

# Sweetener Users Association Board Meeting Update

October 23, 2018

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# SUA October 2018: Presentation Overview

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

## 2018-19 – October WASDE

- Domestic sugar production was lowered from September with beet sugar down and cane sugar up. Domestic production remains slightly above 2017-18's record level, but probably not for long.
- T.R.Q. imports were raised slightly from September, but imports from Mexico won't be adjusted until December (raised).
- Deliveries for food were unchanged from September, but still up 1.2% from 2017-18.
- Bulk cash prices are firm to 0.5c a lb higher. Beet processors are 80% or more sold for 2018-19 as of mid-October; that percentage will go up as production is expected to be revised lower. The refined cane premium to beet is holding at 1c to 2c a lb.
- **The market has taken a more bullish tone.**

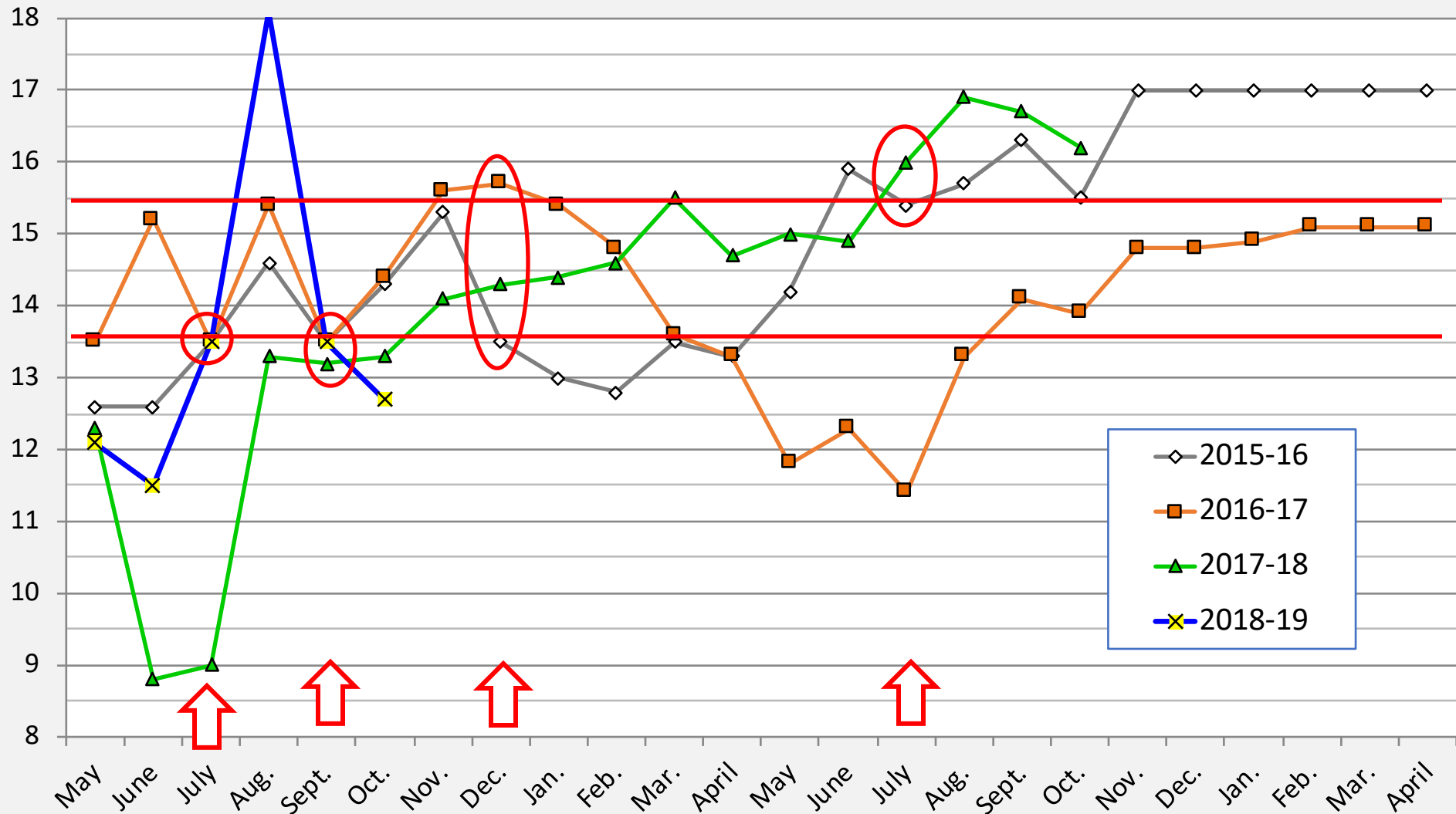
# SUA October 2018: U.S.D.A. WASDE

Sept. WASDE	October	Change from Sept.		Change from 17-18		RS-SPC
		<u>18-19</u>	<u>Tons</u>	<u>%</u>	<u>Tons</u>	
Raw value	2,014	(58)	-2.8%	138	7.4%	2,010
Begin. Stocks	9,262	(66)	-0.7%	14	0.2%	9,137
Production	5,236	(107)	-2.0%	(9)	-0.2%	5,136
Beet	4,026	41	1.0%	22	0.5%	4,001
Cane	2,801	25	0.9%	(514)	-15.5%	3,215
Imports	1,564	25	1.6%	(100)	-6.0%	1,555
T.R.Q.	350	-	-	24	7.4%	300
Other Prog.	842	-	-	(427)	-33.6%	1,320
Mexico	45	-	-	(10)	-18.2%	40
High Tier	14,077	(100)	-0.7%	(362)	-2.5%	14,362
Ttl Supply	85	-	-	(85)	-50.0%	85
Exports	12,405	-	-	150	1.2%	12,405
Deliveries	12,250	-	-%	150	1.2%	12,250
Food	155	-	-	-	-	155
Other	12,490	-	-	65	0.5%	12,490
Total Use	1,587	(100)	-5.9%	(427)	-21.2%	1,872
Ending Stocks	12.7%	- 0.8		- 3.5		15%
Stocks-to-use						

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

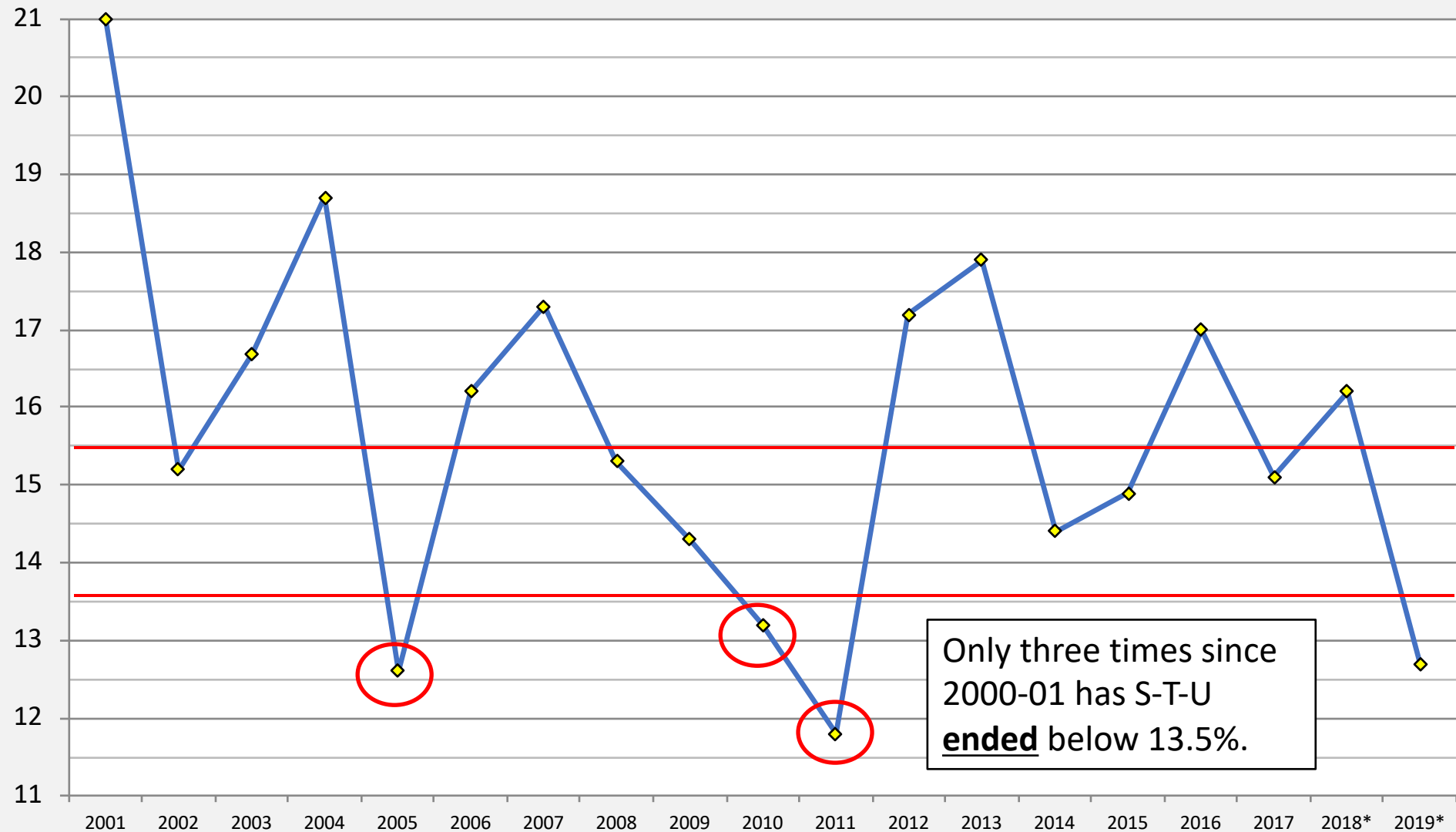
# SUA October 2018: Monthly Stocks-to-Use Ratios

In per cent, as of Oct. 11. Source: U.S.D.A.



