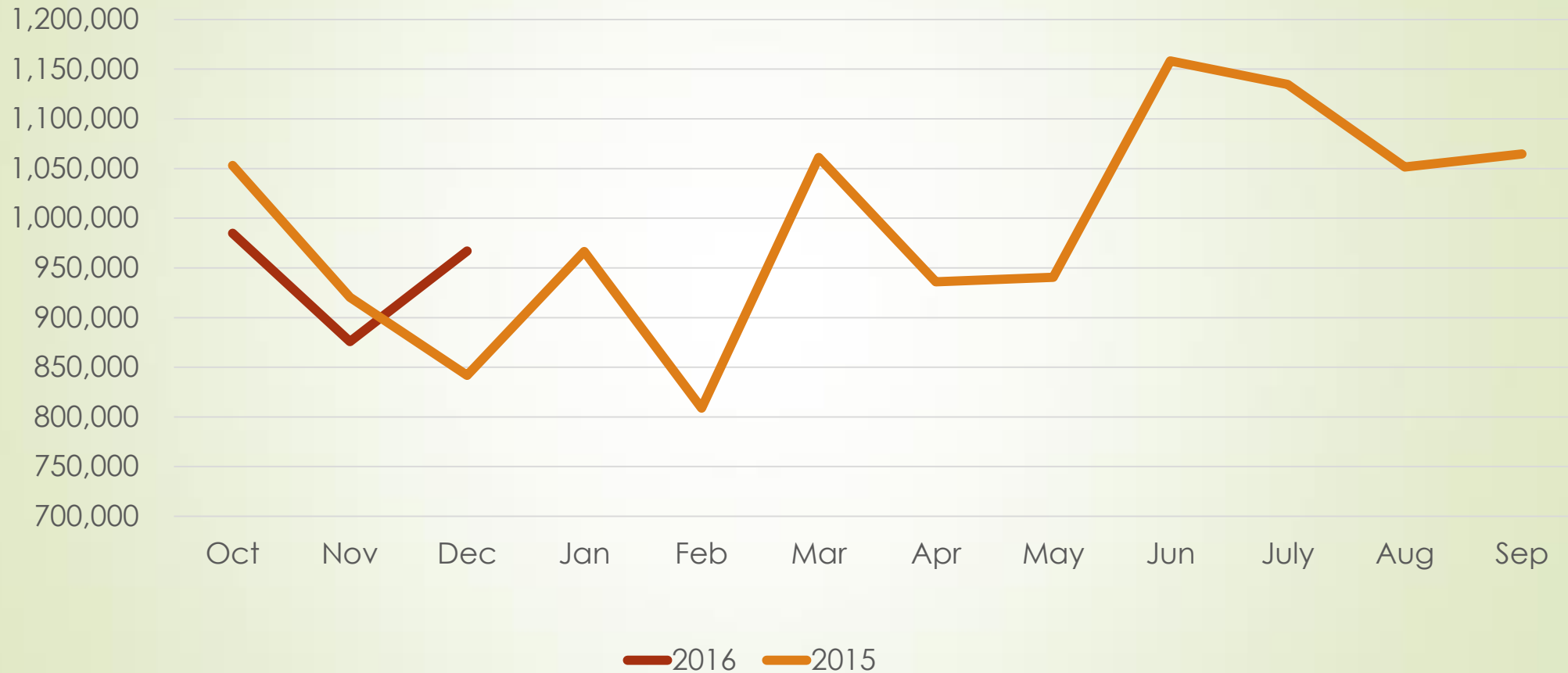




Sugar Policy Landscape: Anticipating What Lies Ahead

- **Barb Fecso, Director**
- **Dairy and Sweeteners Analysis Group**
- **Farm Service Agency, USDA**

Are Food Use Deliveries to Date Really Up Only .4% ???

