

# Sweetener Users Association Board Meeting Update

September 14, 2018

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# SUA September 2018: Presentation Overview

- **Domestic Sugar Market**
  - Supply/Imports
  - Demand
  - Prices
- **Corn Sweetener Market**
  - Current situation for 2019
  - Prices
- **Global Sugar Market**
- **Other Issues with Impact on Supply/Demand/Price**
- **Conclusions**
- **Questions**

## 2017-18 – Benign September WASDE

- Not much change from August for the current year with total supply lowered slightly (31,000 tons) due mainly to lower T.R.Q. imports. With only two weeks left in the marketing year, only tweaking is expected in supply going forward. Cane refiners have ample raw stocks; beet processors are drawing on new-crop sugar.
- Deliveries for food were unchanged in the September WASDE, and processors indicate shipments will be strong in September. The U.S.D.A.'s projection of flat deliveries with 2016-17 seems likely, but no decline as once was feared.
- Spot prices for the current year are nominal at 36c a lb f.o.b. Refined cane remains a cent or two above beet sugar.

# SUA September 2018: WASDE/Supply

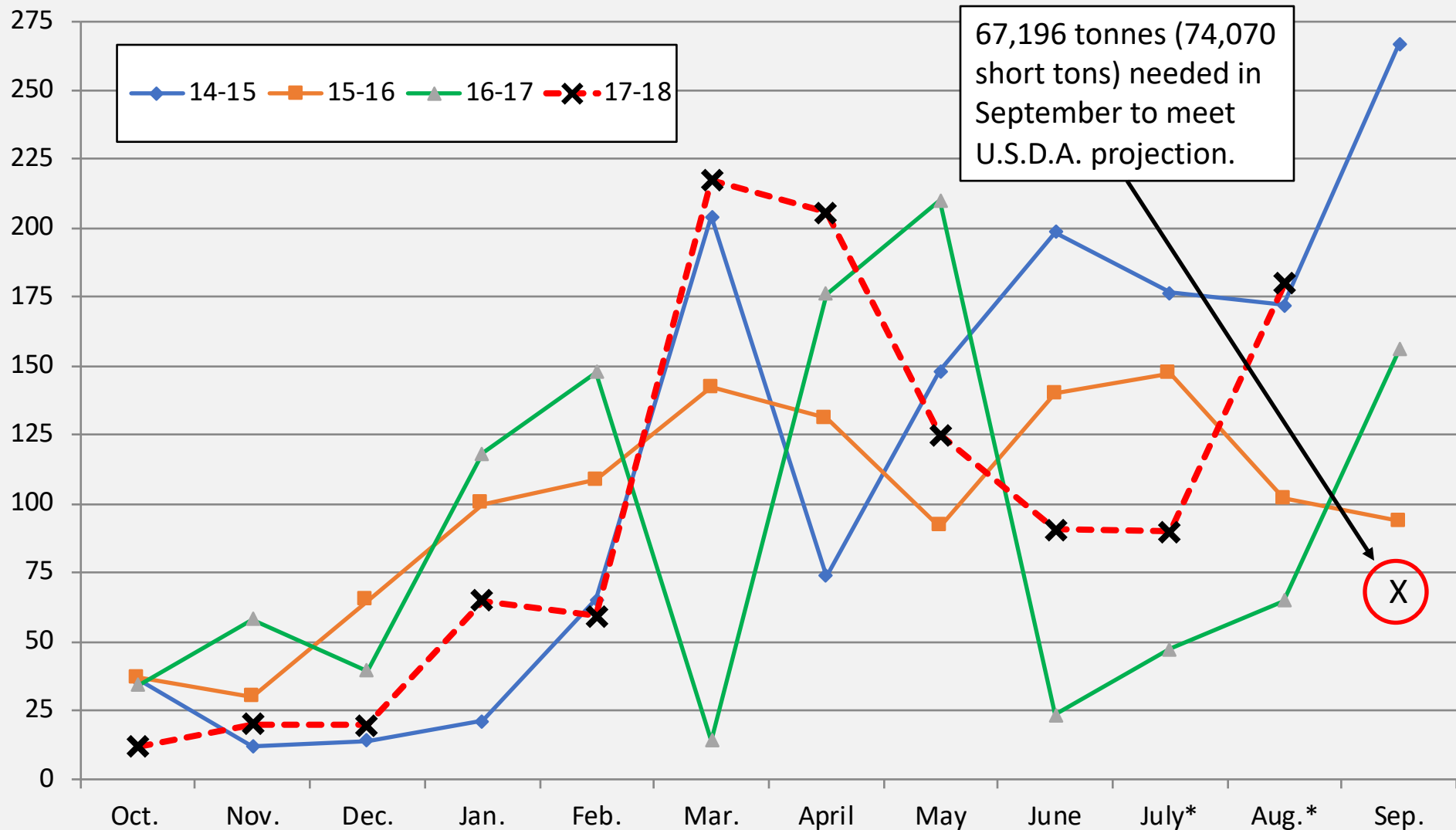
Sept. 12 WASDE	September	Change from Aug.	
<i>1,000 tons, raw value</i>	<b>17-18</b>	<b>Tons</b>	<b>%</b>
Beginning Stocks	1,876	-	-
Production	9,255	(3)	-
Beet	5,245	4	+ 0.1%
Cane	4,011	(6)	- 0.15%
Imports	3,366	(28)	- 0.8%
T.R.Q.	1,727	(27)	- 1.5%
Other Program	325	-	-
Mexico	1,269	-	-
High Tier	45	-	-
Total Supply	14,497	(31)	- 0.2%
Exports	170	-	-
Deliveries	12,255	-	-
Food	12,100	-	-
Other	155	-	-
Total Use	12,425	-	-
Ending Stocks	2,072	(31)	- 1.5%
Stocks-to-use Ratio*	16.7%	(0.2)	

- Beet and total refined sugar production still are estimated record high in 2017-18 with only minor changes from August.
- Total imports are down slightly based on a 1.5% decrease in T.R.Q. imports from August. No change for Mexico, which needs to export only about 74,000 tons to U.S. in September to meet projection.
- Deliveries were unchanged, with indications of an uptick late in the year, which may keep deliveries flat with last year or even up slightly.
- The ending stocks-to-use ratio was lowered to 16.7% in September from 16.9% in August, which still is above the U.S.D.A.'s 13.5% to 15.5% target.
- I don't see much different except maybe a small down tick in imports.

\* S-T-U ratio change is from prior S-T-U, not in tons.

# SUA September 2018: U.S. Imports from Mexico

Monthly, in 1,000 tonnes, raw value. \*July and August 2017-18 forecast.



Sources: U.S.D.A. and U.S. Census Bureau

# SUA September 2018: Imports

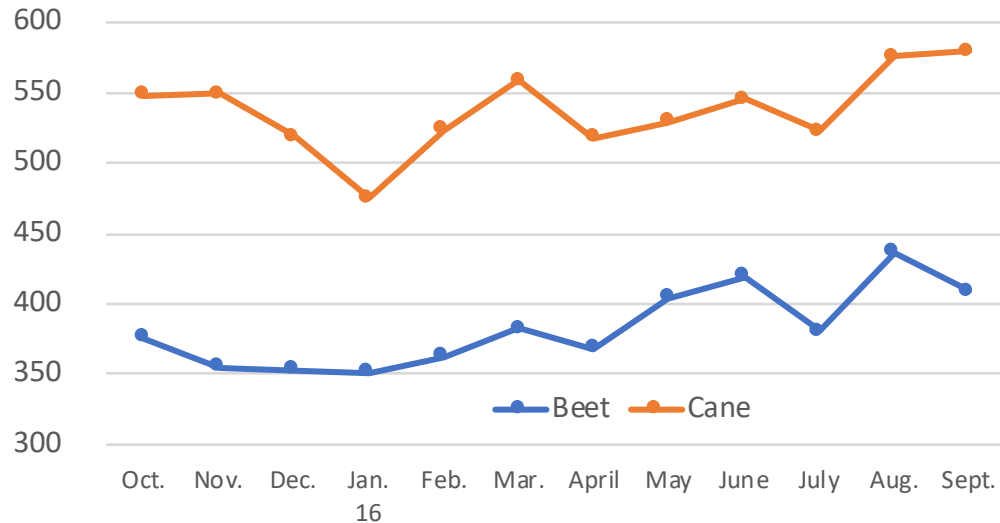
October-August = 92% of year; with total imports at 91% of projection.