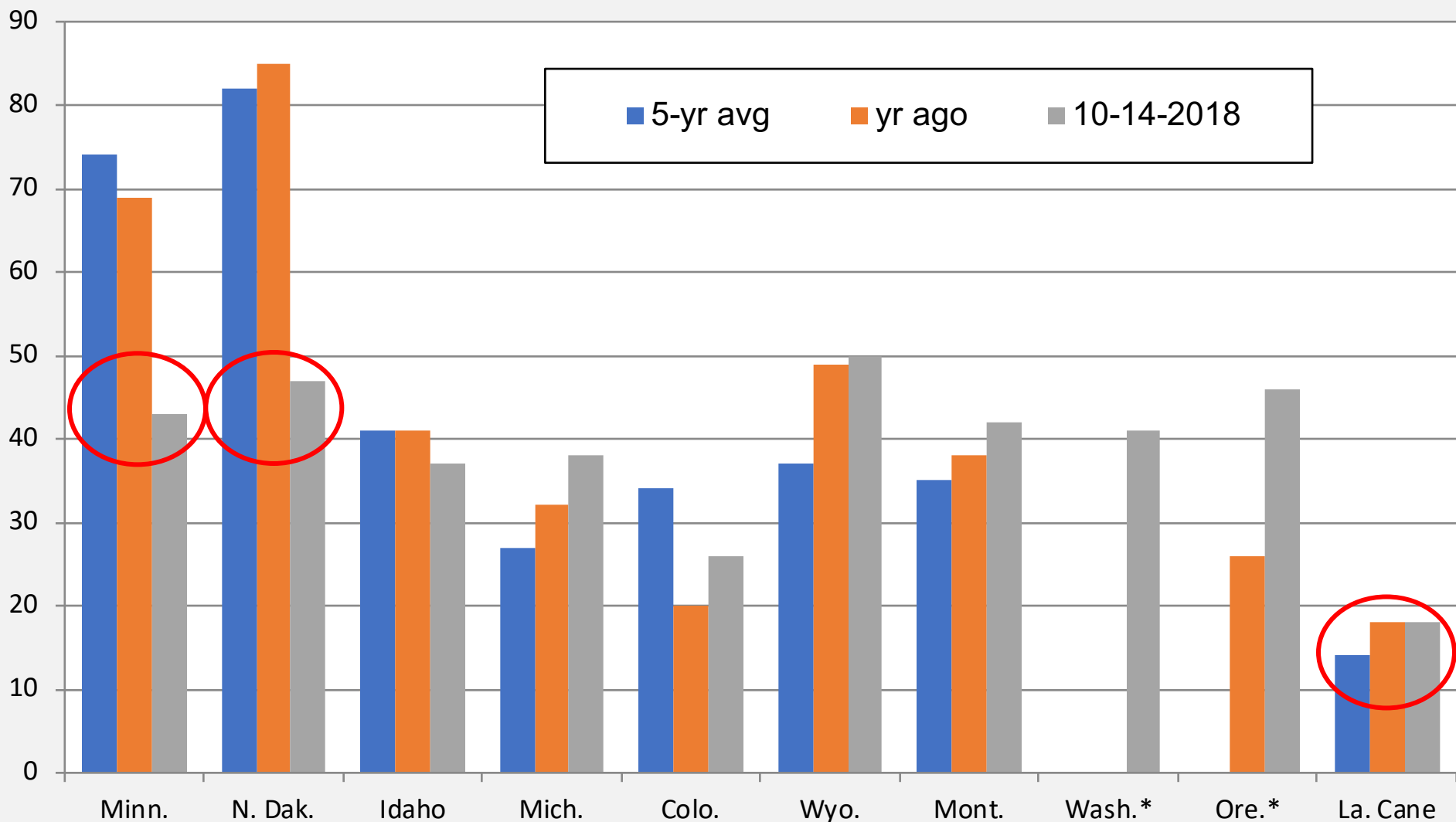
# SUA October 2018: Final S-T-U Ratios\*

\* Except 2018 and 2019. Source: U.S.D.A.



# SUA October 2018: U.S. Beet and Cane Harvest

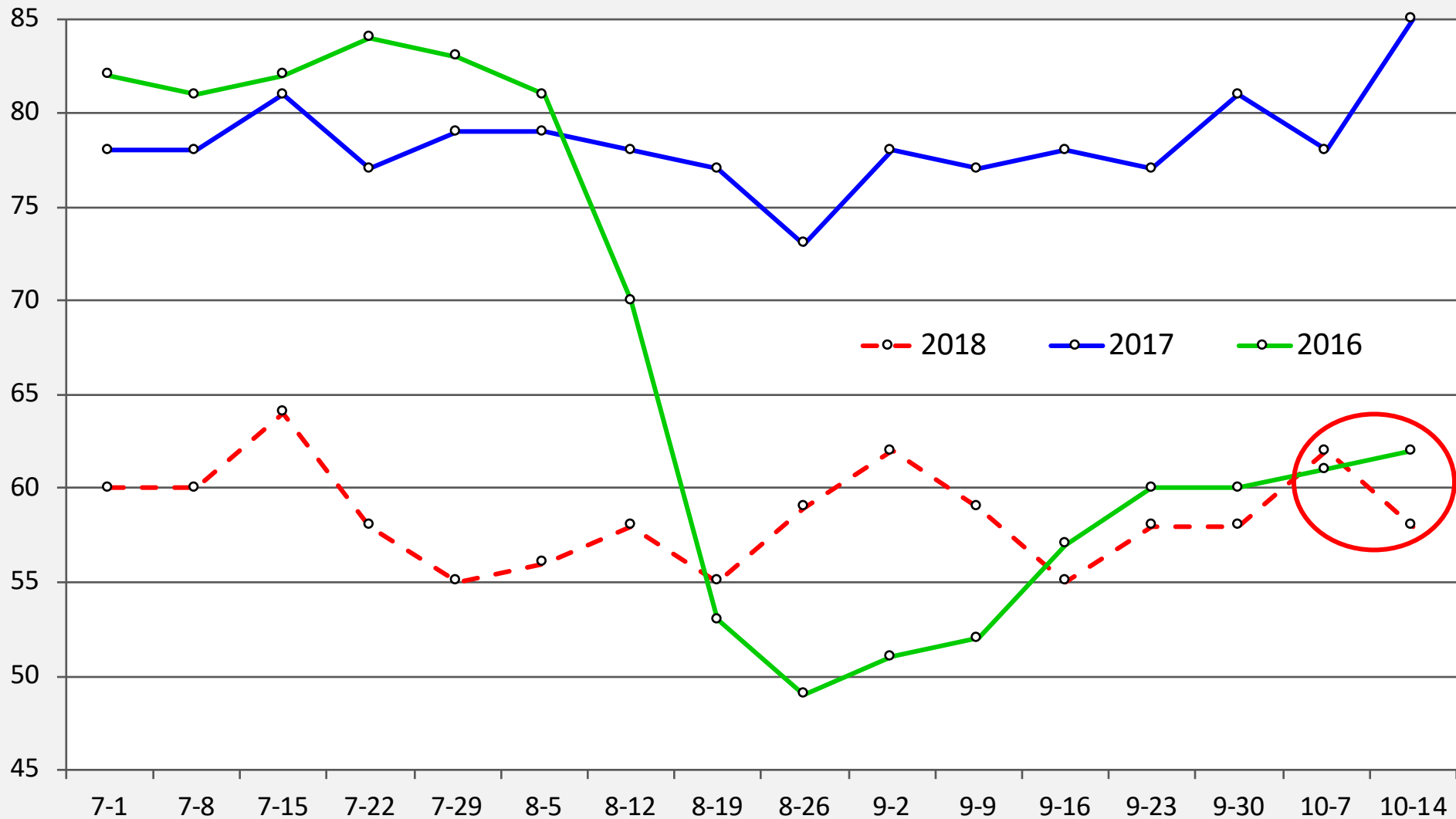
In per cent, as of Oct. 14. \*Some prior data not available.