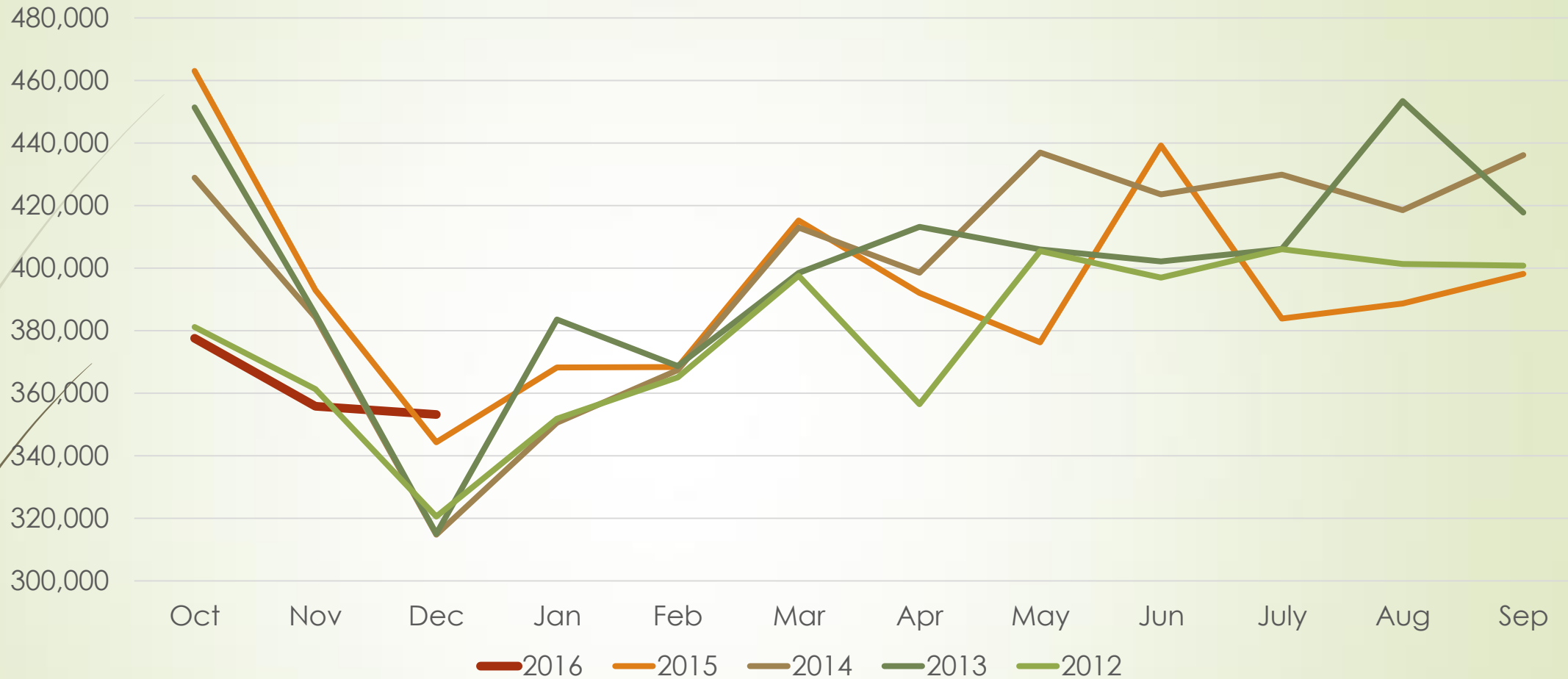


- [Oct-Dec] Food Use Deliveries indicate only minor growth in pace-to-date demand.
- Results could be due to rush by Mexican mills to export 100% of their Export Limits by Sep 30.
- USDA SMD counts any imports of sugar that bypass U.S. cane refiners as “delivered for end use”.
- Aug, Sep imports from Mexico may have been stored here for later delivery.

If entries from Mexico in Aug and Sep 2015 were not delivered until Oct, Nov and Dec 2015, then FY16 Food Use Deliveries are up 4% year on year.



FY16 Beet Deliveries Appear to be Lagging 9.5% Compared to Last Year, But Only 3.7% Compared to 2 Years Ago