<i>In tonnes, raw value</i>	<u>Oct.-July 2017-18</u>	<u>% of Projected</u>	<u>Full-year Projection</u>
<b>W.T.O. Raw T.R.Q.</b>	1,070,345	90%	<b>1,190,881</b>
<b>W.T.O. Refined T.R.Q.</b>	173,519	100%	173,580
<b>F.T.A. Sugar in T.R.Q.s</b>	168,872	84%	202,041
<b>Total Quota</b>	1,412,736	90%	<b>1,566,502</b>
<b>Re-export Program</b>	254,273	86%	294,835
<b>Mexico</b>	1,084,460	94%	1,151,656
<b>High-duty Sugar</b>	39,113	96%	40,823
<b>Total Imports</b>	2,790,582	91%	<b>3,053,816</b>

# SUA September 2018: Beet and Cane Deliveries

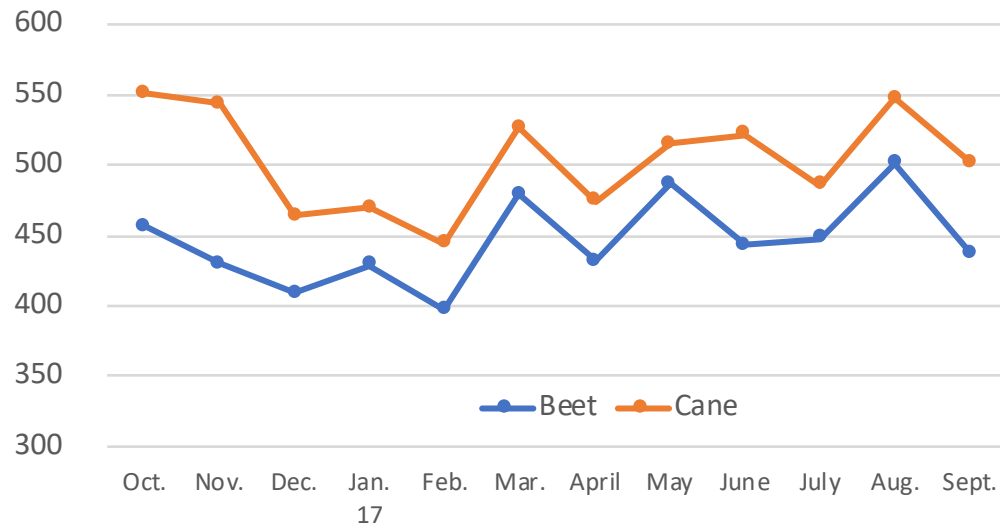
In 1,000 tons, raw value. Source: U.S.D.A.

2015-16



**Cane** sugar deliveries always are above beet deliveries on an annual basis because of combined domestic and import volume, averaging from a low of 17 tons (more cane) per month in 2007-08 to a high of 154 tons (more cane) per month in 2015-16.

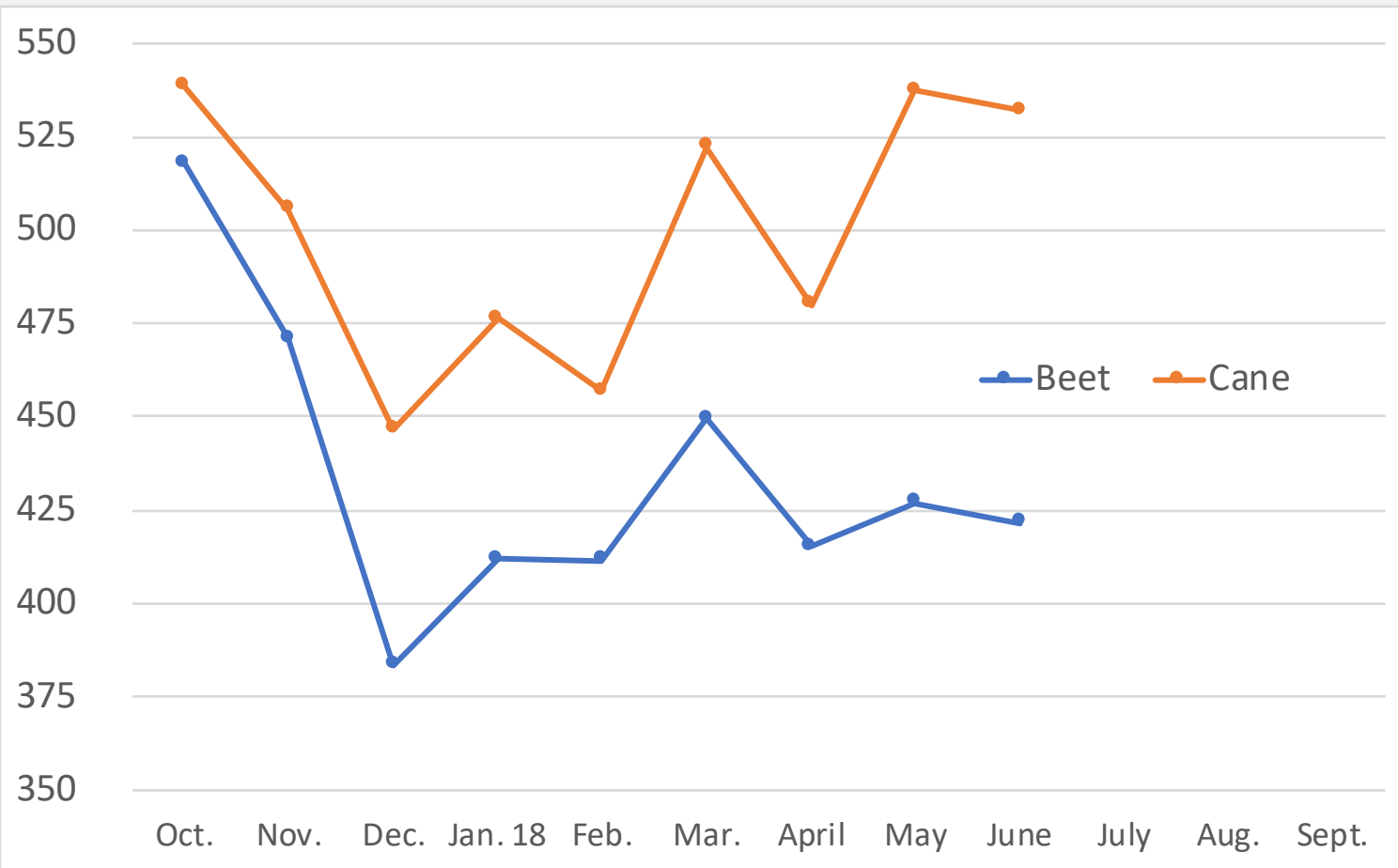
2016-17



**Beet** sugar deliveries were strong in 2016-17, still riding the Vermont G.M.O. tail and the sharp discount to refined cane prices, before finally dropping off in December. Beet deliveries averaged 445 tons per month in 2016-17 compared with 383 tons in 2015-16, while cane averaged 504 tons in 2016-17 compared with 537 tons in 2015-16.

# SUA September 2018: Beet and Cane Deliveries

Monthly 2017-18 beet and refined cane deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Beet and cane deliveries have “normalized” as 2017-18 has progressed, in part due to the narrower spread prompting a return to refined cane, and firm beet sugar prices. Through June, cane deliveries are averaging 65 tons per month more than beet.



## 2018-19 – Some surprises in September WASDE

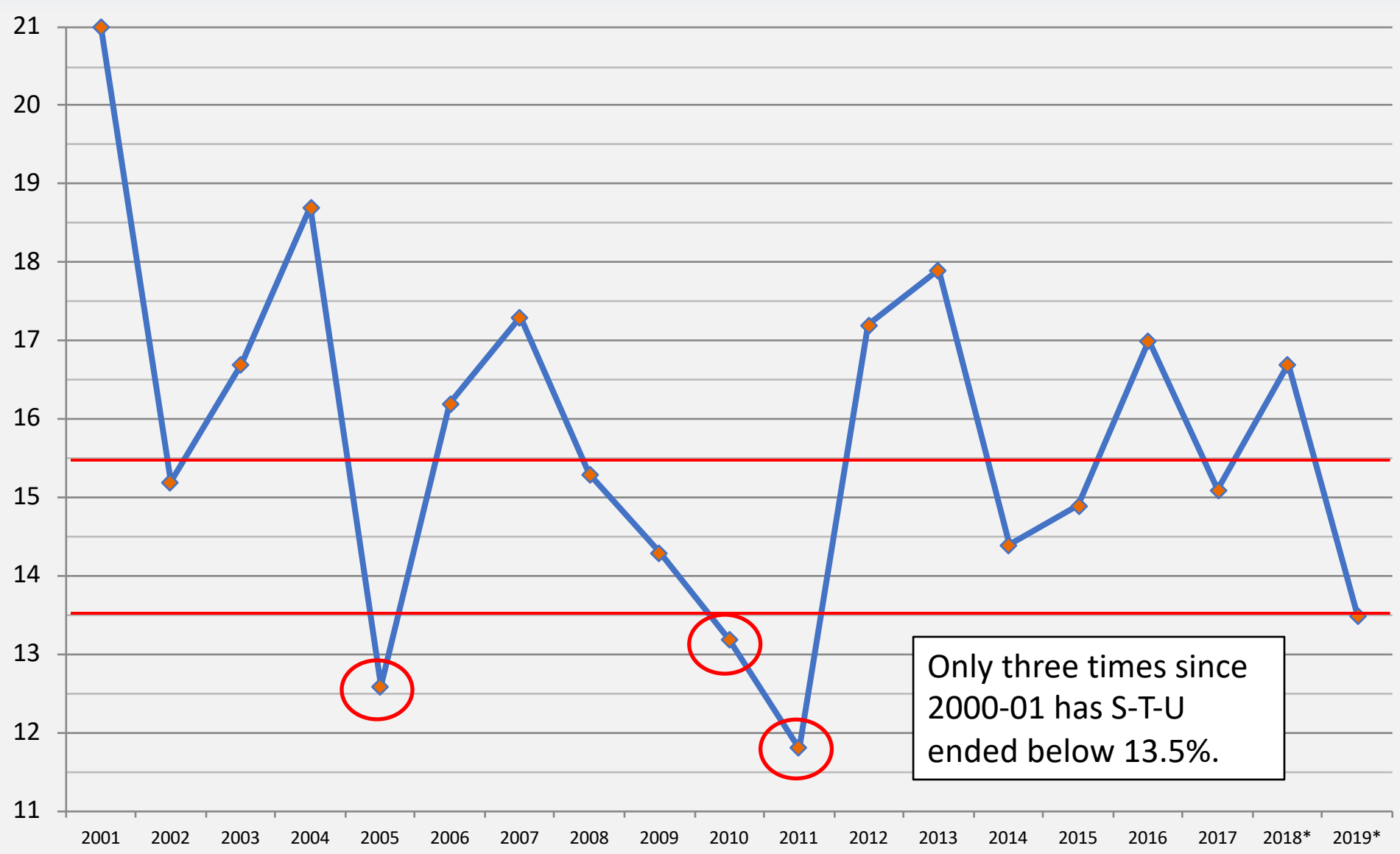
- Domestic beet and total cane sugar was raised to fresh record high (record high 3 of last 4 years), with total sugar up 2.6% from August and beet sugar up 4.6%, and total sugar up 0.8% from 2017-18 and beet sugar up 1.9%. Cane sugar was up slightly from August but down 0.6% from 2017-18.
- Although domestic production now is expected higher, total supply was reduced 4% from August and 2% from 2017-18 due to a 49% reduction from August in forecast imports from Mexico.
- Deliveries were unchanged from August and up 1.2% from 2017-18.
- Prices are firmer for beet sugar and steady but firm for cane. Beet processors are 60% to over 80% sold for 2018-19. The refined cane premium to beet is expected to hold at 1c to 2c a lb.