Sources: U.S.D.A. and state field offices.

# SUA October 2018: Louisiana Cane Rating

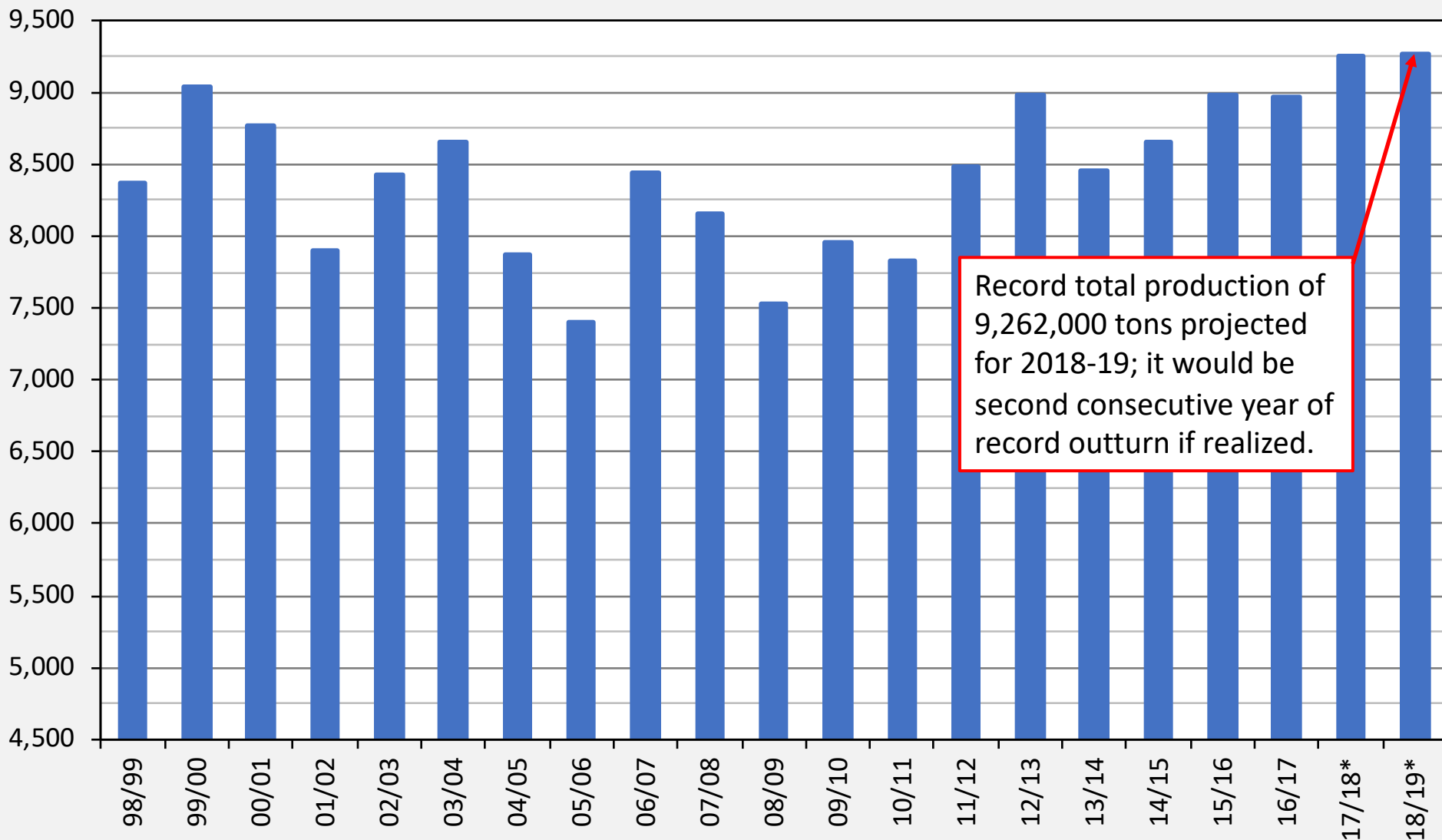
In per cent, as of Oct. 14. Source: U.S.D.A. state field office.





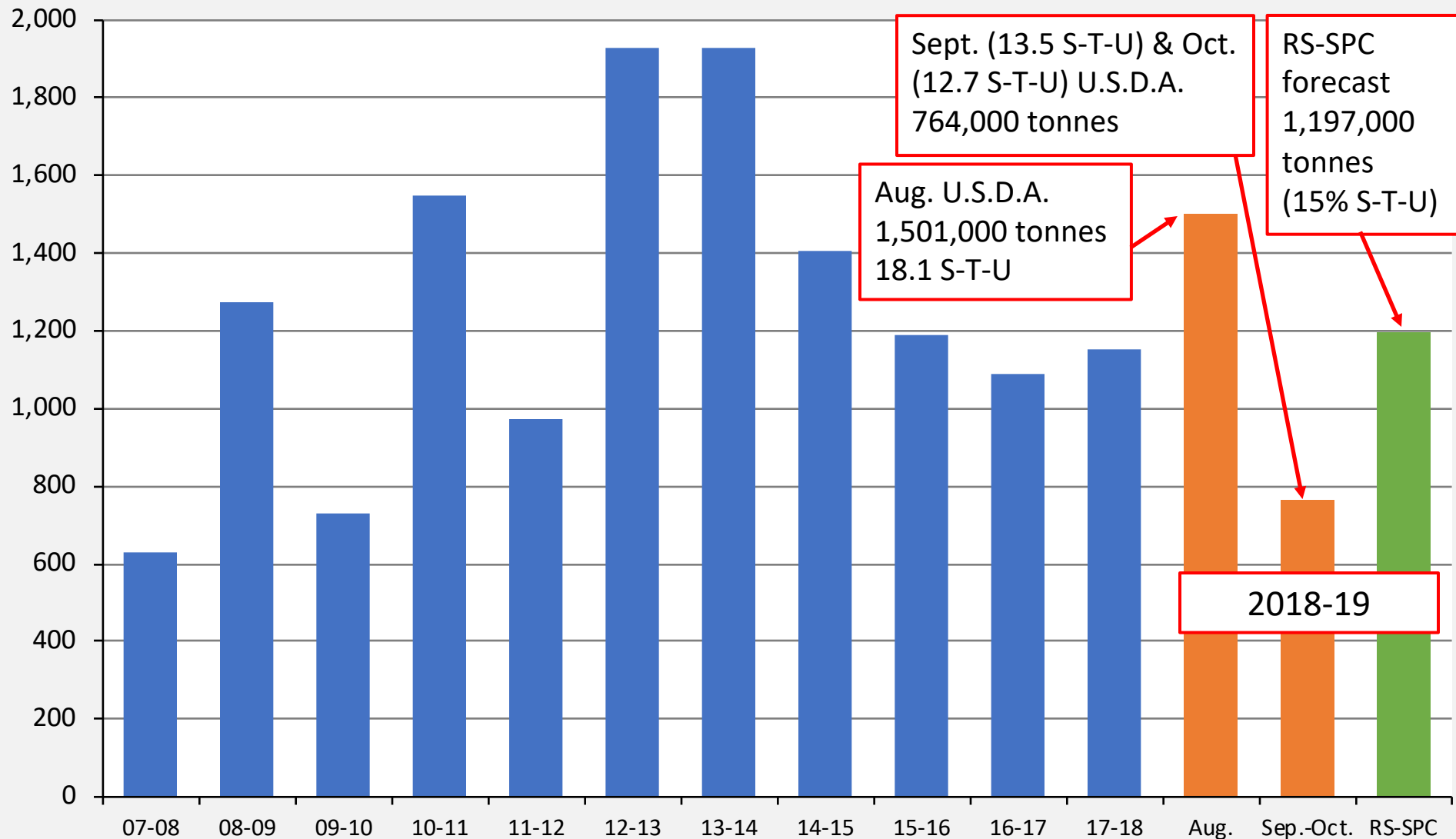
# SUA October 2018: U.S. Total Sugar Production

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



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

Annual, in 1,000 tonnes, raw value.



