

## MARKET ANALYSIS

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The data with respect to year 2025 are intended to be representative of the years 2025 thru' 2029 since no significant changes are expected to take place during those years.

## **Introduction**

In July, 2015, The Government of Guyana established a commission to enquire into the operations of the Guyana Sugar Corporation (Guysuco), and to develop, to the extent possible, a plan to bring the sugar industry back to profitability. The common tasks included a report and recommendations on a series of operational areas including the marketing of the corporation's bulk sugar, and value added and by-products.

This report addresses all aspects of the aforementioned area and recommends ways forward. It is informed by estate visits, discussions with local and foreign stakeholders and the gathering of information from a wide variety of sources.

- The base figures used are actual for 2014 and projections will be for two 5-year periods and one six year period: 1. 2015 – 2019; 2. 2020 – 2024; 3) 2025 – 2030.

As at the end of 2014, Guyana's main markets for sugar were the European Union (EU) – 75%, Local – 12%, USA – 7%, and CARICOM – 6%. Each market is dealt with in turn along with a recommendation or recommendations.

## **The EU**

Since Guyana exports as much as 75% of its production to the EU, any analysis must take into account what is likely to happen after 30 September, 2017 when quotas are abolished and there will be no distinction between quota and out-of-quota sugar. There will then be open competition with other countries exporting sugar to the EU and at a price more or less equal to the world price.

After 2017, prices in the EU will follow world prices up and down in a liberalised market situation. Imports will decrease as the EU sugar price falls. Guyana can continue to export sugar to the EU, more particularly to Tate & Lyle (T&L) since the refineries in London are not 'modern' and can continue to accept Guyana's relatively low quality sugar: 96<sup>0</sup> – 97<sup>0</sup> pol. However, according to the representative of Guysuco's marketing agent, even T&L would have a problem accepting sugar of a lower quality (based on a recent sample from Skeldon (SWR) estate) and other refineries would not do so unless price-reducing penalties are applied.

Over time, changing consumer preferences will also result in market share being taken by non-sugar low calorie sweeteners like stevia, splenda and sucralose in addition to artificial sweeteners like aspartame and saccharin (though it must be conceded that the latter two are being phased out). The foregoing suggests that:

- Guyana will continue to export sugar to the EU;
- There will however have to be a reordering of market priorities dependent upon the revenue-earning ability of each and the quantities associated therewith.
- We propose the following in order of priority: Local, Caricom, USA, EU. The EU will have moved from being a priority market to being a residual market though the largest quantities will continue to be exported there.
- However, this ordering could well change dependent on movement in WMP's. It could be argued that there is a direct relationship between the price obtained in the EU and the WMP. As the WMP increases (as it has since the end of July 2015), the price obtained in the EU (the market to which most of Guyana's sugar is exported) also increases.

## **The USA**

Guyana exports approximately 12,700 tonnes of bulk sugar per annum to the USA under that country's Tariff Rate Quota System, and it is assumed that this will continue throughout the period under consideration. This quantity can increase under special circumstances though these are not easily predicted.

There is also a market for Guyana's special value-added sugar in the USA and Canada. It was intended to ship packaged Demerara Gold (DG) to these markets. However, after a lawsuit which was lost, DG can no longer be exported to North America as an exclusive Guyanese product.

Enmore estate (EHP) is producing "new" packaged sugar under the brand name "Enmore Crystals" (EC). The following is recommended:

- The name (or whatever may be the finally agreed name, e.g. Demerara Crystals) must be registered as a trade mark in Guyana and North America.
- Further, EC would be "new" to the diaspora. The package should therefore carry information easily identifying the origin of the sugar, especially the word "Demerara" along with other words e.g. 'grown in', 'original', 'genuine'.
- The foregoing must be accompanied by an aggressive, informative advertising campaign including comparative reference to 'Demerara Gold' as far as the law would permit. Later, dependent on the response, Guysuco could revert to reminder advertising.
- These advertising campaigns, paid for by Guysuco, could be carried out by whoever is responsible for the distribution of the sugar. The projected value of value-added

exports to the USA and Canada over the three year period 2015 – 2017 is US\$1,681,000. This suggests that the cost to Guysuco for the information advertisements over the same period would be US\$336,000. As was stated before, advertisements post 2017 would be reminder advertisements and these would cost significantly less.

