

**Following is Ron Sterk's analysis of the December 11, 2018 WASDE.**

In its Dec. 11 WASDE, the U.S.D.A, as expected, raised projected sugar imports from Mexico, compensating for lower beginning stocks and domestic production as well as lower domestic deliveries and exports to achieve a minimum 2018-19 ending stocks-to-use ratio of 13.5%. Beginning stocks for 2018-19 were lowered 44,694 short tons, raw value, to compensate for a like increase in miscellaneous use in 2017-18, which was the only change for last year and resulted in an ending stocks-to-use ratio of 15.6%, down from 16% as the November estimate for 2017-18.

Based on my November forecasts to the S.U.A., most changes by the U.S.D.A. were anticipated assuming the stocks-to-use ratio was raised only to 13.5%, which was expected for the December report. Beet production was lowered a bit more than expected, but finally accounted for the lower sugar recovery rate. Imports from Mexico were raised nearly as expected as lower beginning stocks and lower beet production offset a larger-than-expected decline in domestic food deliveries and lower exports. Bottom line, the trade expected the 2018-19 ending stocks-to-use ratio to be raised to 13.5% from 11.3% in November. There were no real surprises in how the U.S.D.A. got there, except maybe already adjusted deliveries for food lower. In the past few years, the U.S.D.A. has tended to understate domestic production and overstate deliveries. They appear to be correcting that tendency this time by adjusting deliveries down sooner, while it may be hard to understate domestic production this year.

For 2018-19, domestic beet sugar production was forecast at 4,900,000 tons, down 73,942 tons, or 1.5%, from November and down 379,000 tons, or 7%, from a record 5,279,000 tons last year as sugar recovery for August-October 2018 "is estimated below the level originally expected," the U.S.D.A. said. Cane sugar production was unchanged from November at 4,041,000 tons, up 0.7% from 4,014,000 tons in 2017-18. Total 2018-19 imports were projected at 3,080,000 tons, up 278,177 tons, or 10%, from November but down 197,000 tons, or 6%, from 3,277,000 tons the prior year. Mexico accounted for all the increase with imports projected at 1,120,000 tons, up 33% from November but down 8% from 1,223,000 tons in 2017-18. Total 2018-19 sugar supply was projected at 13,969,000 tons, up 1.2% from November but down 3.3% from 14,445,000 tons last year.

Total domestic deliveries in 2018-19 were projected at 12,270,000 tons, down 50,000 tons, or 0.4%, from November but up 85,000 tons, or 0.7%, from 2017-18, as the result of a like decrease from November in deliveries for food, projected at 12,125,000 tons in the current year based on "industry-reported softening sales." Sugar exports in 2018-19 were projected at 35,000 tons, down from 85,000 tons as the November projection and down from 170,000 tons in 2017-18. Total sugar use in 2018-19 was projected at 12,305,000 tons, down 100,000 tons from November and down 192,000 tons, or 1.5%, from 12,497,000 tons last year. Ending stocks were projected at 1,664,000 tons, up 260,000 tons, or 18.5%, from November but down 284,000 tons, or 15%, from 1,948,000 tons in 2017-18.

For Mexico, the U.S.D.A. lowered from November estimated 2017-18 imports by 16,000 tonnes, actual weight, to 204,000 tonnes, lowered domestic use by a like amount to 4,723,000 tonnes, and left ending stocks unchanged at 1,395,000 tonnes. For 2018-19, imports were projected at 70,000 tonnes, down 45,000 tonnes from November and down 134,000 tonnes, or 66%, from 2017-18. Exports were projected at 1,266,000 tonnes, up 238,074 tonnes, or 23%, from November and up 167,000 tonnes, or 15%, from 1,099,000 tonnes last year. "This change reflects larger exports to the United States based on a forecast increase in U.S. needs as defined in the amended suspension agreements plus 1,842 tonnes reported by CONADESUCA corresponding to export licenses for 2017-18 extended for a period between Oct. 1 and 15." Ending stocks were projected at 1,330,000 tonnes for 2018-19, down 283,000 tonnes, or 17.5%, from November and down 65,000 tonnes, or 4.7%, from last year.