# SUA October 2018: WASDE/Supply

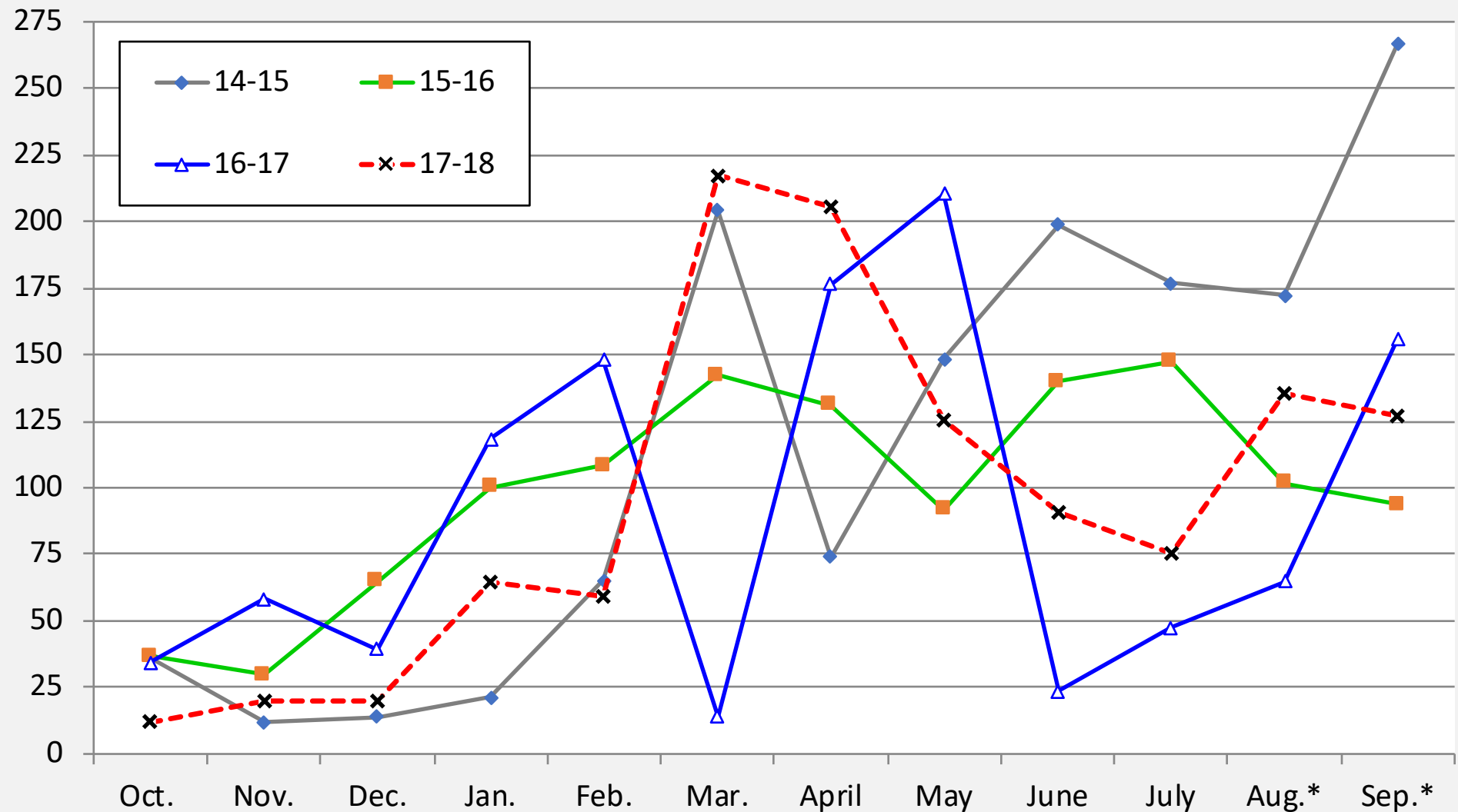
Oct. 11 WASDE	October	Change from Sept.	
<i>1,000 tons, raw value</i>	<b>17-18</b>	<b>Tons</b>	<b>%</b>
Beginning Stocks	1,876	-	-
Production	9,248	(7)	-0.1%
Beet	5,245	-	-
Cane	4,004	(7)	-0.2%
Imports	3,315	(51)	-1.5%
T.R.Q.	1,664	(63)	-3.6%
Other Program	326	1	0.3%
Mexico	1,269	-	-
High Tier	55	10	22.2%
Total Supply	14,439	(58)	-0.4%
Exports	170	-	-
Deliveries	12,255	-	-
Food	12,100	-	-
Other	155	-	-
Total Use	12,425	-	-
Ending Stocks	2,014	(58)	-2.8%
Stocks-to-use Ratio*	16.2%	(0.5)	

- For 2017-18 (ended Sept. 30), minor changes were made on the supply side.
- Louisiana cane sugar was lowered slightly.
- T.R.Q. imports were lowered by 63,000 tons, including 42,000 tons due to a larger shortfall than earlier expected. A 21,000-ton reduction related to F.T.A. imports was pushed into 2018-19 due to expected import in October-December.
- High-tier imports were raised 10,000 tons due to the wide discount of world raws to domestic raws. But that's changing.
- Deliveries for food were unchanged and flat with 2016-17.
- These numbers will continue to be fine tuned but no major surprises expected.