# SUA September 2018: U.S.D.A. WASDE

Sept. WASDE	Sept. <u>18-19</u>	Change from August		Change from 17-18		RS-SPC <u>18-19</u>
		<u>Tons</u>	<u>%</u>	<u>Tons</u>	<u>%</u>	
Raw value						
Begin. Stocks	2,072	(31)	-1.5%	196	10.4%	2,065
Production	9,328	240	2.6%	73	0.8%	9,270
<b>Beet</b>	5,343	236	4.6%	98	1.9%	<b>5,300</b>
Cane	3,985	4	0.1%	(26)	-0.6%	<b>3,970</b>
Imports	2,776	(784)	-22%	(590)	-17.5%	3,029
T.R.Q.	1,539	-	-	(188)	-10.9%	1,539
Other Prog.	350	-	-	25	7.7%	300
<b>Mexico</b>	842	(813)	-49%	(427)	-33.6%	<b>1,140</b>
High Tier	45	30	200%	-	-	50
Ttl Supply	14,177	(574)	-3.9%	(320)	-2.2%	14,364
Exports	85	-	-	(85)	-50%	85
Deliveries	12,405	-	-	150	1.2%	12,405
Food	12,250	-	-	150	1.2%	12,250
Other	155	-	-	-	-	155
Total Use	12,490	-	-	65	0.5%	12,490
Ending Stocks	1,687	(574)	-25%	(385)	-18.6%	1,874
Stocks-to-use	<b>13.5%</b>	-4.6		-1.2		15%

\* S-T-U Ratio change is from prior S-T-U, not in tons.

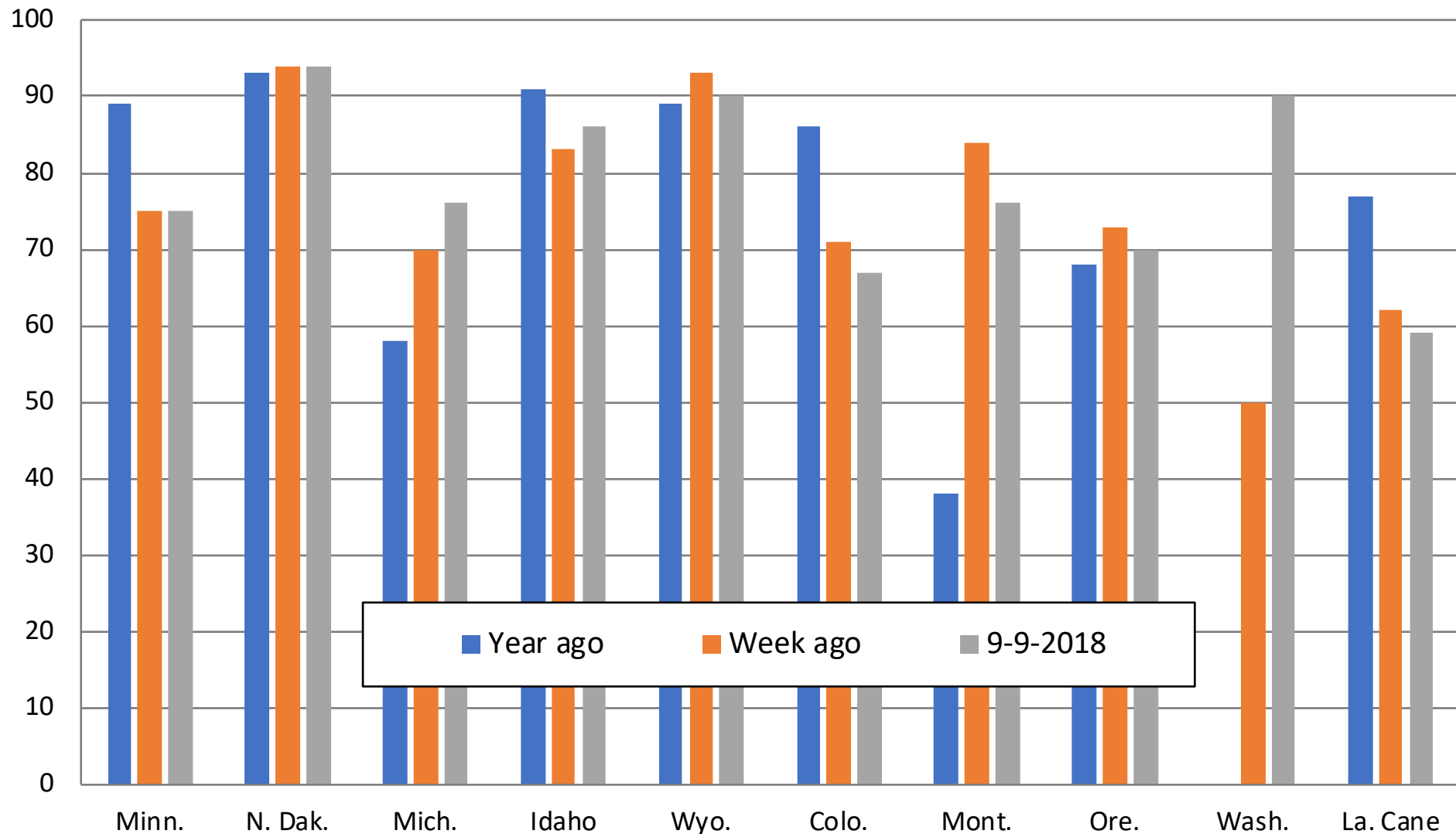
# SUA September 2018: Monthly S-T-U Ratios



Source: U.S.D.A.