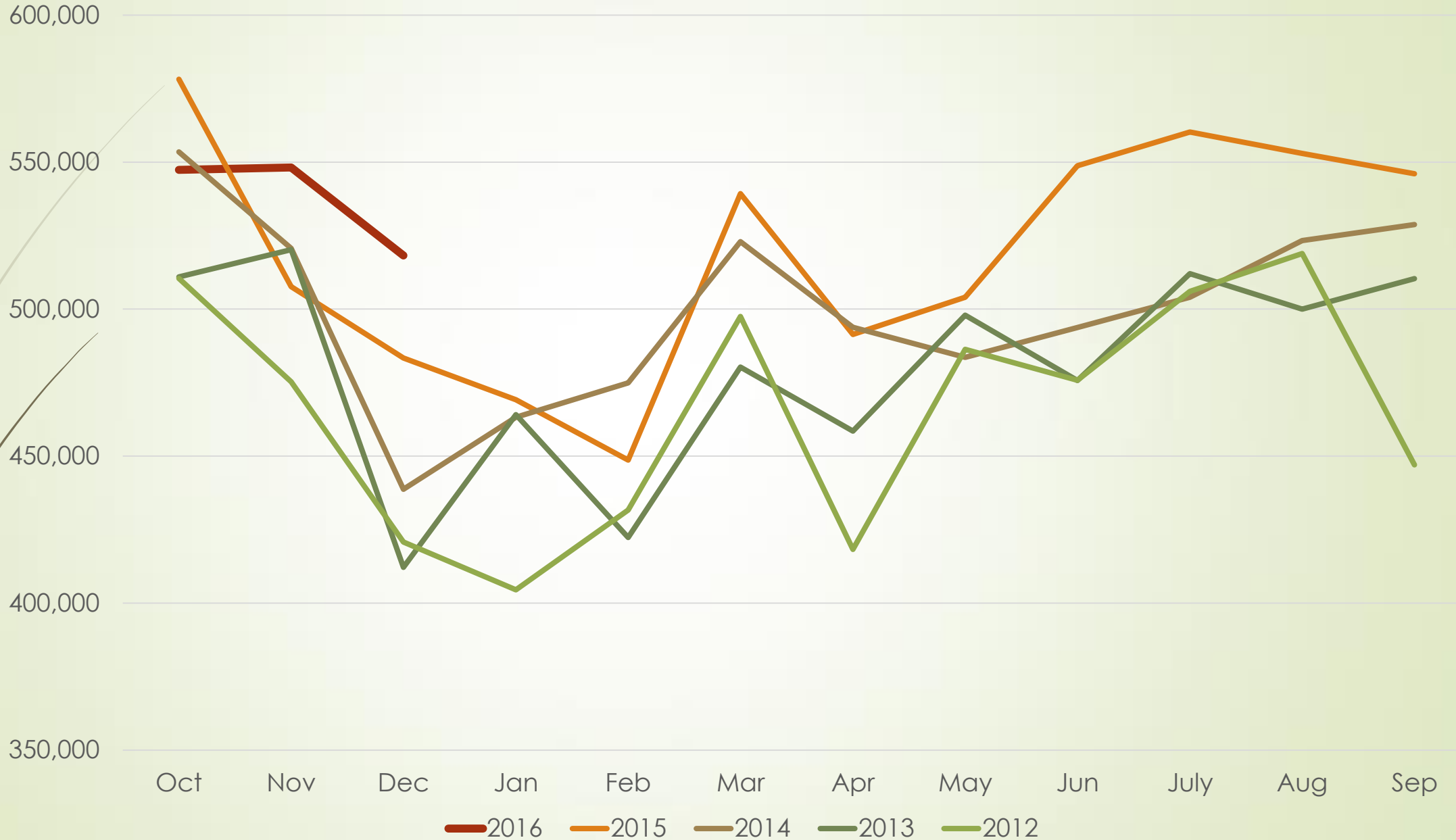


Last year at this time, retroactive duties a possibility. Very little entered from MX.

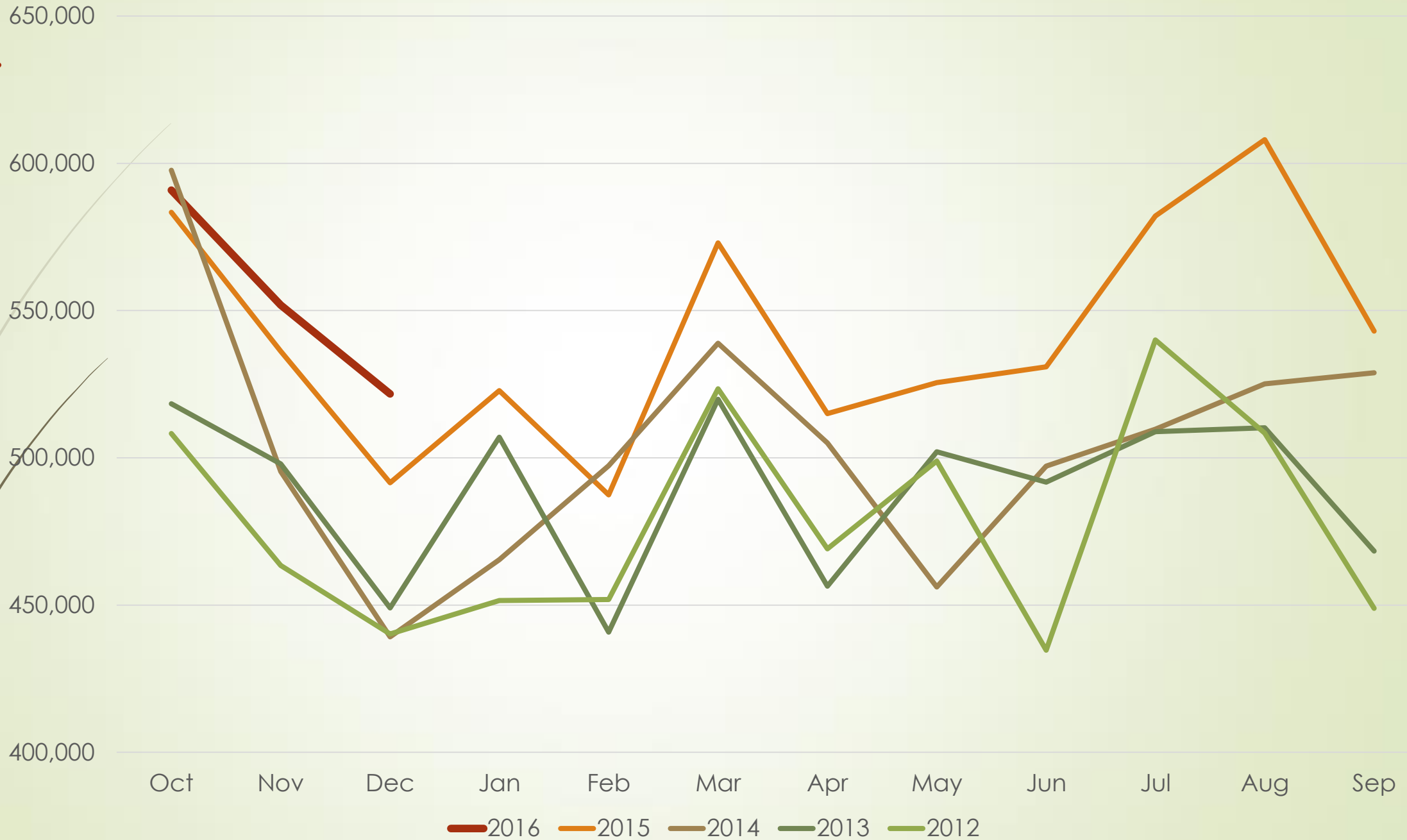
Change in buying strategy due to big beet crop?