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

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

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

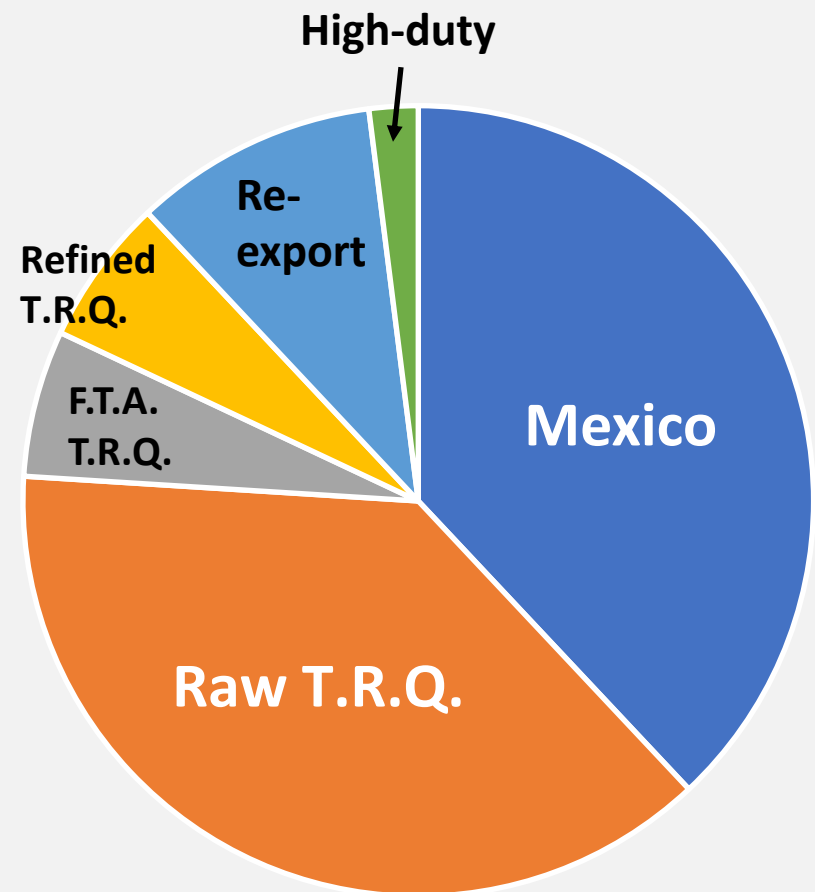


Sources: U.S.D.A. and U.S. Census Bureau

# SUA October 2018: U.S. Sugar Imports

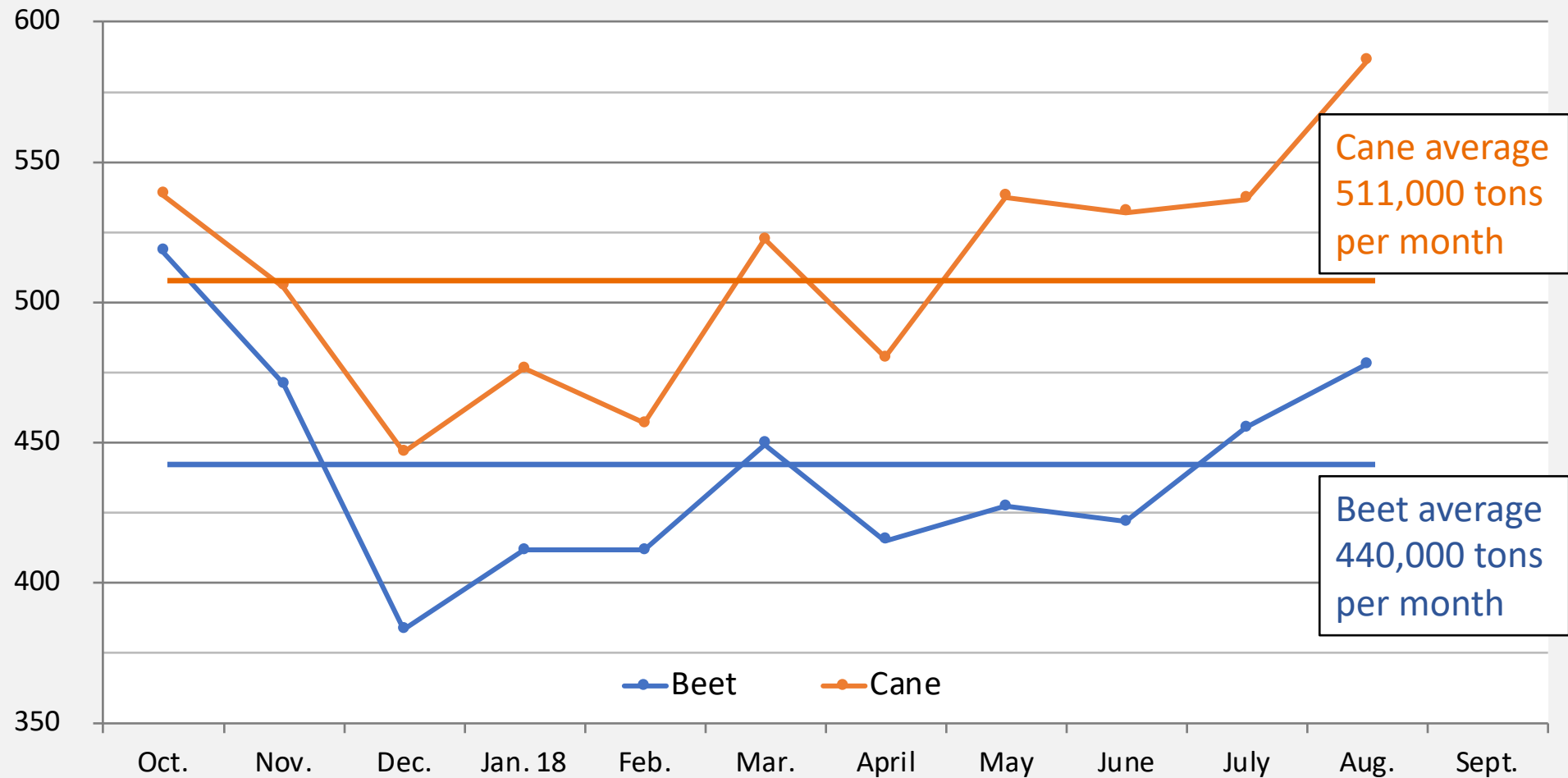
U.S. 2017-18 sugar imports. Source: U.S.D.A.

<i>In tonnes, raw value</i>	<b>2017-18</b>	<b>% of Total</b>
W.T.O. Raw T.R.Q.	1,153,022	38%
W.T.O. Refined T.R.Q.	173,558	6%
F.T.A. Sugar in T.R.Q.s	183,199	6%
<b>Total Quota</b>	<b>1,509,779</b>	<b>50%</b>
Re-export Program	296,109	10%
Mexico	1,151,656	38%
High-duty Sugar	49,895	2%
<b>Total Imports</b>	<b>3,007,439</b>	<b>100%</b>



# SUA October 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 August, cane deliveries are averaging 71,000 tons per month more than beet.

# SUA October 2018: Mexico WASDE

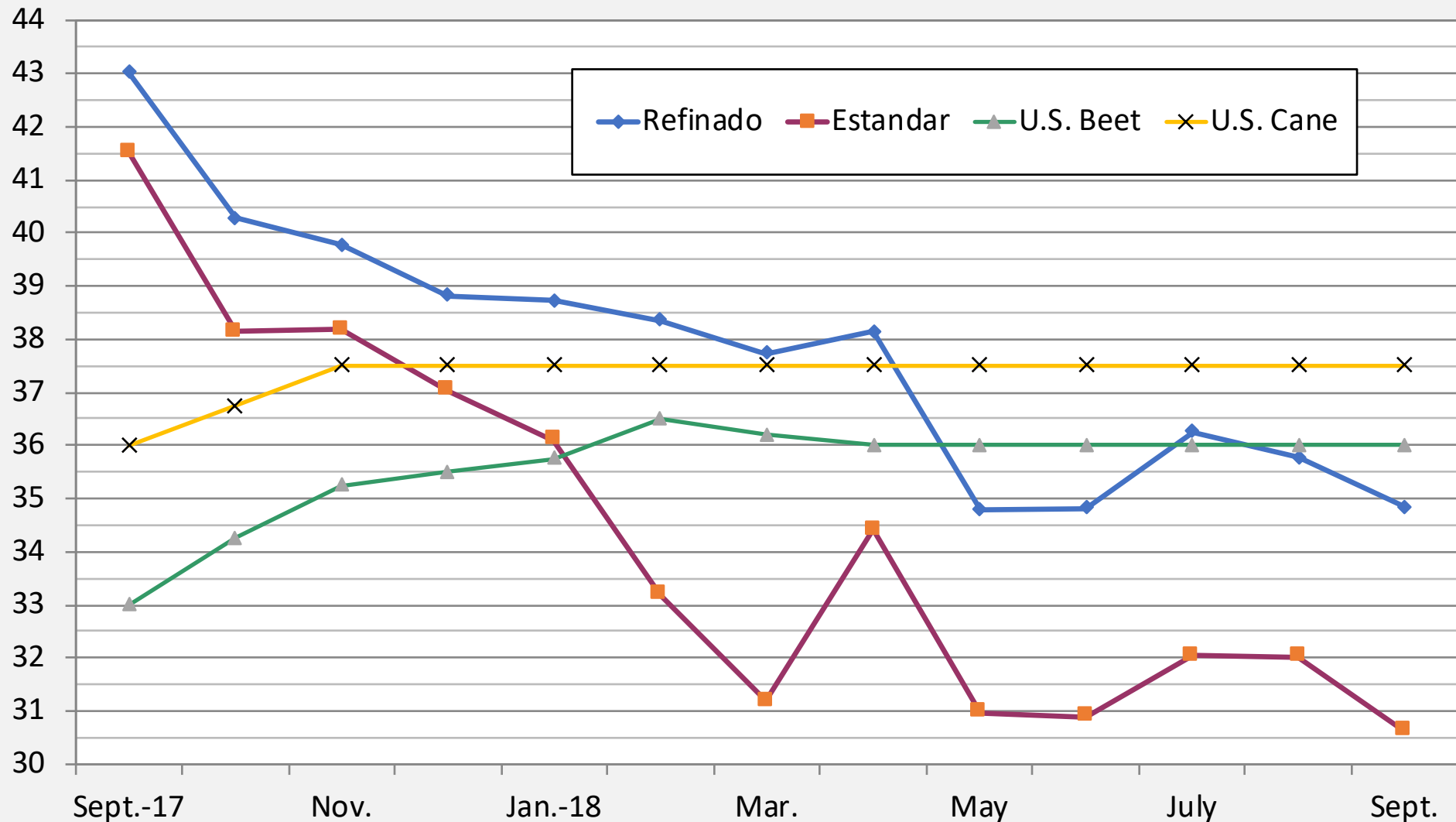
Source: U.S.D.A. October WASDE.

<i>1,000 tonnes</i>	<b>October</b>	<b>From</b>	<b>October</b>	<b>From</b>	<b>From</b>
<i>Actual weight</i>	<b><u>17-18</u></b>	<b><u>Sept.</u></b>	<b><u>18-19</u></b>	<b><u>Sept.</u></b>	<b><u>17-18</u></b>
<b>Begin. Stocks</b>	1,002	-	1,328	60	326
<b>Production</b>	6,010	-	6,025	-	15
<b>Imports</b>	190	-	115	-	(75)
<b>Total Supply</b>	7,202	-	7,468	60	266
<b>Exports</b>	1,147	(60)	1,081	86	(66)
<b>Domestic Use</b>	4,727	-	4,952	-	225
<b>Total Use</b>	5,874	(60)	6,033	86	159
<b>Ending Stocks</b>	1,328	60	1,435	(26)	107
<b>S-T-U (total)</b>	22.6%	1.2	23.8%	(0.8)	1.2
<b>S-T-U (dom.)</b>	28.1%	1.3	29.0%	(0.5)	0.9

The only change in Mexico's WASDE was lower exports to non-U.S. markets in 2017-18, which will be delivered before the end of calendar 2018 during the first quarter of 2018-19, thus boosting 2018-19 exports. Sugar remain high, as does the stocks-to-use ratio.

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

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





# SUA October 2018: Cash Sugar Price Outlook

<b>Beet sugar 2018-19</b>	(firmer) 33.5c to 34c f.o.b. Midwest; 35c East (Michigan) Beet processors would like to get offers to 34c Midwest 38.50c West Coast (40c to 41c delivered)
<b>Cane sugar 2018-19</b>	35c to 37c Northeast 34.5c to 35c South/Southeast Refiners want to get offers to 35c to 36c South/Southeast 34c to 34.50c Gulf 41c to 42c delivered West Coast

## Factors to Watch

- Beet sugar prices firmed in mid-October as sales topped 80% of prospective production and on expected weather-reduced sucrose content of beets.
- At least two beet processors raised their minimum offers to 33.5c.
- At least one beet processor withdrew offers in mid-October.
- One cane refiner raised its offer 0.5c to 34.5c in Florida.
- Louisiana cane sugar may be overstated based on low crop ratings.
- The sharp increase in world raw futures should slow high-tier imports.
- Raw imports from Mexico should be revised upward to offset lower U.S. beet sugar production.
- No shortage, but not ample either.