# SUA September 2018: U.S. Crop Ratings

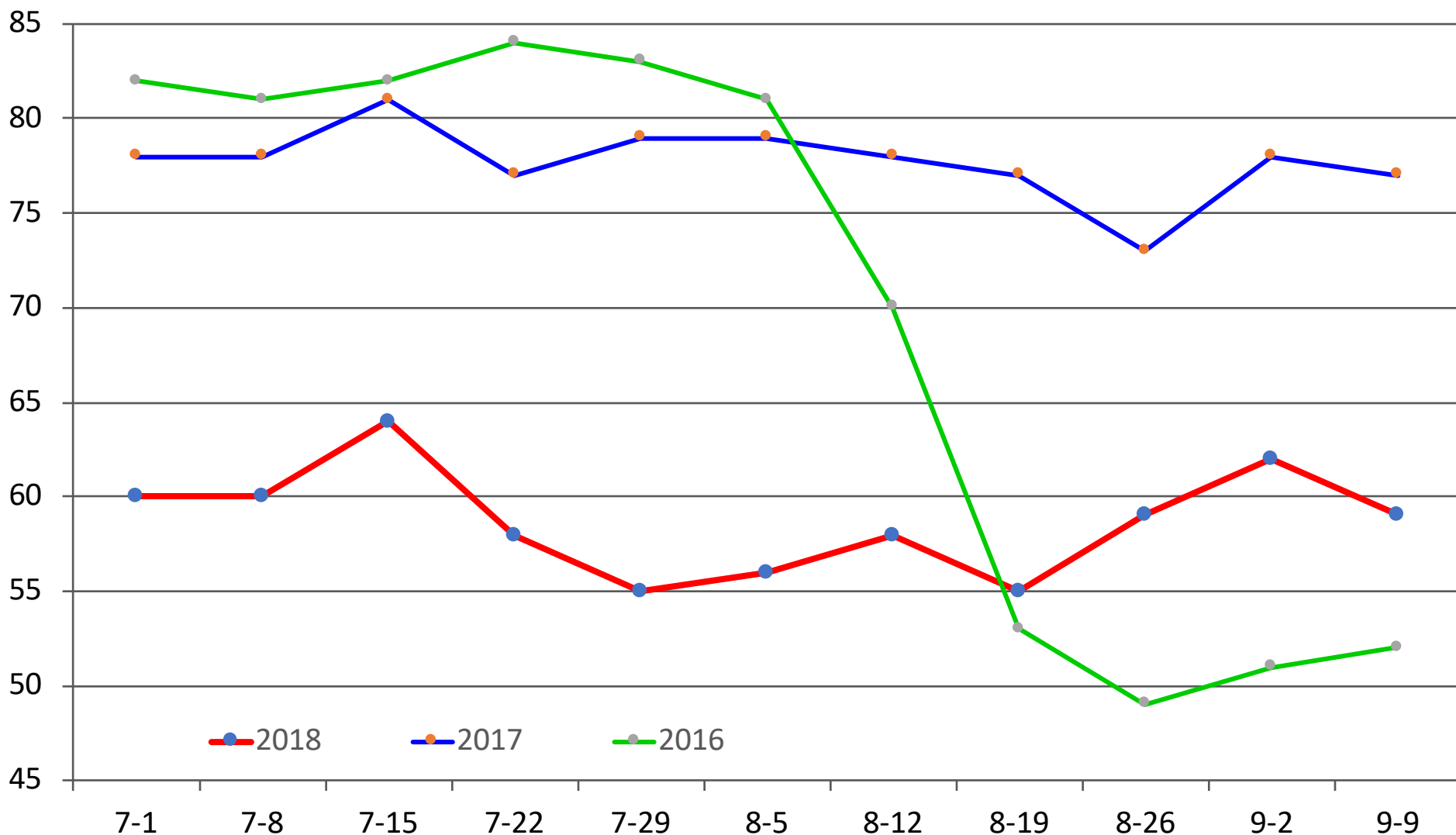
In per cent, as of Sept. 9. Washington year-ago not available.



Source: State U.S.D.A. field offices.

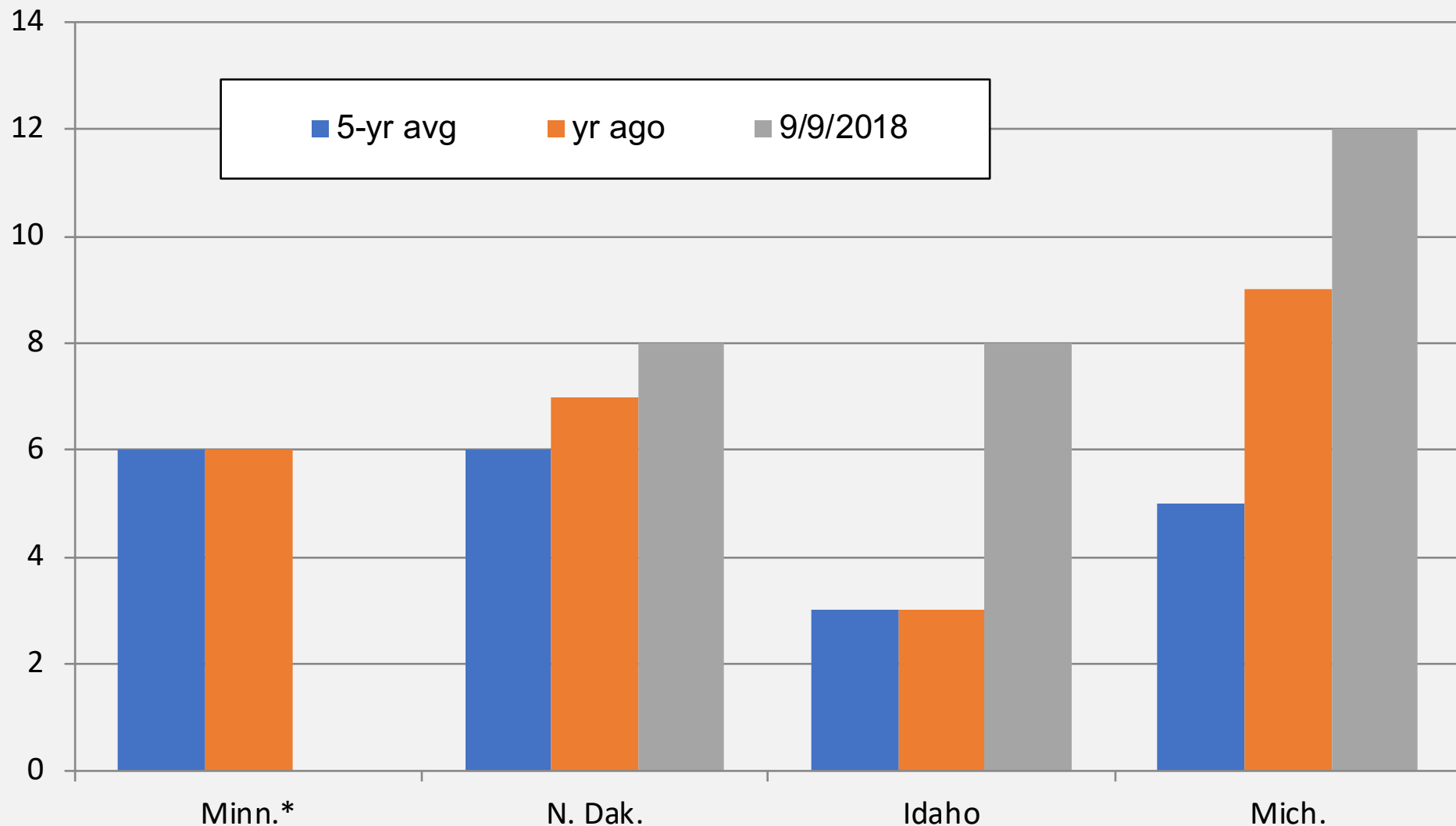
# SUA September 2018: Louisiana Cane Rating

In per cent, as of Sept. 9. Source: U.S.D.A. state field office.