Indication of new trend?

Cumulative [Oct-Dec] Cane Refiner Deliveries Up 2.8% From a Year Ago



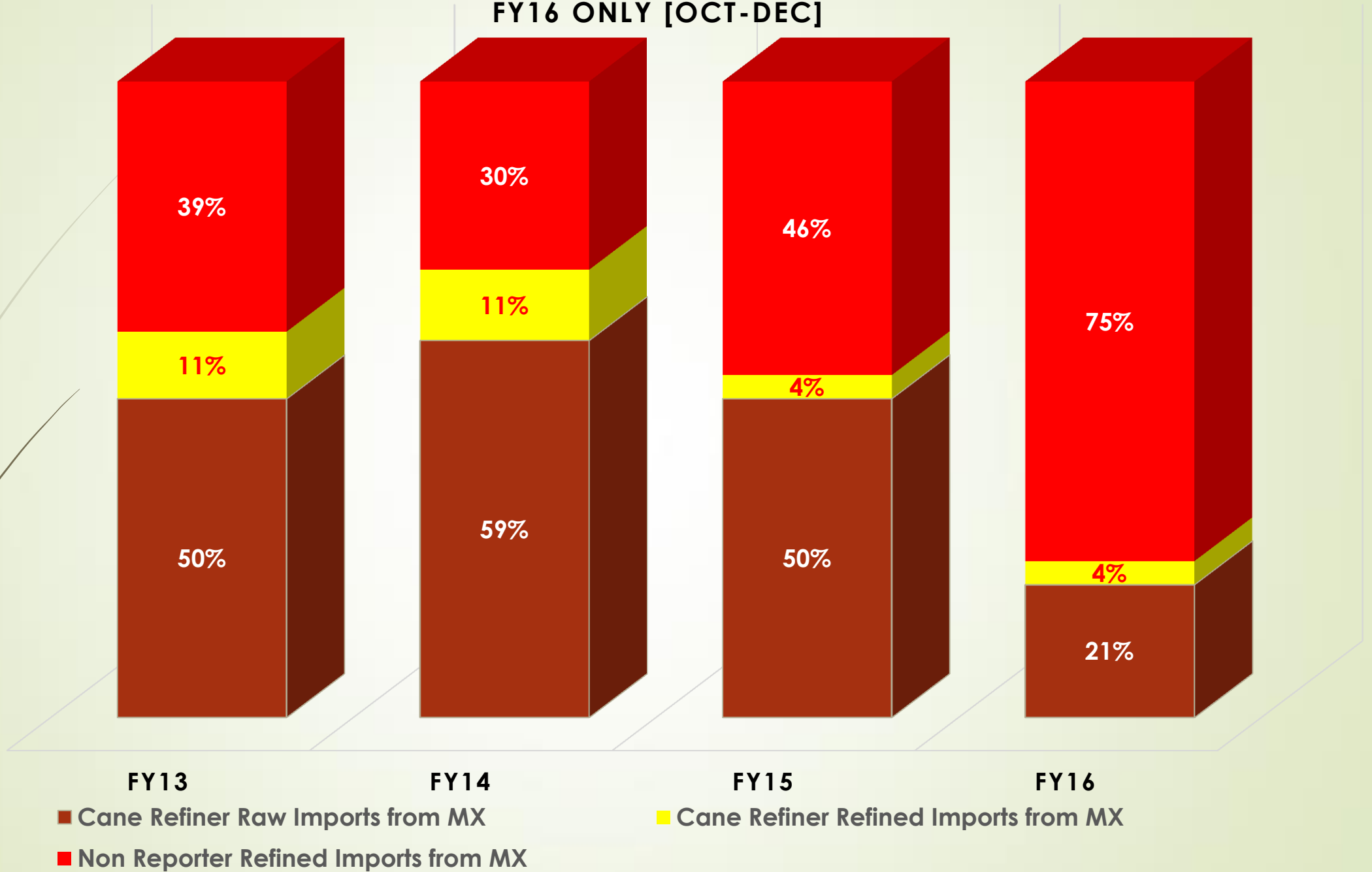
Domestic Cane Refiner Melt Rate Strong this Year