# SUA October 2018: New York #16 Raw Futures

ICE domestic raw sugar futures as of Oct. 18, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFF19 (D10)	25.29 S	0.01	25.40	25.29	25.29 S	2651	118	1:08:48 PM EDT - 10/18/18
ESFH19 (D10)	25.87 S	0.23	25.90	25.67	25.87 S	914	126	1:08:48 PM EDT - 10/18/18
ESFK19 (D10)	26.06 S	0.28			26.06 S	1525	0	1:08:48 PM EDT - 10/18/18
ESFN19 (D10)	26.43 S	0.05			26.43 S	949	0	1:08:48 PM EDT - 10/18/18
ESFU19 (D10)	26.40 S	0.02			26.40 S	1107	0	1:08:48 PM EDT - 10/18/18
ESFX19 (D10)	26.20 S	0.00			26.20 S	220	0	1:08:48 PM EDT - 10/18/18
ESFF20 (D10)	26.27 S	0.00			26.27 S	68	10	1:08:48 PM EDT - 10/18/18
ESFH20 (D10)	26.29 S	0.00			26.29 S	56	0	1:08:48 PM EDT - 10/18/18
ESFK20 (D10)	26.27 S	0.00			26.27 S	50	0	1:08:48 PM EDT - 10/18/18
ESFN20 (D10)	26.27 S	0.00			26.27 S	50	0	1:08:48 PM EDT - 10/18/18
ESFU20 (D10)	26.27 S	0.00			26.27 S		0	1:08:48 PM EDT - 10/18/18

Other than in nearby January, the market is really flat through 2020 in the 26c to 26.5c a lb range. Spillover support from surging world raws.

# SUA October 2018: Global Sugar Overview

- **Global surpluses**
  - 2018-19 surplus forecasts are being trimmed.
  - At least one company has forecast a deficit for 2019-20.
- **Brazil shift**
  - Sugar production/export potential continues to wane on strong ethanol production and stronger currency values. Election results suggest continued strong ethanol policy. Ethanol stocks growing.
- **Developments in India critical**
  - 2018-19 production trimmed on grub infestation; but still record.
  - Initial subsidized export contracts have been signed; more coming.
- **Nearby world raw sugar future hit 10-year low of 9.9c a lb in late September, but has roared back nearly 40%, prompting producer hedging, slowing short covering and likely exports from India.**

# SUA October 2018: New York #11 Raw Futures

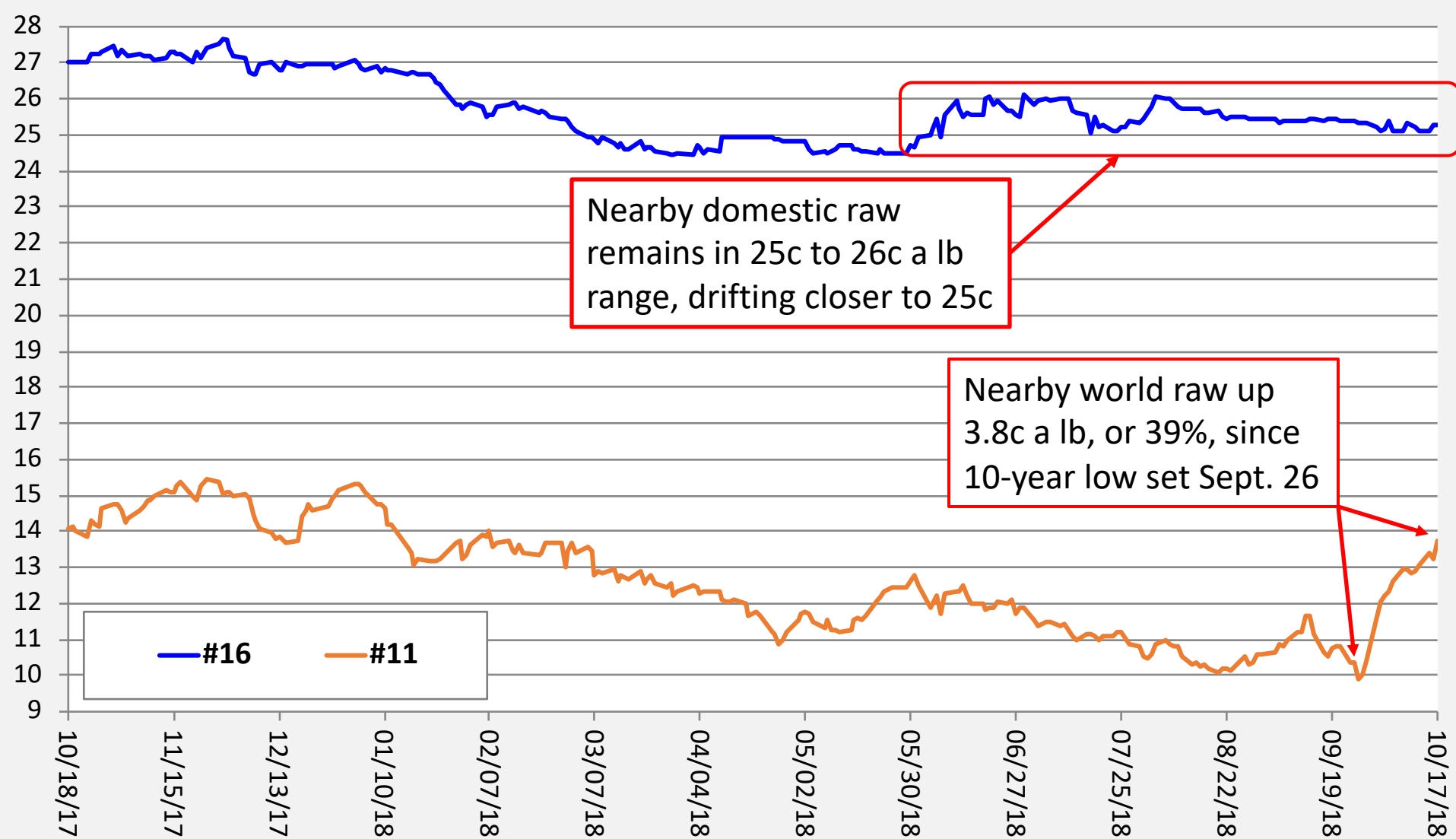
ICE world raw sugar futures as of Oct. 18, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBH19 (D10)	13.87 S	0.14	13.95	13.53	13.87 S	396245	91960	1:01:40 PM EDT - 10/18/18
ESBK19 (D10)	13.94 S	0.14	13.98	13.61	13.94 S	144863	40636	1:01:40 PM EDT - 10/18/18
ESBN19 (D10)	13.95 S	0.12	14.01	13.66	13.95 S	85944	22449	1:01:40 PM EDT - 10/18/18
ESBV19 (D10)	14.08 S	0.09	14.17	13.84	14.08 S	77910	7562	1:01:40 PM EDT - 10/18/18
ESBH20 (D10)	14.58 S	0.09	14.65	14.35	14.58 S	28572	2465	1:01:40 PM EDT - 10/18/18
ESBK20 (D10)	14.51 S	0.07	14.58	14.39	14.51 S	6092	976	1:01:40 PM EDT - 10/18/18
ESBN20 (D10)	14.41 S	0.03	14.48	14.27	14.41 S	5085	494	1:01:40 PM EDT - 10/18/18
ESBV20 (D10)	14.42 S	0.00	14.49	14.30	14.42 S	5730	353	1:01:40 PM EDT - 10/18/18
ESBH21 (D10)	14.67 S	-0.01	14.72	14.53	14.67 S	3211	198	1:01:40 PM EDT - 10/18/18
ESBK21 (D10)	14.52 S	-0.07	14.54	14.43	14.52 S	374	7	1:01:40 PM EDT - 10/18/18
ESBN21 (D10)	14.45 S	-0.13			14.45 S	166	0	1:01:40 PM EDT - 10/18/18

Nearby contract rallied 3.8c a lb, or 39%, from 10-year low on Sept. 26 to eight-month high on Oct. 18. Support in part came from lower revisions for India and European Union sugar production, and strength in the value of Brazil's currency.