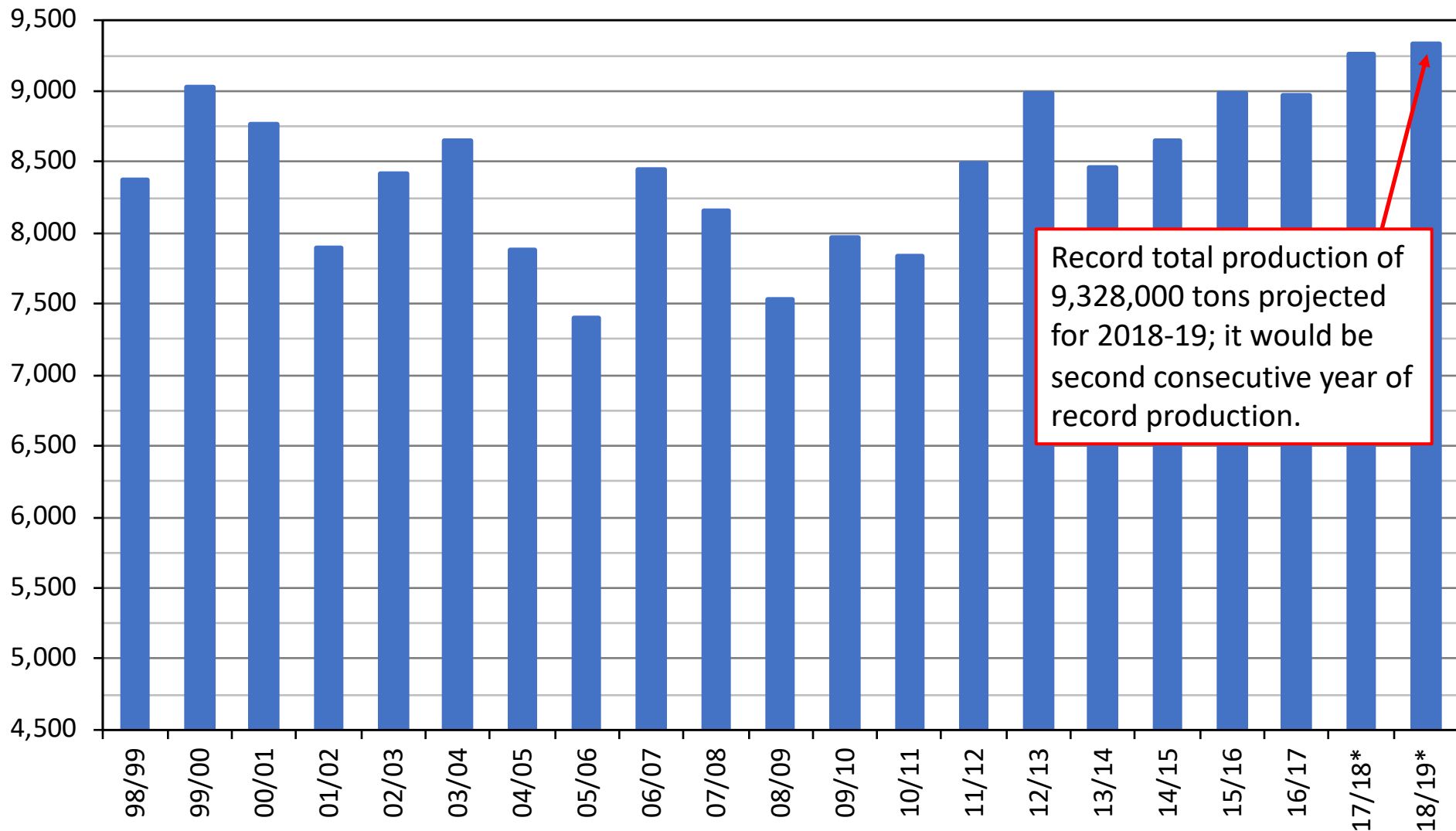
# SUA September 2018: U.S. Beet Harvest

In per cent, as of Sept. 9. Minnesota did not yet report harvest progress. Source: U.S.D.A.



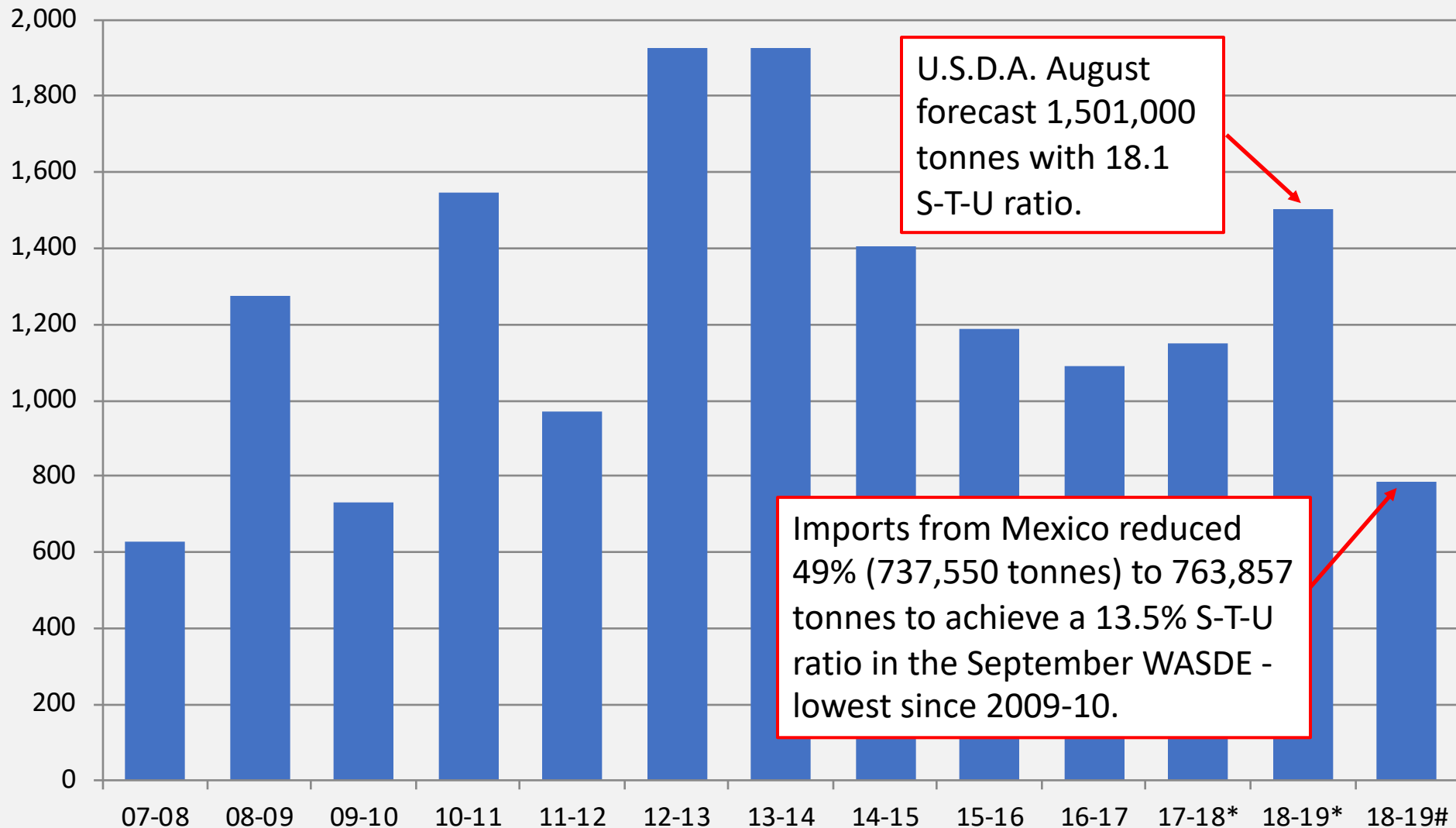
# SUA September 2018: U.S. Total Sugar Production

In 1,000 short tons, raw value. \*2017-18 forecast, 2018-19 projected. Source: U.S.D.A.



# SUA September 2018: U.S. Imports from Mexico

In 1,000 tonnes, raw value. \*Forecast. #Reduced to achieve 13.5% S-T-U. Source: U.S.D.A.





# SUA September 2018: Mexico WASDE

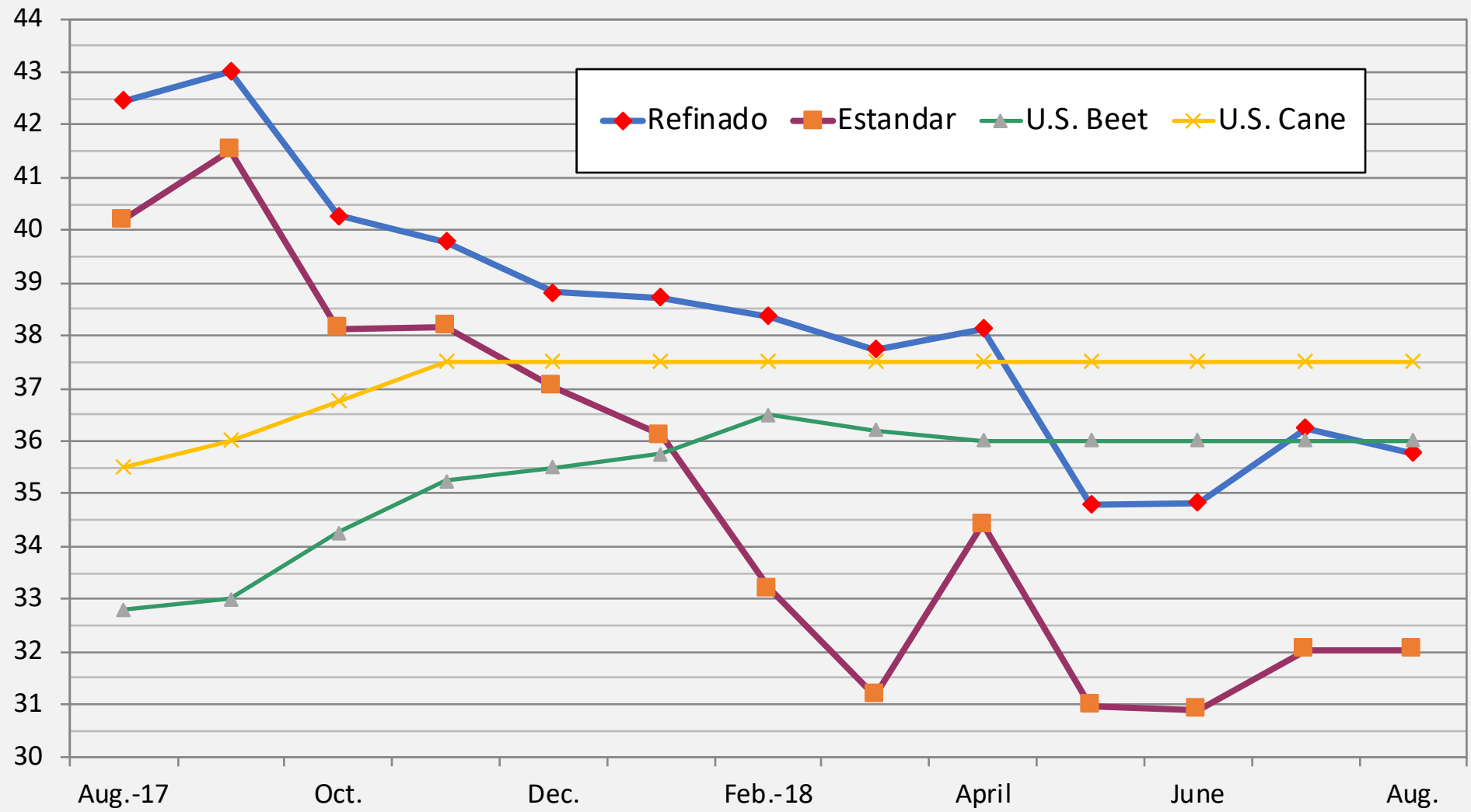
Source: U.S.D.A. September WASDE.