Is there enough raw sugar in the system to meet domestic cane refiner melt expectations?

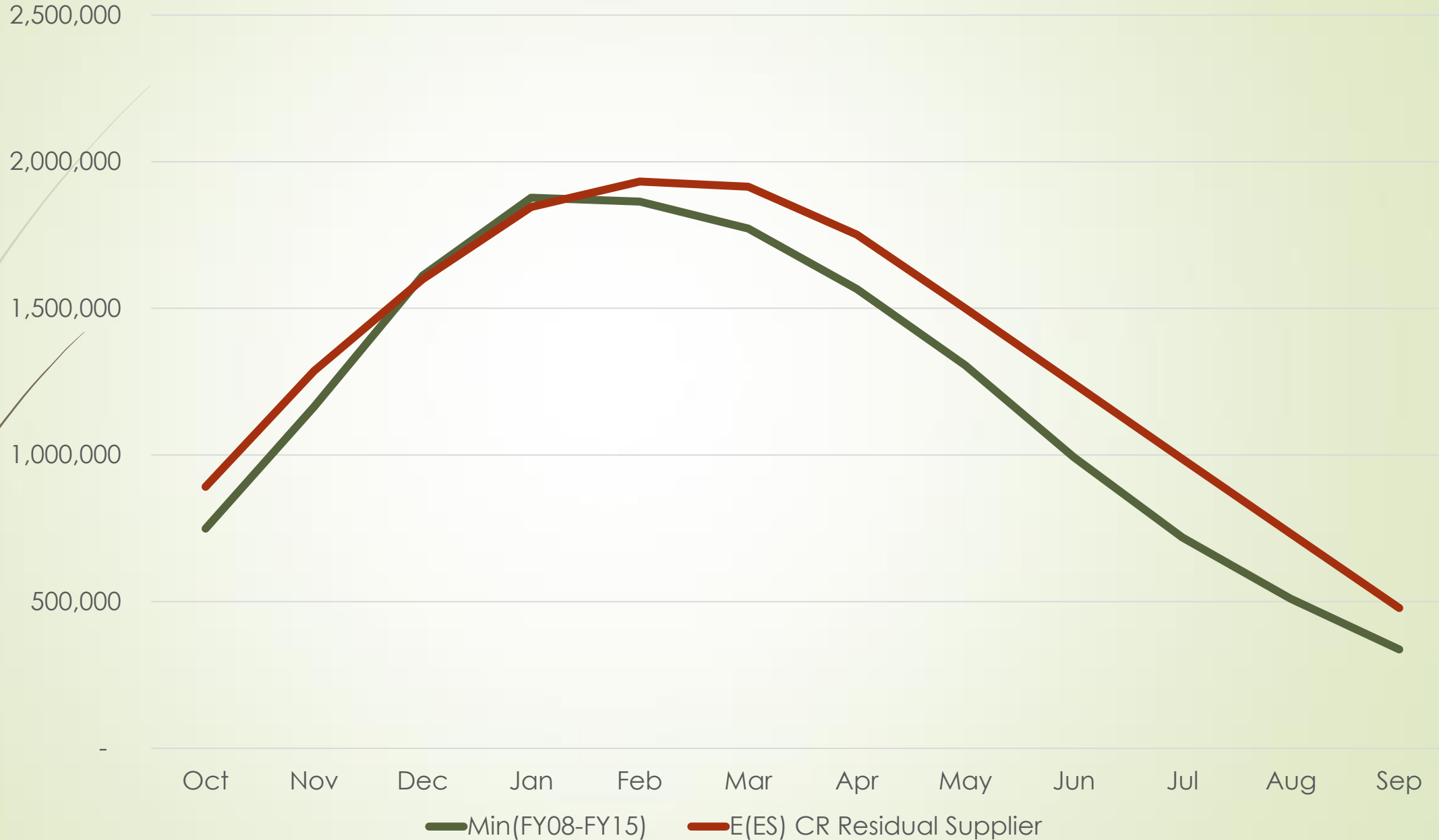
| Feb 2016 WASDE | Scenario 1 Expected Melt if CR Residual Supplier | Scenario 2 Expected Melt if CR Continue Pace- to-Date Deliveries | Scenario 3 Expected Melt if CR Continue Pace- to-Date Melt |
|-----------------------------------|---|---|---|
| Total Use | 12,213 | | |
| Reasonable Ending Refined Stocks | <u>1,111</u> | | |
| | 13,324 | | |
| Refined Supply Sources: | | | |
| Beginning Stocks Refined | 1,124 | | |
| Beet Production | 5,010 | | |
| Refined Imports | 1,028 | | |
| Refined Production Needed from CR | 6,161 | 6,511 | 6,710 |
| Stock Draw Down | 15 | | |
| U.S. Raw Production | 3,839 | | |
| WTO TRQ | 1,132 | | |
| Other FTAs | 60 | | |
| RX Program M | 300 | | |
| Other Raw M | - | | |
| MX (47% raw) | <u>627</u> | | |
| Sources of Melt | 5,973 | 5,973 | 5,973 |
| deficit | 188 | 538 | 737 |