# SUA October 2018: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of Oct. 17, 2018.



Nearby domestic raw remains in 25c to 26c a lb range, drifting closer to 25c

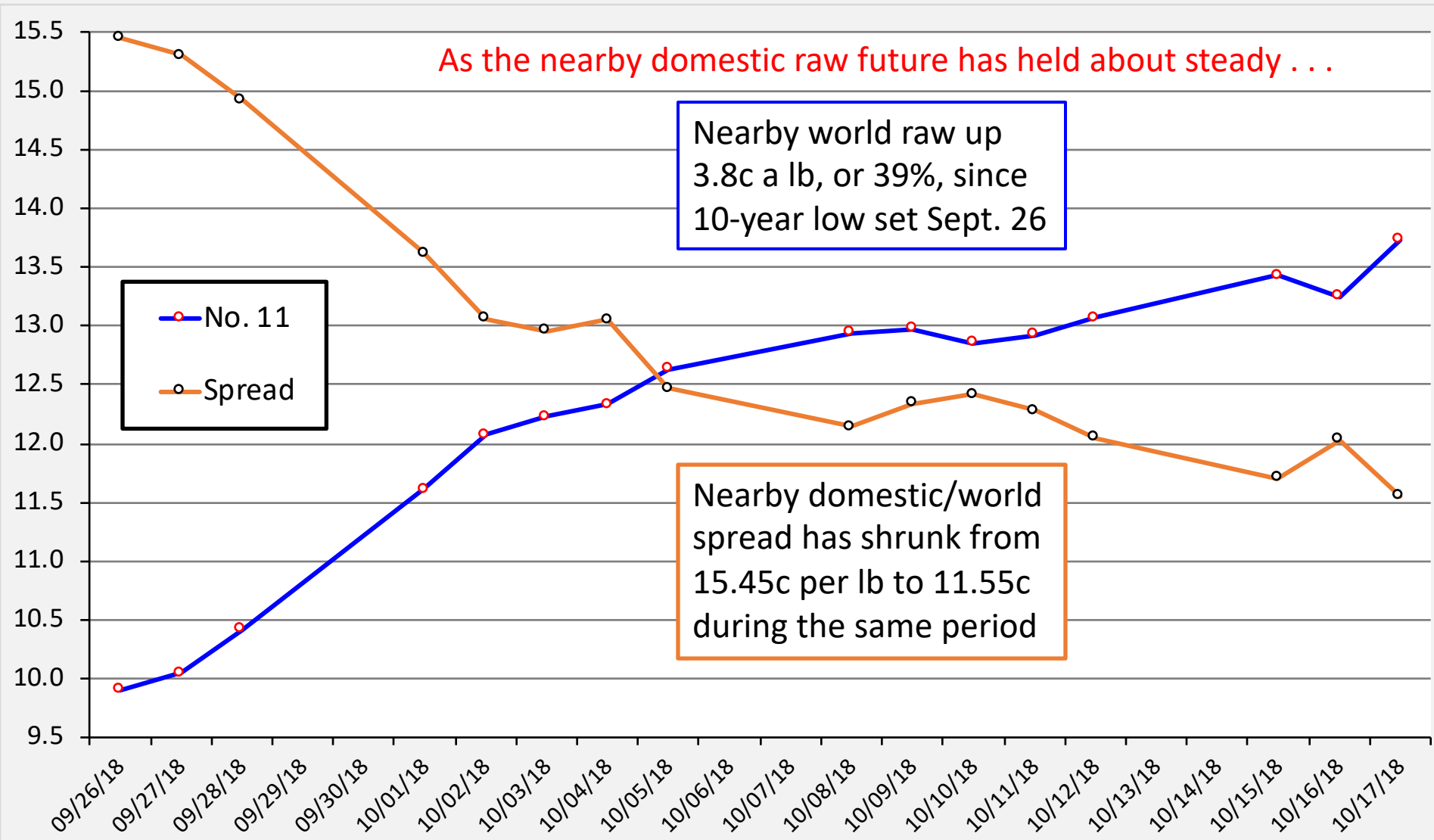
Nearby world raw up 3.8c a lb, or 39%, since 10-year low set Sept. 26

#16

#11

# SUA October 2018: No. 11 – No. 16 Spread

Nearby ICE New York No. 11 raw sugar future and spread to No. 16 future, in cents per lb.



# SUA October 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 5% Oct.-Aug. over last year and is forecast up about 6% for the year; 2018-19 forecast is flat with this year's higher level. U.S. corn refiners are citing ongoing good demand from Mexico.
- 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.
- **But buyers aren't rushing to contract for 2019.**

# SUA October 2018: Corn Sweetener Prices

Current, cents/lb or \$/cwt.

## 42% HFCS Spot

	<u>2018</u>	<u>2017</u>
Midwest	24 <sup>3</sup> / <sub>4</sub> -25 <sup>3</sup> / <sub>4</sub>	23 <sup>7</sup> / <sub>8</sub> -24 <sup>7</sup> / <sub>8</sub>
Northeast	26 <sup>1</sup> / <sub>4</sub> -27 <sup>1</sup> / <sub>4</sub>	25 <sup>1</sup> / <sub>4</sub> -26 <sup>1</sup> / <sub>4</sub>
Southeast	26 <sup>1</sup> / <sub>2</sub> -27 <sup>1</sup> / <sub>2</sub>	25 <sup>3</sup> / <sub>8</sub> -26 <sup>3</sup> / <sub>8</sub>
South	26-27	25-26
West	26 <sup>3</sup> / <sub>4</sub> -28 <sup>3</sup> / <sub>4</sub>	25 <sup>7</sup> / <sub>8</sub> -27 <sup>7</sup> / <sub>8</sub>

## 55% HFCS Spot

	<u>2018</u>	<u>2017</u>
Midwest	30 <sup>1</sup> / <sub>4</sub> -31 <sup>3</sup> / <sub>4</sub>	29 <sup>1</sup> / <sub>4</sub> -30 <sup>1</sup> / <sub>4</sub>
Northeast	31 <sup>3</sup> / <sub>4</sub> -33 <sup>1</sup> / <sub>4</sub>	30 <sup>3</sup> / <sub>4</sub> -31 <sup>3</sup> / <sub>4</sub>
Southeast	31 <sup>3</sup> / <sub>4</sub> -33 <sup>1</sup> / <sub>4</sub>	30 <sup>3</sup> / <sub>4</sub> -31 <sup>3</sup> / <sub>4</sub>
South	31 <sup>1</sup> / <sub>2</sub> -33	30 <sup>1</sup> / <sub>2</sub> -31 <sup>1</sup> / <sub>2</sub>
West	32 <sup>1</sup> / <sub>4</sub> -34 <sup>3</sup> / <sub>4</sub>	31 <sup>1</sup> / <sub>4</sub> -33 <sup>1</sup> / <sub>4</sub>

## Corn Syrup Spot

	<u>2018</u>	<u>2017</u>
Midwest	34 <sup>1</sup> / <sub>4</sub> -35 <sup>1</sup> / <sub>4</sub>	32 <sup>1</sup> / <sub>4</sub> -34 <sup>1</sup> / <sub>4</sub>
Northeast	36 <sup>1</sup> / <sub>2</sub> -37 <sup>1</sup> / <sub>2</sub>	34 <sup>1</sup> / <sub>2</sub> -36 <sup>1</sup> / <sub>2</sub>
Southeast	36 <sup>1</sup> / <sub>2</sub> -37 <sup>1</sup> / <sub>2</sub>	34 <sup>1</sup> / <sub>2</sub> -36 <sup>1</sup> / <sub>2</sub>
South	37 <sup>1</sup> / <sub>2</sub> -38 <sup>1</sup> / <sub>2</sub>	35 <sup>1</sup> / <sub>2</sub> -37 <sup>1</sup> / <sub>2</sub>
West	38 <sup>3</sup> / <sub>4</sub> -39 <sup>3</sup> / <sub>4</sub>	36 <sup>3</sup> / <sub>4</sub> -38 <sup>3</sup> / <sub>4</sub>

## Dextrose Spot

	<u>2018</u>	<u>2017</u>
East	39 <sup>1</sup> / <sub>2</sub> -41	39-41
Midwest	38 <sup>1</sup> / <sub>2</sub> -40	38-40
South	40 <sup>1</sup> / <sub>2</sub> -42	40-42
West	41 <sup>1</sup> / <sub>2</sub> -43	41-43

Some corn sweetener business has been done at flat to \$3 per cwt higher than 2018 contracted levels, but most appear to be up \$1 to \$1.50 per cwt, with increases for 42% HFCS about 50c below those of 55% HFCS, regular corn syrup and liquid dextrose.