<i>1,000 tonnes</i>	<b>Sept.</b>	<b>From</b>	<b>Sept.</b>	<b>From</b>	<b>From</b>
<i>Actual weight</i>	<b><u>17-18</u></b>	<b><u>Aug.</u></b>	<b><u>18-19</u></b>	<b><u>Aug.</u></b>	<b><u>17-18</u></b>
<b>Begin. Stocks</b>	1,002	-	1,268	21	266
<b>Production</b>	6,010	1	6,025	-	15
<b>Imports</b>	190	-	115	-	(75)
<b>Total Supply</b>	7,202	1	7,408	21	206
<b>Exports</b>	1,207	(21)	995	(432)	(212)
<b>Domestic Use</b>	4,727	-	4,952	-	225
<b>Total Use</b>	5,934	(21)	5,947	(432)	13
<b>Ending Stocks</b>	1,268	21	1,461	453	193
<b>S-T-U (total)</b>	21.4%	0.5	24.6%	8.8	3.2
<b>S-T-U (dom.)</b>	26.8%	0.4	29.5%	9.1	2.7

Reduction in exports to U.S. leaves Mexico with huge amount of sugar to export onto the world market in 2018-19, plus carryover of 264,000 tonnes of sugar from 2017-18 that must be exported before Dec. 31.

# SUA September 2018: U.S. and Mexico Sugar Prices

Average monthly cash sugar prices. Sources: U.S.D.A. and Sosland Publishing Company



# SUA September 2018: Cash Sugar Price Outlook

<b>Beet sugar rest of 2017-18</b> (Prices basically nominal)	36c f.o.b. Midwest (most bought at 30-32c) 40c to 41c delivered West Coast
<b>Cane sugar rest of 2017-18</b>	37c to 38c Northeast 36c to 37c South 40c to 42c delivered West Coast
<b>Beet sugar 2018-19 (firmer)</b>	33.5c to 34c f.o.b. Midwest; 35c East (Michigan) 38.50c West Coast (40c to 41c delivered)
<b>Cane sugar 2018-19</b>	35c to 36c Northeast 34c to 35c South/Southeast, mostly 34.5c 34c to 34.50c Gulf 41c to 42c delivered West Coast

## Factors to Watch

- Beet sugar took a firmer tone in late August as sales passed the 70% mark (now over 80%) for some processors.
- Michigan sugar raised beet price to 35c a lb after September WASDE.
- Cane refiners holding prices steady but firm; may raise 1c if beet prices are raised in the Red river Valley.
- Raw imports from Mexico will be down sharply, but refiners currently have adequate/ample raw cane stocks.

# SUA September 2018: New York #16 Raw Futures

ICE domestic raw sugar futures as of Sept. 12, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFX18 (D10)	25.37 S	0.00	25.37	25.37	25.37 S	1957	1	1:12:44 PM EDT - 09/12/18
ESFF19 (D10)	25.50 S	-0.04	25.60	25.50	25.50 S	1944	25	1:12:44 PM EDT - 09/12/18
ESFH19 (D10)	25.71 S	0.06	25.75	25.60	25.71 S	1095	59	1:12:44 PM EDT - 09/12/18
ESFK19 (D10)	25.93 S	0.00			25.93 S	1096	0	1:12:44 PM EDT - 09/12/18
ESFN19 (D10)	26.00 S	0.00			26.00 S	617	0	1:12:44 PM EDT - 09/12/18
ESFU19 (D10)	26.01 S	0.00			26.01 S	755	0	1:12:44 PM EDT - 09/12/18
ESFX19 (D10)	25.97 S	0.00			25.97 S	50	0	1:12:44 PM EDT - 09/12/18
ESFF20 (D10)	25.92 S	0.00			25.92 S	8	0	1:12:44 PM EDT - 09/12/18
ESFH20 (D10)	26.12 S	0.00			26.12 S	5	0	1:12:44 PM EDT - 09/12/18
ESFK20 (D10)	25.92 S	0.00			25.92 S		0	1:12:44 PM EDT - 09/12/18
ESFN20 (D10)	25.87 S	0.00			25.87 S		0	1:12:44 PM EDT - 09/12/18

- **Global surpluses**
  - 2017-18 surplus forecast as high as 20 million tonnes
  - Continued but smaller surpluses expected to continue
- **Brazil shift**
  - Weather, low world raw sugar prices and record ethanol sales in last-half August continue to draw sugar production down.
- **All eyes on India**
  - India crop up 50% from 2016-17, even higher in 2018-19
  - Attempts to export have failed due to low world prices and internal price supports. Election year influence.
- **World raw sugar prices hit 10-year low (under) 10c a lb in August, but have since recovered around 11.5c nearby**
- **London white now over 15c a lb.**

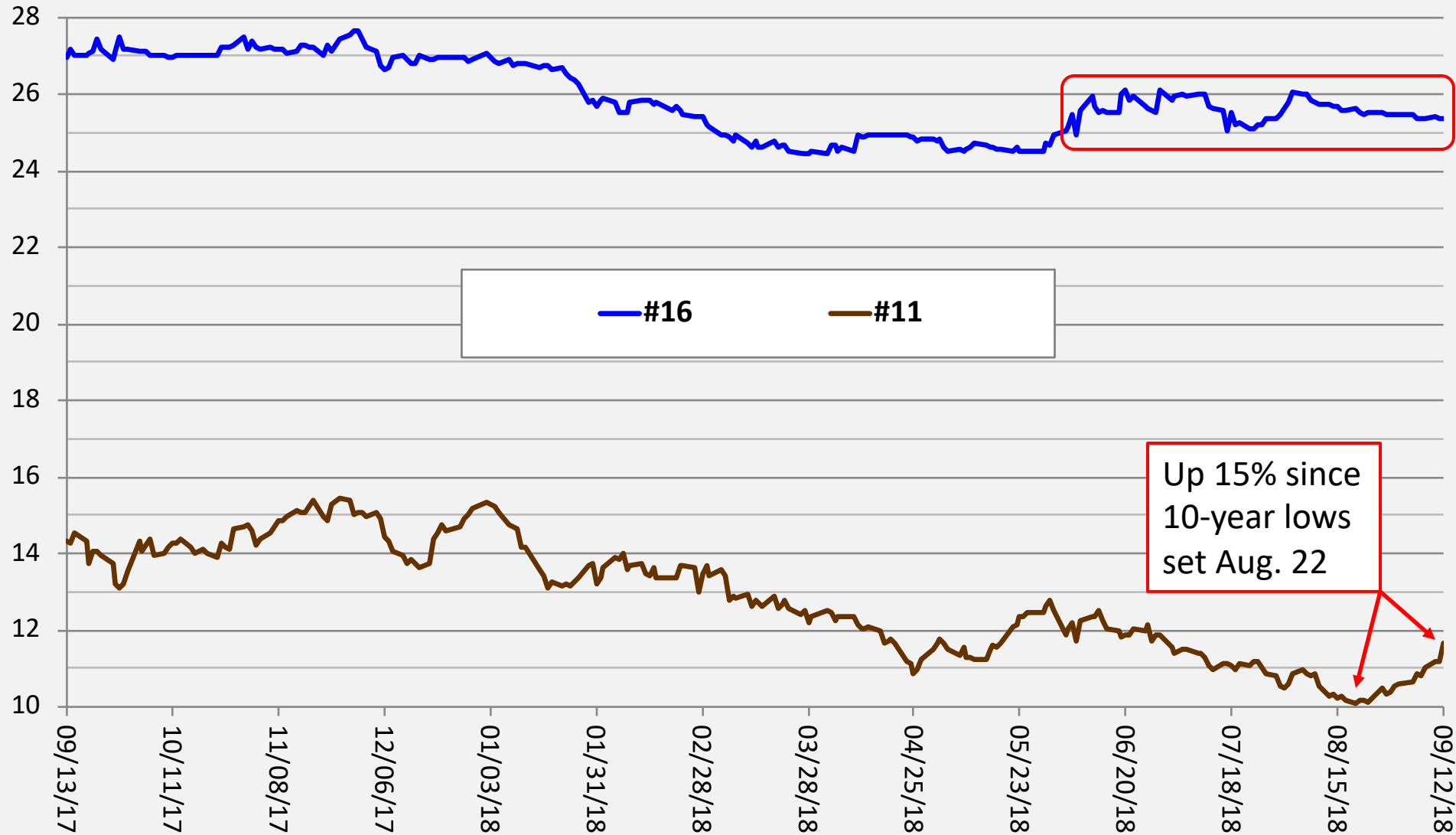
# SUA September 2018: New York #11 Raw Futures