### **Local**

As was stated, the local market accounts for approximately 12% of Guysuco's production in the form of bagged and packaged sugar. On the local market, more than 18,000 tonnes of bagged sugar were sold in 2014 and only 2665 tonnes of DG. A rather unsatisfactory state of affairs if Guysuco is to earn more revenue from local sales without increasing the price sugar. It is recommended:

- More DG packaged sugar be deliberately made available on the local market to gradually, as it were, wean the population off bagged sugar, albeit forceably. The likely results are reflected in the tables.
- Both packaged and bulk sugar are currently together available in the supermarkets. However, if only one type were available, that type (packaged) will have to be purchased at the relatively remunerative price of US\$.26/lb. It is to be noted that any increases in price must be approved by the relevant government authority.
- At least 9,000 tonnes will continue to be consumed locally.

## **CARICOM**

EHP factory has a capacity to package 40,000 tonnes which it has never done, while Blairmont Estate can package up to 10,000 tonnes. The price received for DG in CARICOM is approximately US\$.33/lb (the highest return). Intuitively, it would seem that more DG would have to be promoted and shipped to CARICOM (cf. 2343 tonnes shipped in 2014).

Since there are other countries in the region e.g. Belize and Guatemala which are ready to ship sugar to the sugar consuming member states in CARICOM, both Guyana's packaged and bagged sugars must be marketed more aggressively to retain market share and premium prices.

DG is already known in the region and, in this regard, reminder advertising should be carried out. Guysuco currently pays about US\$56,000 to its distributor in Trinidad to promote its sugar in the region. These advertisements must continue. This is primarily because in a situation of low world market prices (WMP), importers can purchase higher quality sugar outside of the region, pay the Common External Tariff (CET) and it would still be cheaper than purchasing sugar from a member country exporter like Guyana at a premium price.

There is a readily quantified market for refined sugar in the region, including Guyana. Indeed, Guyana imports refined sugar from Guatemala for use in the beverage industry and others which need that type of sugar to produce the best version of their final product (jams and jellies). The CARICOM market is estimated to be in the vicinity of 200,000 tonnes.

The SSMP had earmarked Skeldon estate to satisfy this refined sugar market. Having regard to all the well-known circumstances, it can be stated that this will never happen.

- However, if funding could be found to establish a refinery, as was stated above there would be a ready market for refined sugar for Guyana at a price in excess of US\$. 30c/lb. Of course, under such circumstances, Guyana (Guysuco) would no longer expend foreign exchange to import refined sugar (from Guatemala).

### **Molasses**

In 2014, the majority of Guysuco's molasses was shipped to the 'Other Islands' and Barbados, with DDL placing a significant third. Assuming that exports to all the current markets continue at negotiated prices:

- Guysuco must more seriously examine the possibility of selling (and exporting) molasses in small (400 – 500 ml.) bottles with the necessary promotion.
- Care must be taken, however, to ensure that any health benefits claimed could be verified as accurate so that the corporation would not be liable for damages for making false claims. This is especially the case when the product is exported to the USA and Canada

### **Co-Generation.**

There is no significant revenue to be earned from the sale of bagasse at present. It is recommended that:

- All factories capable of generating excess power benefit from this value-added activity

- More particularly with respect to SWR, the sale of bagasse to the newly created company SEI should be discontinued and the creation of the company reversed.

(This topic is discussed more extensively in section 14 of the “Factries” report.)

## **Price**

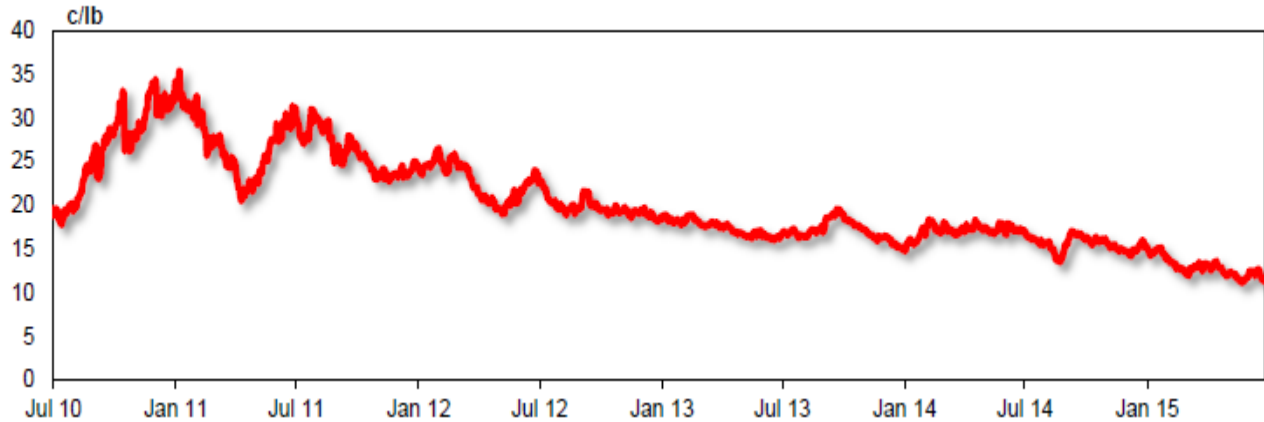
The FAO and OECD of the UN project a gentle recovery of prices over the next decade, but a decline in real terms. Output will grow faster than demand over the long term (2015 – 2024) painting a downbeat picture on prices – US\$.16.6c/lb by 2024 up from US\$.11c/lb given today’s prices but down in real terms because of inflation. Further, because of sugar substitutes and the growth of health consciousness, global sugar consumption will increase only 2% per year up to 2024. The price in 2030 is predicted to rise to \$US.19c/lb. There are many uncertain, unpredictable and even unknown factors which can and do influence the WMP, e.g. weather (particularly drought and flood).