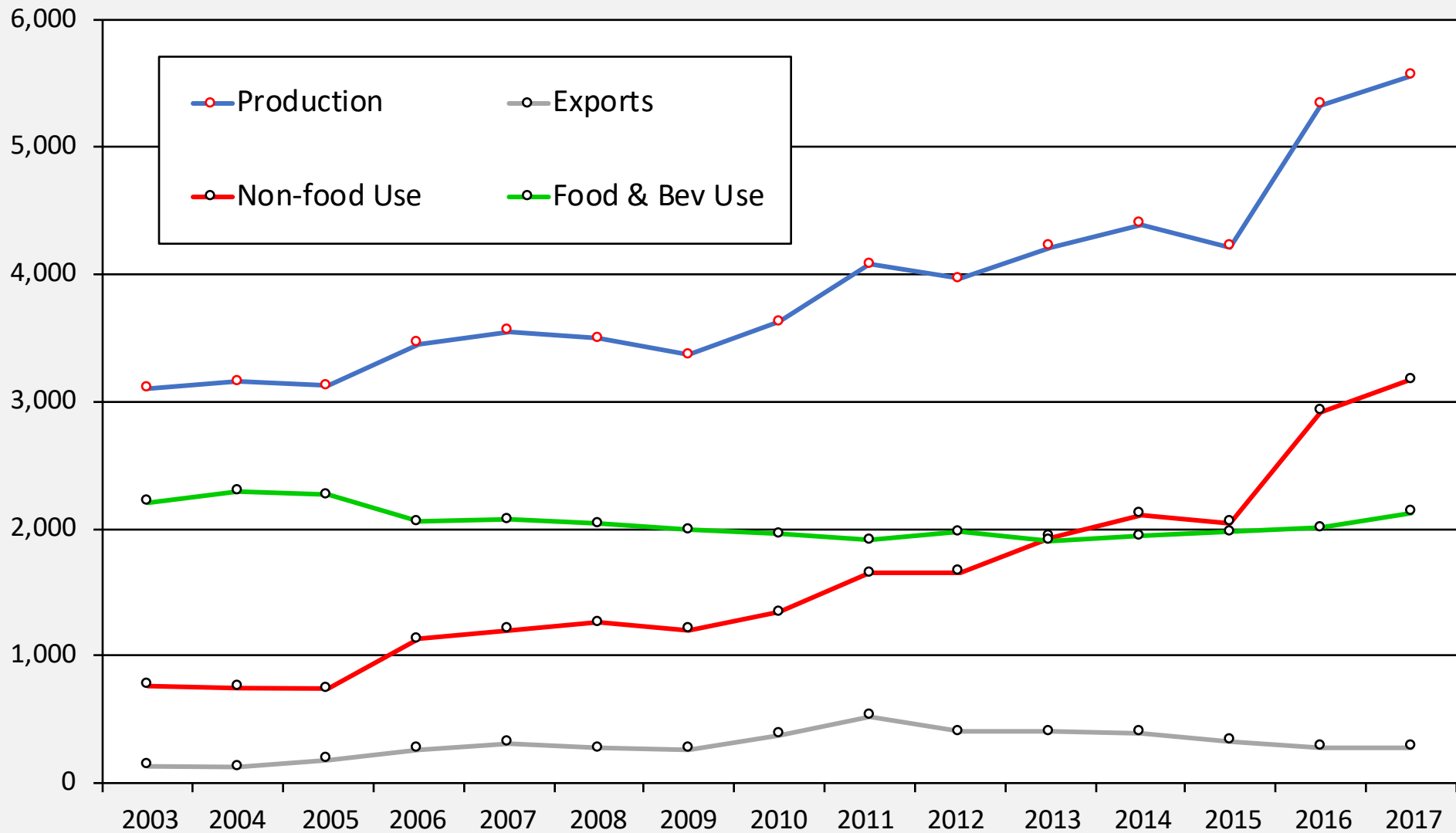
One refiner indicated rapid, early contracting with existing customers, but overall contracting has progressed slowly with refiners neither aggressive in pricing or pushing deadlines to avoid price increases.

Some pick up in contracting in mid- to late-October.



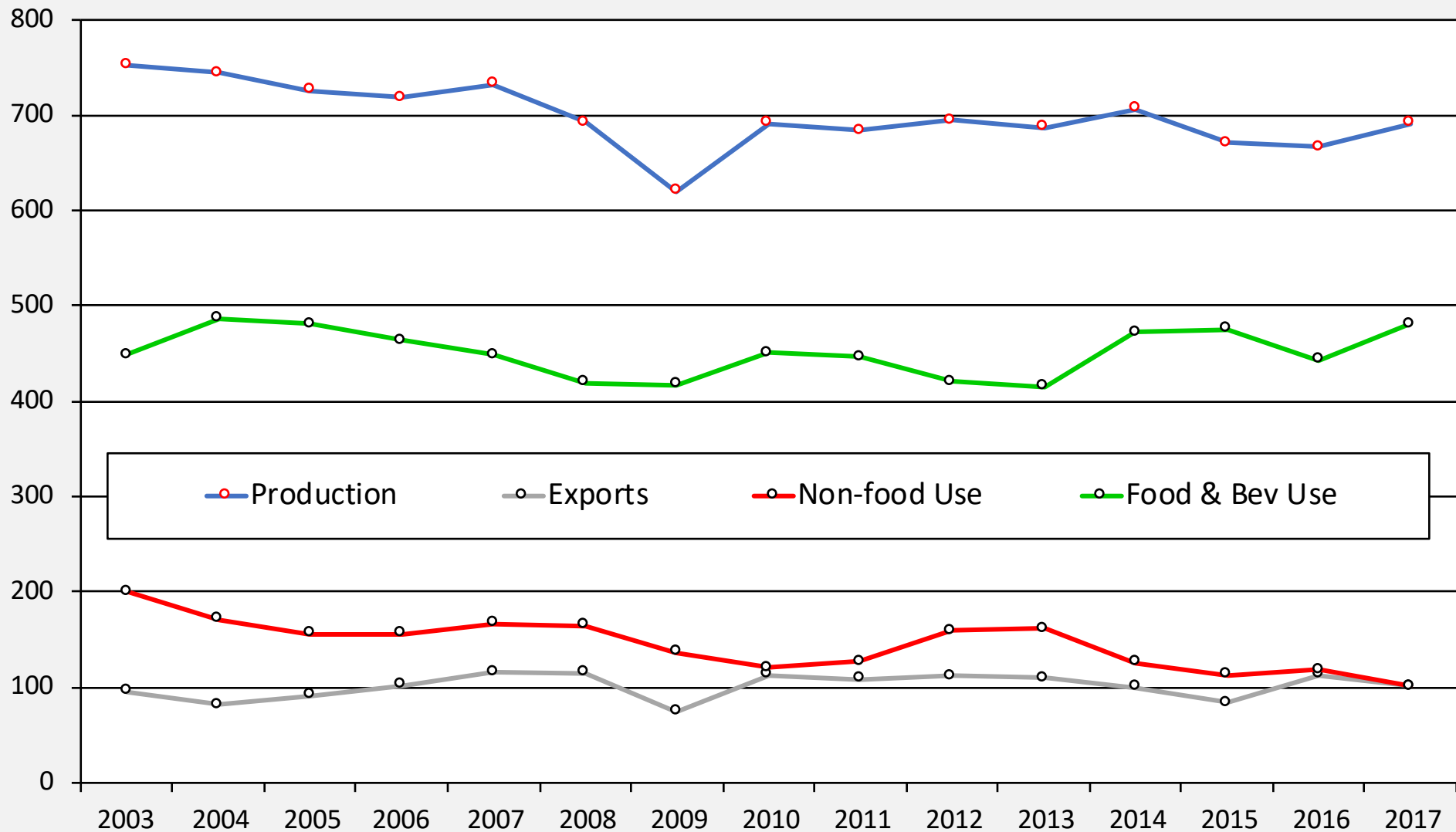
# SUA October 2018: Glucose Production and Use

In 1,000 tons, dry weight. Source: U.S.D.A.



# SUA October 2018: Dextrose Production and Use

In 1,000 tons, dry weight. Source: U.S.D.A.



# SUA October 2018: Other Issues

- **Farm Bill** – Not an issue for sugar at this time; likely pushed into 2019; will there be a “do-over?”
- **Trade** – New U.S.-Mexico-Canada (USMCA) trade pact concluded, but passage by Congress uncertain. Has eased concerns about dairy, grain (especially with Mexico) and other products with minimal impact on sugar (slight increase for Canada to U.S. sugar market).
- **Weather** – Hurricanes Florence and Michael missed key sugar cane growing areas and refineries, so tropical storm threat should be over until next year. Main concern is harvest weather for sugar beets in Michigan, the Red River Valley and growing areas for Western Sugar Co. in Colorado, Nebraska and Montana. There has been an impact on sucrose content and possibly beet tonnage, but good progress was expected from mid-October.

# SUA October 2018: Conclusions

## ■ Domestic Sugar Market

- Refined sugar prices (especially beet) have taken a bullish tone.
- Beet sugar prices may firm further to 34c a lb or above f.o.b. Midwest if (as) production forecast is lowered.
- Both beet and cane deliveries picked up in August; watch deliveries for signs of demand weakness but so far, so good.

## ■ Global Sugar Market

- World raws have firmed noticeably since late September, giving support to domestic market by making high-tier imports less profitable; gains will prompt origin hedging and exports from India, limiting upward price move; key developments in India.

## ■ Domestic Corn Sweetener Market

- Slow contracting for 2019, but progressing.
- Pricing mostly up \$1 to \$1.50 per cwt above 2018.

## ■ Other Issues

- Weather in beet country.