ICE world raw sugar futures as of Sept. 12, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBV18 (D10)	11.67 S	0.49	11.71	11.13	11.67 S	278069	202663	1:12:19 PM EDT - 09/12/18
ESBH19 (D10)	12.33 S	0.33	12.36	11.92	12.33 S	362595	164260	1:12:19 PM EDT - 09/12/18
ESBK19 (D10)	12.44 S	0.26	12.47	12.12	12.44 S	123786	32667	1:12:19 PM EDT - 09/12/18
ESBN19 (D10)	12.53 S	0.22	12.55	12.25	12.53 S	53652	14639	1:12:19 PM EDT - 09/12/18
ESBV19 (D10)	12.79 S	0.21	12.82	12.55	12.79 S	60792	4075	1:12:19 PM EDT - 09/12/18
ESBH20 (D10)	13.37 S	0.19	13.39	13.11	13.37 S	17537	1025	1:12:19 PM EDT - 09/12/18
ESBK20 (D10)	13.42 S	0.17	13.42	13.18	13.42 S	3421	191	1:12:19 PM EDT - 09/12/18
ESBN20 (D10)	13.45 S	0.14	13.45	13.23	13.45 S	3068	169	1:12:19 PM EDT - 09/12/18
ESBV20 (D10)	13.62 S	0.13	13.60	13.42	13.62 S	2701	50	1:12:19 PM EDT - 09/12/18
ESBH21 (D10)	13.98 S	0.11	13.81	13.81	13.98 S	1256	18	1:12:19 PM EDT - 09/12/18
ESBK21 (D10)	14.00 S	0.09	13.77	13.77	14.00 S	208	3	1:12:19 PM EDT - 09/12/18
ESBN21 (D10)	14.08 S	0.07			14.08 S	114	1	1:12:19 PM EDT - 09/12/18

# SUA September 2018: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb.



# SUA September 2018: Corn Sweetener Market

- Production capacity will decline about 3% when Ingredion's Stockton, Calif., plant closes at the end of 2018.
- Domestic demand for HFCS has continued to shrink, but demand for regular corn syrup, dextrose and starch has been stable to strong.
- HFCS consumption in Mexico is up about 6% this year over last year, with 2018-19 forecast flat with this year's higher level. U.S. corn refiners are citing ongoing good demand from Mexico.  
**HOWEVER – Mexico's demand for HFCS may be in question due to ample sugar supplies if exports to U.S. drop as much as forecast.**
- Refiners have noted higher labor, transportation and manufacturing costs this year and for next year, despite second largest corn crop.
- All reasons for seeking higher corn sweetener prices for 2019.



# SUA September 2018: Corn Sweetener Prices

Current, cents/lb or \$/cwt.

## 42% HFCS Spot

	<u>2018</u>	<u>2017</u>
<b>Midwest</b>	24¾-25¾	23⅞-24⅞
<b>Northeast</b>	26¼-27¼	25¼-26¼
<b>Southeast</b>	26½-27½	25⅜-26⅜
<b>South</b>	26-27	25-26
<b>West</b>	26¾-28¾	25⅞-27⅞

## 55% HFCS Spot

	<u>2018</u>	<u>2017</u>
<b>Midwest</b>	30¼-31¾	29¼-30¼
<b>Northeast</b>	31¾-33¼	30¾-31¾
<b>Southeast</b>	31¾-33¼	30¾-31¾
<b>South</b>	31½-33	30½-31½
<b>West</b>	32¼-34¾	31¼-33¼

## Corn Syrup Spot

	<u>2018</u>	<u>2017</u>
<b>Midwest</b>	34¼-35¼	32¼-34¼
<b>Northeast</b>	36½-37½	34½-36½
<b>Southeast</b>	36½-37½	34½-36½
<b>South</b>	37½-38½	35½-37½
<b>West</b>	38¾-39¾	36¾-38¾

## Dextrose Spot

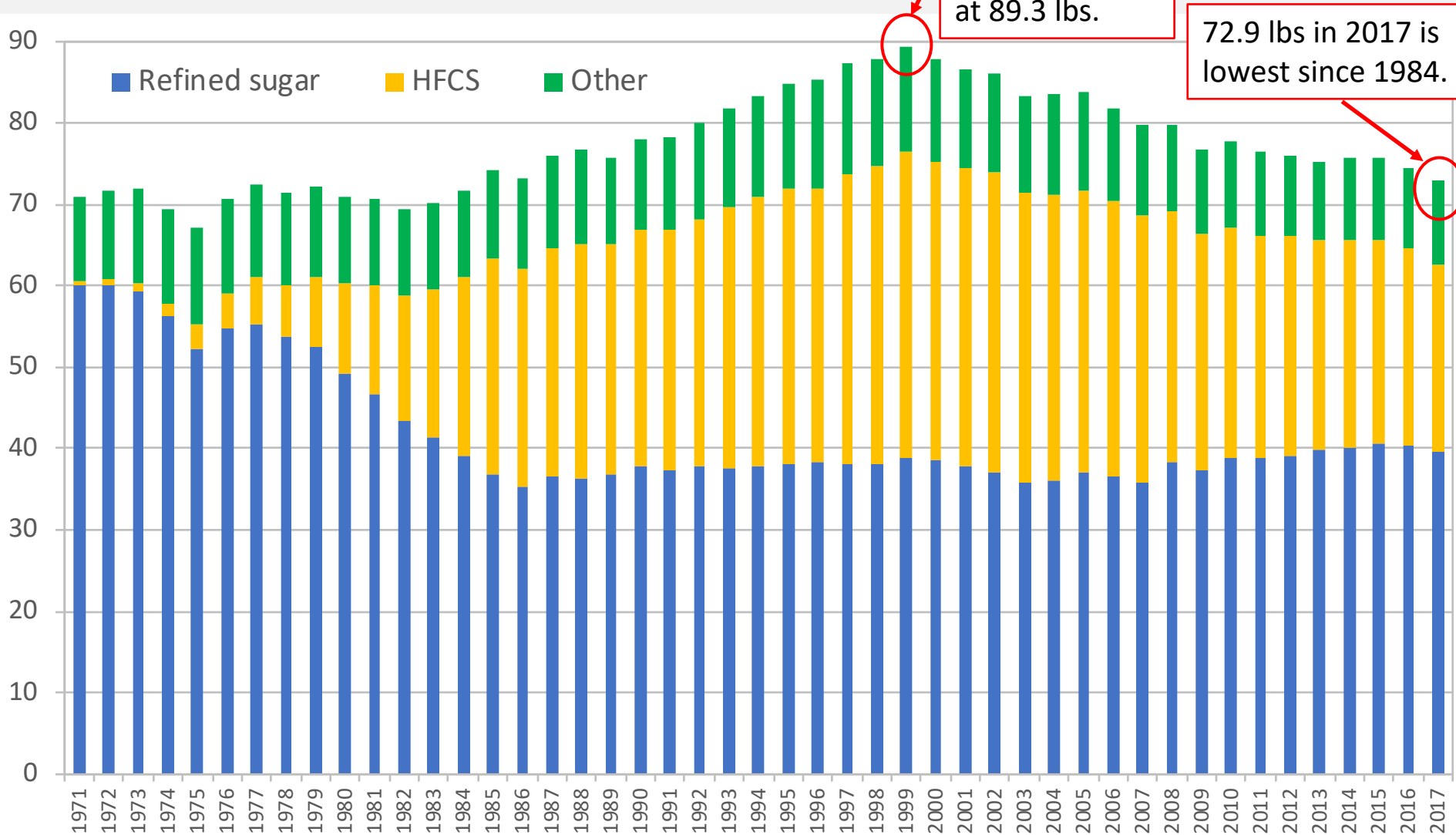
	<u>2018</u>	<u>2017</u>
<b>East</b>	39½-41	39-41
<b>Midwest</b>	38½-40	38-40
<b>South</b>	40½-42	40-42
<b>West</b>	41½-43	41-43

At least one major corn refiner has indicated it has nearly completed contracting with existing direct customers for 2019 at prices from \$1 to 3¢ a cwt above 2018 contracted levels, with increases for 42% HFCS about 50¢ below those of 55% HFCS, regular corn syrup and dextrose.

But contracting through distributors is off to a slower start, with initial prices indicated up \$1 to \$1.50 a cwt.