There are also influential factors which can be regarded as known e.g. 1) the increase of low calorie sugar substitutes and the increase in health consciousness leading to an increase in the overall supply of sugar and the associated fall in prices, and 2) movements in the value of the Brazilian Real because Brazil accounts for more than 68% of the trade in raw sugar and 51% world trade. It is to be noted that the Brazilian economy is now officially in recession. Further, the movement of the US dollar can also have an impact on the WMP



where a strengthening of the dollar will have a negative impact on WMP's and vice-versa.

**No.11 July 2010 to date**



The diagram above was adopted from Czarnikow's Market Briefing to Guysuco as at July 2015 and shows the movement of WMP's from July 2010 to July 2015. It is to be noted that the WMP as at September 2015 was approximately US\$. 11c/lb and US\$. 13.2c/lb as at the beginning of October, 2015

Having regard to the foregoing, it was decided to use the most conservative WMP prices in the projections based on 2 factors:

- 1) the WMP is unlikely to ever fall below \$US. 10c/lb, at least in nominal terms;
- 2) if the price exceeds \$US. 18c/lb, revenue can only increase with a positive overall effect;
- Guysuco must exert every effort to produce high quality sugar for every market so as to be able to negotiate a price higher than the WMP, regardless of its level.
- The percentage by which the WMP increases every year will be the extent to which, where applicable, some of the prices Guysuco's obtains in its different markets increases. This, however, would not apply with respect to the local market.

**General**

It is accepted by all that with respect to Guysuco, the current status quo cannot continue. In that context, it must also be accepted that there no 'sacred cows'. Accordingly, 2018 must be the year when, if radical changes do not take place, some changes must begin. The simple underlying reason being that changes in the EU come into effect from 1<sup>st</sup> October, 2017. Radical changes would include the closure of factories in both Demerara and Berbice, since, for Guysuco to continue to exist as a sugar producer, at least one of the current seven must be closed so that 'bad ones would not continue to keep the good ones down'.

However, if all factories continue to produce sugar after 2017, changes in the industry must take place. It must first be accepted that, given the current structure of the world market, increases in overall revenue earnings can only take place if there are more exports to the more lucrative markets, since no significant increases in prices are projected. In fact, prices of exports when projected to increase from one year to another, only do so at the same relatively low rate that WMP's are projected to increase from that particular year to the next.

The changes which must take place must therefore result in a reduction in costs. Such changes include:

1. The rationalisation of the employment structure with respect to both management and non-management. In this regard, the questions to be answered are whether Guysuco employs more persons than are necessary for an efficient operation and whether a reduction in employment numbers and costs would result in a more effective and efficient operation.

2. There must be increased efficiency in both field and factory performance leading significant improvements in sugar yields and quality. Improvements in sugar quality will have a great impact on market acceptance and price. This is relevant to all markets, especially the EU as T&L advised, but not with respect to the local market where increases in revenue take place as the proportion between DC bagged and packaged sugar is deliberately being changed or as was stated before, with the approval of the relevant government authority.

The tables in the appendix show comparative increases in exports and earnings in all markets and are structured as follows:

Table 1. 2015 – 2017

Table ii. 2018 – 2020

Table iii. 2021 – 2023

Table iv. 2024 and 2025. The data with respect to year 2025 are intended to be representative of the years 2025 thru' 2029

The following should be noted:

1. The projections with respect to exports to the EU were supplied by Guysuco.
2. The projections with respect to exports of value-added to the USA and Canada assume that the recommended advertisements have taken place and have borne fruit.