DESTINATIONS OF IMPORTS FROM MX BY FISCAL YEAR – FY16 ONLY [OCT-DEC]

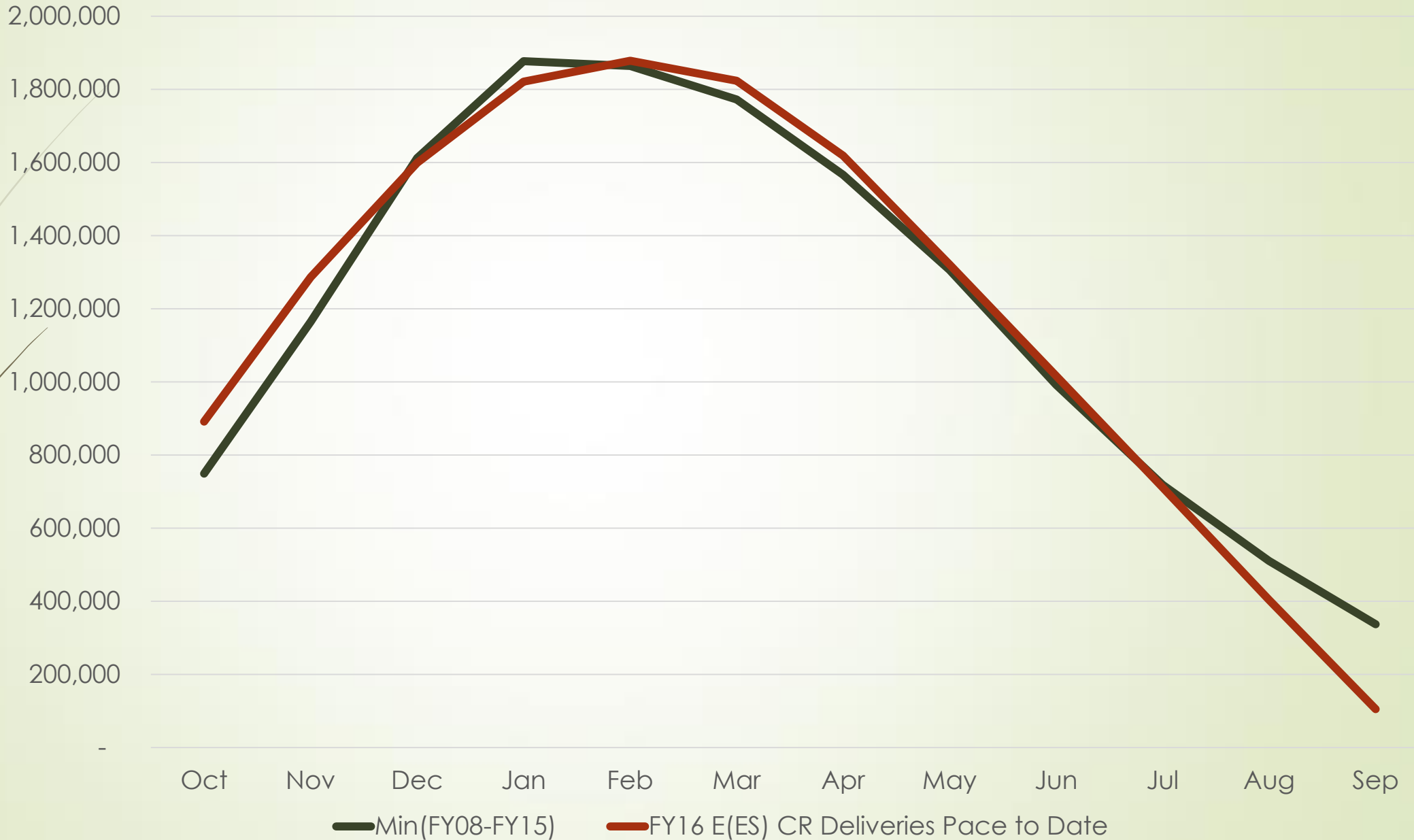


Scenario1: U.S. Cane Refiners are Residual Suppliers

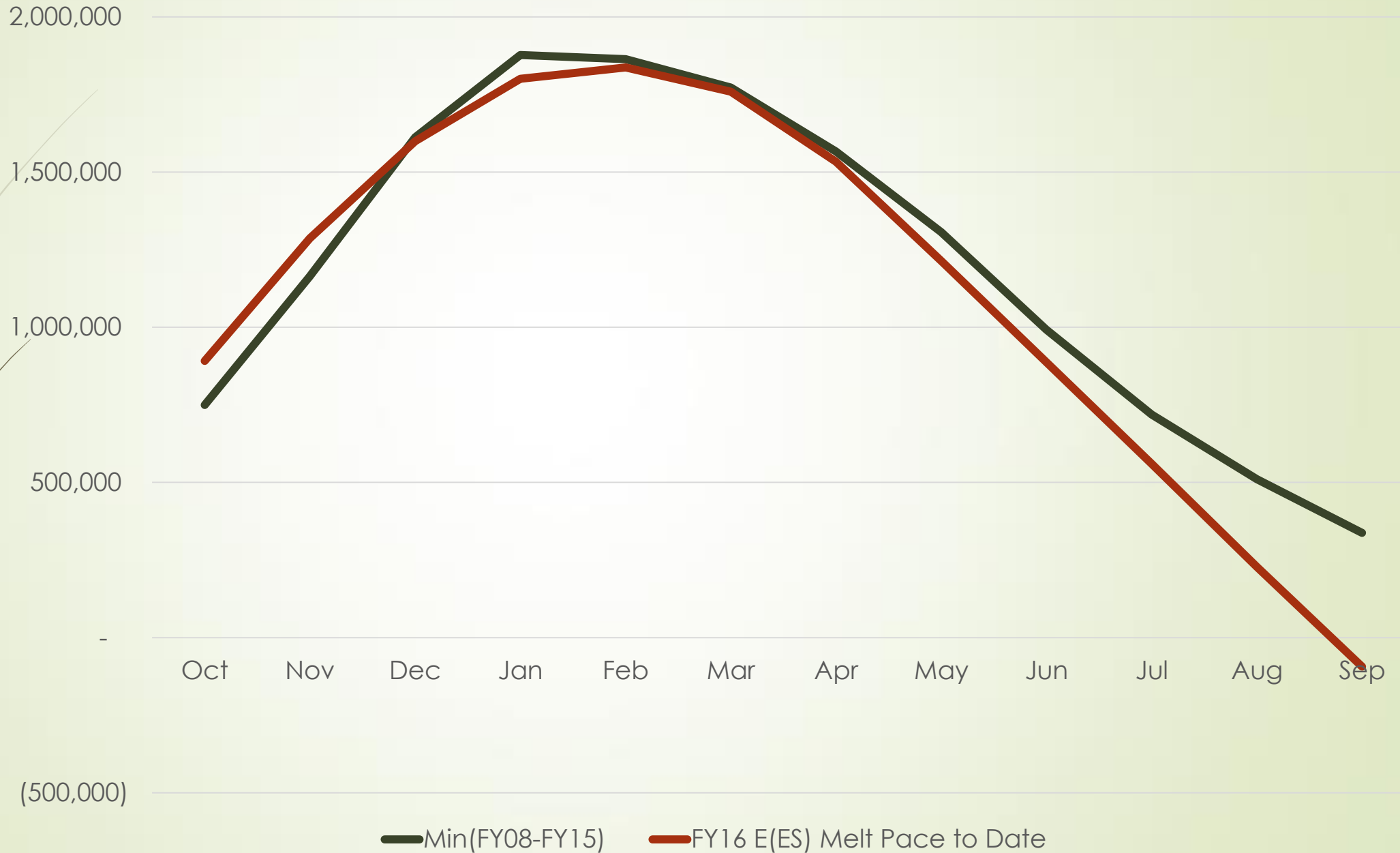
Expected FY16 Raw Ending Stocks





Scenario2: If U.S. Cane Refiners Deliveries at Pace-to-Date Expected FY16 Raw Ending Stocks



Scenario3: If U.S. Cane Refiners Melt at Pace-to-Date Expected FY16 Raw Ending Stocks





USDA has other authorities to manage domestic sugar supplies...