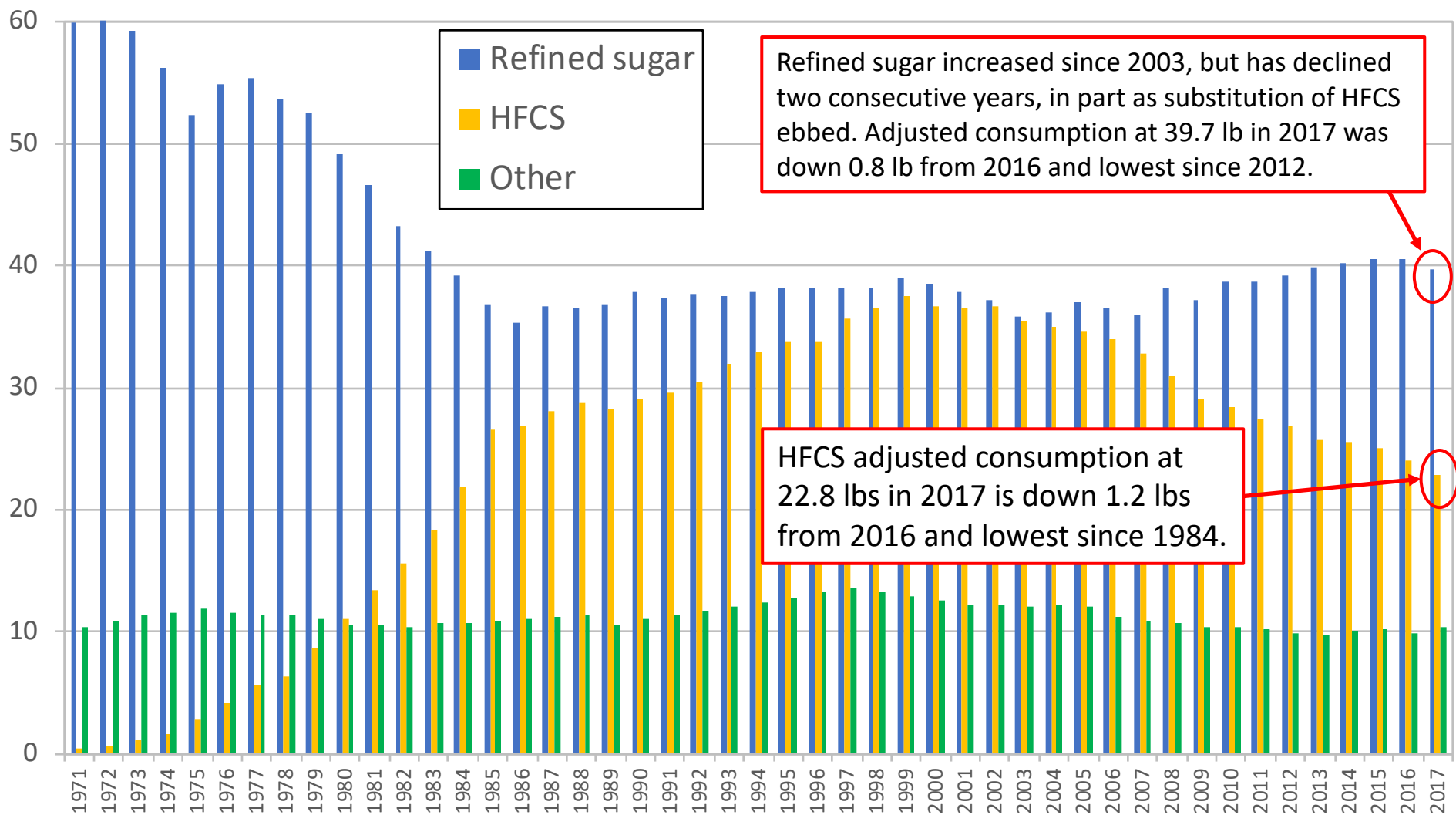
# SUA September 2018: Per Capita Consumption

In pounds, adjusted for loss. Source: U.S.D.A.



# SUA September 2018: Per Capita Consumption

In pounds, adjusted for loss. Source: U.S.D.A.



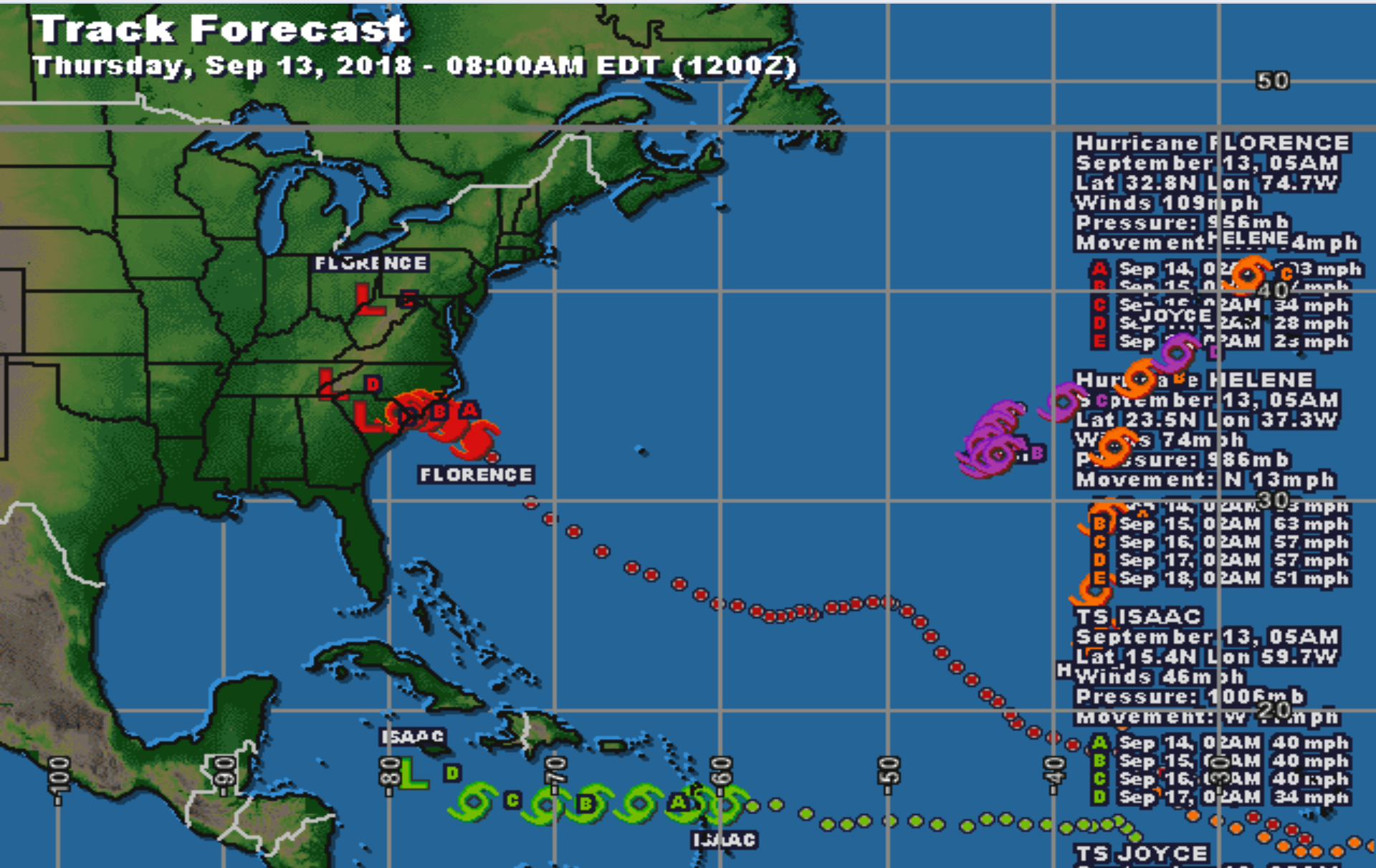
# SUA September 2018: Other Issues

- **Obesity** – CDC said adult obesity was over 35% in seven states in 2017 compared with no states in 2012 (despite lower sugar use).
- **G.M.O. Labeling** – Dec. 1 set by U.S.D.A. as target to for final rule, with implementation hoped to coincide with Nutrition Facts Label.
- **Farm Bill** – Sept. 30 “deadline” probably in question. Not an issue for sugar at this time.
- **Trade** – Talks with China; NAFTA progressing.
- **Weather** – Watching Hurricane Florence, but doesn’t appear as it will hit Savannah. It has disrupted transportation but has not had an impact on pricing. Other storms in Atlantic also are being watched, with most concern about Isaac, which is heading for the Caribbean.

# SUA September 2018: Other Issues

## Track Forecast

Thursday, Sep 13, 2018 - 08:00AM EDT (1200Z)



# SUA September 2018: Conclusions

- **Domestic Sugar Market**
  - 2017-18 is wrapped up
  - 2018-19 looks like ample beet sugar but less imported raws
  - Beet sugar prices likely firming to 34c to 35c f.o.b. Midwest
  - Southeast refined cane firming to 36c a lb
  - Watch deliveries for signs of demand weakness
- **Global Sugar Market**
  - World raws have firmed in recent days but global surplus still will limit gains; probably not see 10-year lows again
- **Domestic Corn Sweetener Market**
  - Tighter capacity, steady/strong sales to Mexico(?)
  - Pricing \$1 to \$3 above 2018 contracted levels; some refiners nearly completed, distributors lagging
- **Other Issues**
  - Weather