## APPENDIX

**Table i**

### **COMPARATIVE SUGAR SALES 2015 – 2017**

Destination	Product	Quantity	Quantity	Quantity	Price	Price	Price	Value	Value	Value	Unit	Unit	Unit
		(tonnes)			\$/mt			US\$ '000			Price	Price	Price
		2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
E.U.	Bulk	151,171	158,000	160,000	329	320	320	49,735	50,560	51,200	14.93	14.52	14.52
	DC Bagged	2,400	3,000	3,000	490	490	490	1,176	1,470	1,470	22.23	22.23	22.23
USA	Bulk	27,682	12,636	12,636	439	483	514	12,152	6,103	6,495	19.92	21.91	23.32
	DC Bagged	540	540	540	500	500	500	270	270	270	22.69	22.69	22.69
	Value Added	225	440	1,200	550	550	585	124	242	702	24.95	24.95	26.54
Canada	DC Bagged	540	540	540	500	500	532	270	270	287	22.69	22.69	24.14
	Value Added	225	250	600	550	550	585	124	138	351	24.95	24.95	26.54
CARICOM	DC Bagged	24,609	26,970	30,000	530	543	543	13,070	24,199	27,431	24.05	31.76	33.80
	Value Added	4,239	5,000	15,000	689	695	740	2,930	3,261	2,220	31.26	31.53	33.58
Rest of Region	DC Bagged	164	1,000	1,500	700	700	700	115	700	1,050	31.76	31.76	31.76
	Value Added	478	600	800	805	800	800	385	480	640	36.52	36.30	36.30
<b>Total Exports</b>		<b>212,273</b>	<b>209,156</b>	<b>225,816</b>				<b>80,351</b>	<b>87,693</b>	<b>92,116</b>			
Local	DC Bagged	18,652	16,200	12,000	476	476	476	8,878	7,711	5,712	21.60	21.60	21.60
	Value Added	3,078	4,000	8,500	576	576	576	1,773	2,304	4,896	26.13	26.13	26.13
<b>Total Local</b>		<b>21,730</b>	<b>20,200</b>	<b>20,500</b>				<b>10,651</b>	<b>10,015</b>	<b>10,608</b>			
<b>Total Bulk</b>		<b>178,853</b>	<b>170,636</b>	<b>172,636</b>									
Total DC Bagged		46,905	48,250	47,580									
Total Value Added		8,245	10,290	26,100									
<b>TOTAL SALES</b>		<b>234,003</b>	<b>229,356</b>	<b>246,316</b>				<b>91,002</b>	<b>97,708</b>	<b>102,724</b>			
Production		227,443	233,612	255,052									

Table ii

**COMPARATIVE SUGAR SALES 2018 – 2020**

Destination	Product	Quantity (tonnes)			Price \$US/mt			Value US\$ '000			Unit Price US\$.c/lb		
		2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
E.U.	Bulk	170,000	190,000	205,000	332	330	330	56,440	62,700	67,650	15.06	14.97	14.97
	DC Bagged	3000	3000	3000	490	490	490	1,470	1,470	1,470	22.23	22.23	22.23
USA	Bulk	12,636	12636	12636	439	460	480	5,510	5,813	6,065	19.92	20.87	21.78
	DC Bagged	540	540	540	500	500	500	270	270	270	22.68	22.68	22.68
	Value Added	2000	3000	4000	595	625	625	1,190	1,875	2,500	27.00	28.36	28.36
Canada	DC Bagged	540	540	540	500	500	500	270	270	270	22.68	22.68	22.68
	Value Added	1000	2000	2500	595	625	625	595	1,250	1,563	27.00	28.36	28.36
.CARICOM	DC Bagged	30000	30000	30000	530	530	530	15,900	15,900	15,900	24.05	24.05	24.05
	Value Added	6000	8000	10000	690	690	700	4,140	5,520	7,000	31.30	31.30	31.76
Rest of Region	DC Bagged	500	700	800	700	700	700	350	490	560	31.76	31.76	31.76
	Value Added	600	700	800	790	790	790	474	553	632	35.84	35.84	35.84
<b>Total Exports</b>		<b>226816</b>	<b>251116</b>	<b>269816</b>				<b>88,609</b>	<b>96,111</b>	<b>103,880</b>			
Local	DC Bagged	11500	10500	10000	476	476	476	5,474	4,998	4,760	21.59	21.59	21.59
	Value Added	10500	12500	13500	576	576	576	6,048	7,200	7,776	26.13	26.13	26.13
<b>Total Local</b>		<b>22000</b>	<b>23000</b>	<b>23500</b>				<b>11,522</b>	<b>12,198</b>	<b>12,536</b>			
<b>Total Bulk</b>		<b>182636</b>	<b>202636</b>	<b>217636</b>									
Total DC Bagged		46080	45780	44880									
Total Value Added		17100	21900	26800									
<b>TOTAL SALES</b>		<b>248816</b>	<b>274116</b>	<b>293316</b>				<b>100,131</b>	<b>108,309</b>	<b>116,416</b>			
Production		273361	290423	300774									