Farm Bill:

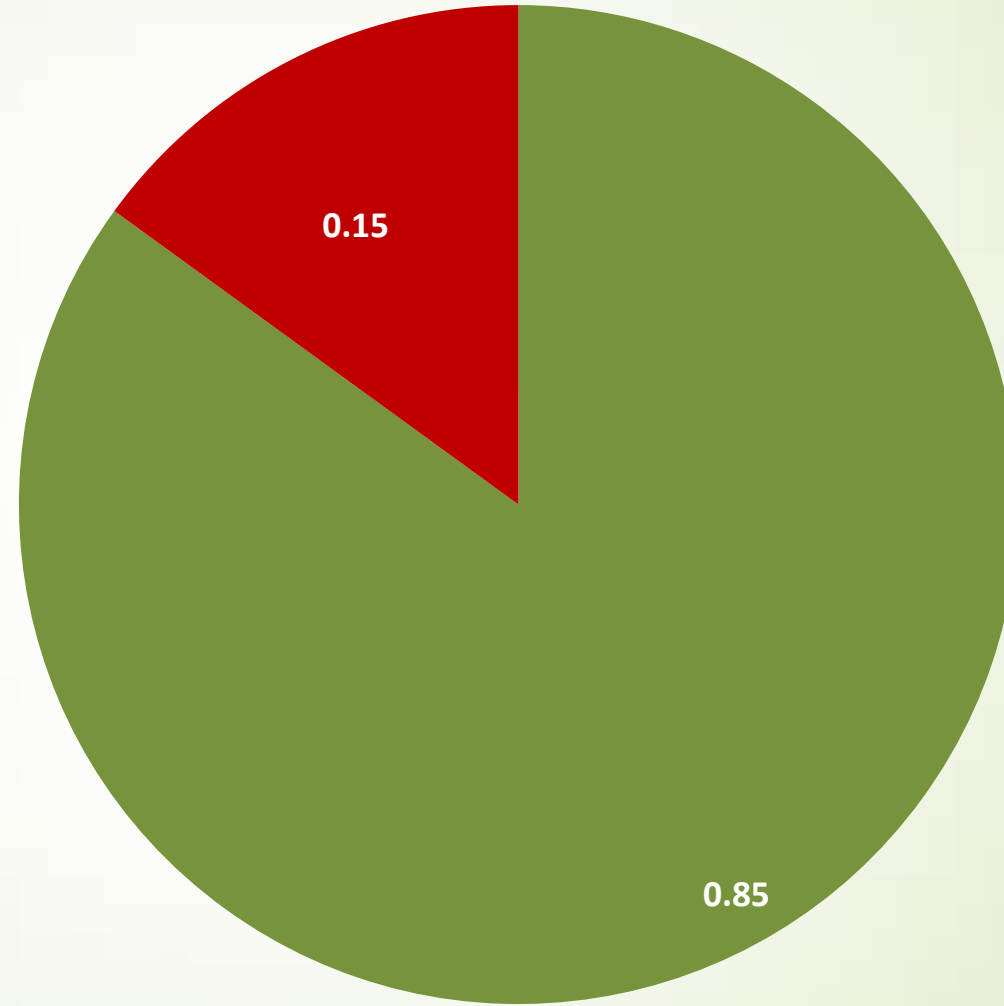
The Secretary shall operate the sugar program at no cost, to the extent practicable, by avoiding forfeitures.

The Secretary shall adjust the OAQ to maintain **adequate supplies** of raw and refined sugar.


Before April 1, if there is an emergency shortage of sugar, the Secretary shall take action to increase supply...including an increase in the *TRQ*.

On or after April 1, the Secretary may take action to increase supply...including an increase in the *TRQ*.

Farm Bill reassignment language requires that the Food Use pie be filled at 100%



■ Domestic Beet and Cane ■ Imports



If domestic beet and cane processors have inadequate supply to fill 85% of food use demand, the amount is reassigned to RAW imports.

USDA reassigns the deficit to imports *already expected in the WASDE*, if raw imports exceed 15% of food use demand by an amount equal to the deficit...



Harmonized Tariff Schedule statute:

If the Secretary believes that domestic supplies may be ***inadequate*** to meet domestic demand at ***reasonable prices***, he may modify the *TRQ*.