operate independently of the local formula by which estates pool their product for the European and United States of America markets.

Since 1994 the marketing of Jamaican raw sugar was assigned under an agency agreement to JCPS Limited, a private company which is jointly owned by the Jamaican sugar manufacturers and the Jamaican sugarcane farmers. As marketing agent of the state-owned Sugar Industry Authority (SIA), JCPS undertakes the commercial functions associated with the marketing of raw sugar destined for export and for local consumption. JCPS at present undertakes the marketing of locally produced raw sugar and molasses for approximately one half of the industry and distributes the total revenues to its sugar manufacturers and sugar cane farmers.

In addition, distribution of imported refined sugar in Jamaica for the retail market is handled exclusively by the 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 enterprise but is subjected to a cumulative duty of 128.2%. The Government of Jamaica 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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