**Table iii****COMPARATIVE SUGAR SALES 2021 – 2023**

Destination	Product	Quantity (tonnes)			Price \$US/mt			Value US\$ '000			Unit Price US\$.c/lb		
		2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
E.U.	Bulk	205,000	210,000	215,000	330	330	330	67,650	69,300	70,950	14.97	14.97	14.97
	DC Bagged	3000	3000	3000	490	490	490	1,470	1,470	1,470	22.23	22.23	22.23
USA	Bulk	12,636	12636	12636	480	480	480	6,065	6,065	6,065	19.92	20.87	21.78
	DC Bagged	540	540	540	500	500	500	270	270	270	22.68	22.68	22.68
	Value Added	5000	6000	7000	625	625	625	3,125	3,750	4,375	28.36	28.36	28.36
Canada	DC Bagged	540	540	540	500	500	500	270	270	270	22.68	22.68	22.68
	Value Added	3000	4000	4000	625	625	625	1,875	2,500	2,500	28.36	28.36	28.36
.CARICOM	DC Bagged	30000	30000	30000	530	530	530	15,900	15,900	15,900	24.05	24.05	24.05
	Value Added	10500	11500	12000	690	690	700	7,245	7,935	8,400	31.30	31.30	31.76
Rest of Region	DC Bagged	500	700	800	700	700	700	350	490	560	31.76	31.76	31.76
	Value Added	800	800	800	790	790	790	632	632	632	35.84	35.84	35.84
<b>Total Exports</b>		<b>271516</b>	<b>279716</b>	<b>286316</b>				<b>104,852</b>	<b>106,082</b>	<b>111,392</b>			
Local	DC Bagged	9000	9000	9000	476	476	476	4,284	4,284	4,284	21.59	21.59	21.59
	Value Added	14000	14500	15000	576	576	576	8,064	8,352	8,640	26.13	26.13	26.13
<b>Total Local</b>		<b>23000</b>	<b>23500</b>	<b>24000</b>				<b>12,348</b>	<b>12,636</b>	<b>12,924</b>			
<b>Total Bulk</b>		<b>217636</b>	<b>222636</b>	<b>227636</b>									
Total DC Bagged		43780	43580	43880									
Total Value Added		33300	36800	38800									
<b>TOTAL SALES</b>		<b>294516</b>	<b>303216</b>	<b>310316</b>				<b>117,200</b>	<b>118,718</b>	<b>124,316</b>			
Production		311668	316649	319013									

**Table iv**

## COMPARATIVE SUGAR SALES 2024 – 2025

Destination	Product	Quantity (tonnes)		Price \$US/mt		Value US\$ '000		Unit Price US\$.c/lb	
		2024	2025	2024	2025	2024	2025	2024	2025
E.U.	Bulk	217,000	220,000	330	330	71,610	72,600	14.97	14.97
	DC Bagged	3000	3000	490	490	1,470	1,470	22.23	22.23
USA	Bulk	12,636	12636	480	480	6,065	6,065	19.92	20.87
	DC Bagged	540	540	500	500	270	270	22.68	22.68
	Value Added	7000	7000	625	625	4,375	4,375	28.36	28.36
Canada	DC Bagged	540	540	500	500	270	270	22.68	22.68
	Value Added	4000	4000	625	625	2,500	2,500	28.36	28.36
.CARICOM	DC Bagged	30000	30000	530	530	15,900	15,900	24.05	24.05
	Value Added	12000	12000	690	690	8,280	8,280	31.30	31.30
Rest of Region	DC Bagged	500	700	700	700	350	490	31.76	31.76
	Value Added	800	900	790	790	632	711	35.84	35.84
<b>Total Exports</b>		<b>288016</b>	<b>291316</b>			<b>111,722</b>	<b>112,931</b>		
Local	DC Bagged	9000	9000	476	476	4,284	4,284	21.59	21.59
	Value Added	15000	15000	576	576	8,640	8,640	26.13	26.13
<b>Total Local</b>		<b>24000</b>	<b>24000</b>			<b>12,924</b>	<b>12,924</b>		
<b>Total Bulk</b>		<b>217636</b>	<b>222636</b>						
Total DC Bagged		43780	43580						
Total Value Added		38800	38900						
<b>TOTAL SALES</b>		<b>312016</b>	<b>315316</b>			<b>124,646</b>	<b>125,855</b>		
Production		319904	320132						

