

# **Sweetener Users Association Board Meeting Update**

March 15, 2019

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# SUA March 2019: Presentation Overview

- **Domestic Sugar Market**
  - Supply/Imports
  - Demand
  - Cash and Futures Prices
- **Global Sugar Market**
  - Brazil harvest getting underway; focus still on ethanol
  - Prices expected to firm into 2020
- **Corn Sweetener Market**
  - U.S. demand continues to slip
  - Mexico use lowered amid cheap sugar prices
- **Other Issues with Impact on Sweeteners**
- **Conclusions**
- **Questions**

## 2018-19 – Market Overview

- The U.S.D.A. made only supply-side changes from February in its March WASDE; no changes to 2017-18 or on the delivery side.
- U.S. production was raised 1% as higher beet sugar outturn more than offset lower cane sugar production in Florida and Texas.
- The S-T-U ratio was lowered to 13.55% from 14.6% by adjusting imports from Mexico down 20%, to the lowest since 2009-10.
- Deliveries in January increased sharply from the prior three months. Beet and cane deliveries for the Oct.-Jan. period continued to diverge, with beet weak and cane strong. Continue to monitor.
- Pricing for 2018-19 and 2019-20 are unchanged with a firm tone.
- Forecast HFCS consumption for Mexico was lowered.

# SUA March 2019: U.S.D.A. 2018-19 WASDE

<i>1,000 short tons</i>	<b>Mar.</b>	<b>Change from Feb.</b>		<b>Change from 17-18</b>		<b>RS-SPC</b>
<i>raw value</i>	<b>18-19</b>	<b>Tons</b>	<b>%</b>	<b>Tons</b>	<b>%</b>	<b>18-19</b>
Begin. Stocks	2,008	-	0%	132	7.0%	2,008
<b>Production</b>	9,103	86	1.0%	(190)	-2.0%	<b>9,060</b>
<b>Beet</b>	5,004	104	2%	(275)	-5.2%	<b>4,960</b>
Cane	4,099	(18)	-0.4%	85	2.1%	4,100
<b>Imports</b>	2,862	(214)	-7.0%	(415)	-12.7%	<b>2,900</b>
T.R.Q.	1,560	-	0%	(103)	-6.2%	1,560
Other Prog.	350	-	0%	24	7.4%	350
<b>Mexico</b>	897	(223)	-20%	(326)	-26.7%	<b>925</b>
<b>High Tier</b>	55	10	22%	(9)	-14.1%	<b>65</b>
Ttl Supply	13,973	(127)	-0.9%	(472)	-3.3%	13,968
Exports	35	-	0%	(135)	-79.4%	35
Deliveries	12,270	-	0%	85	0.7%	12,220
<b>Food</b>	12,125	-	0%	77	0.6%	<b>12,075</b>
Other	145	-	0%	8	5.8%	145
Misc.	-	-	-	(82)	-100.0%	-
Total Use	12,305	-	0%	(133)	-1.1%	12,255
Ending Stocks	1,668	(127)	-7.1%	(340)	-16.9%	1,713
<b>Stocks-to-use</b>	<b>13.55%</b>	<b>-1.0*</b>		<b>-2.5*</b>		<b>14.0%</b>

U.S.D.A. left deliveries unchanged from Feb. I think they are high.

Jump in beet sugar production may be overstated as 5% shrink seen as too low. Cane seems pretty good.

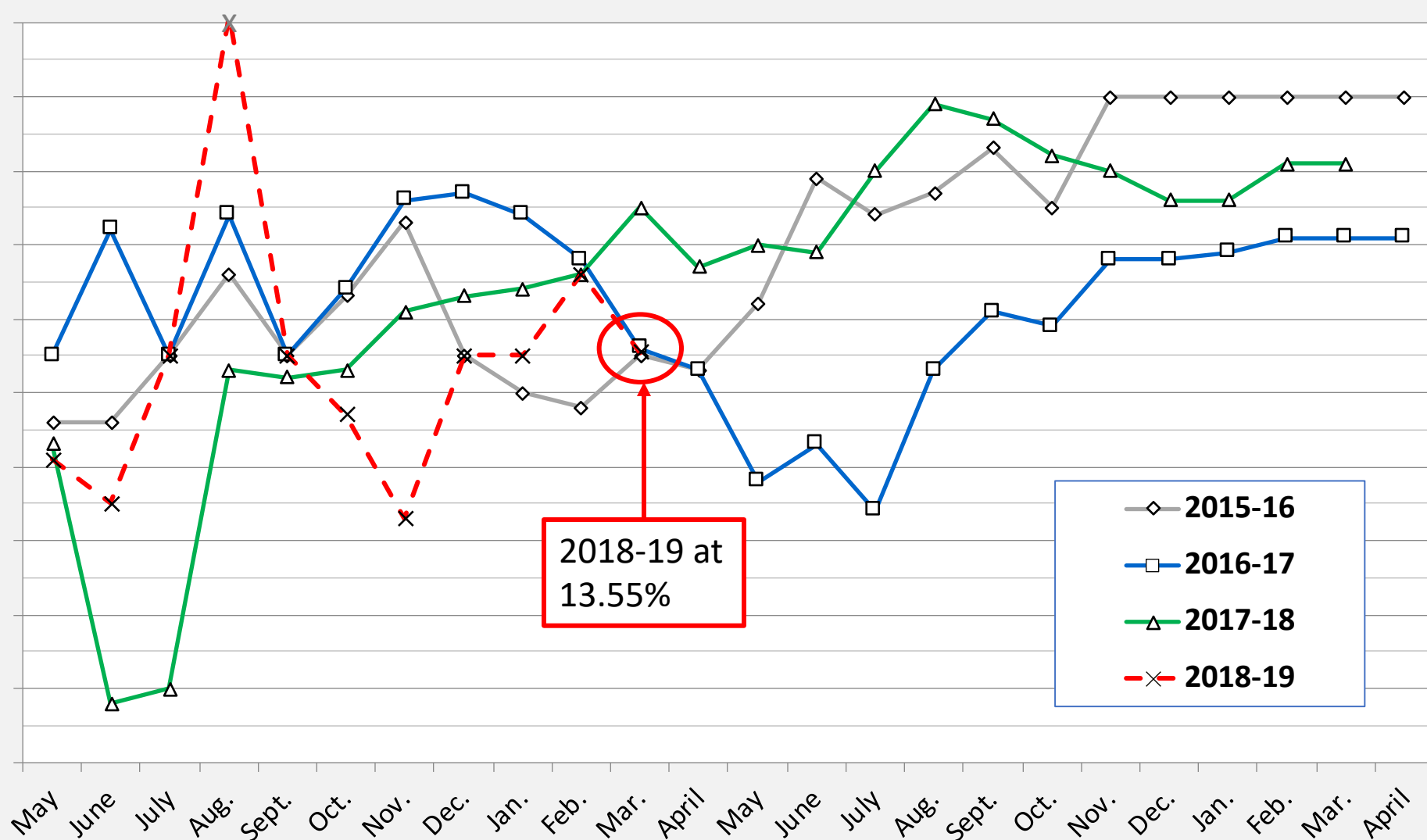
U.S.D.A. S-T-U ratio at 13.55% (versus 13.5%) because of Mexico's Dec. export limit.

I'm still at 14% S-T-U as lower production is more than offset by higher imports and lower food use.

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

# SUA March 2019: Monthly Stocks-to-Use Ratios

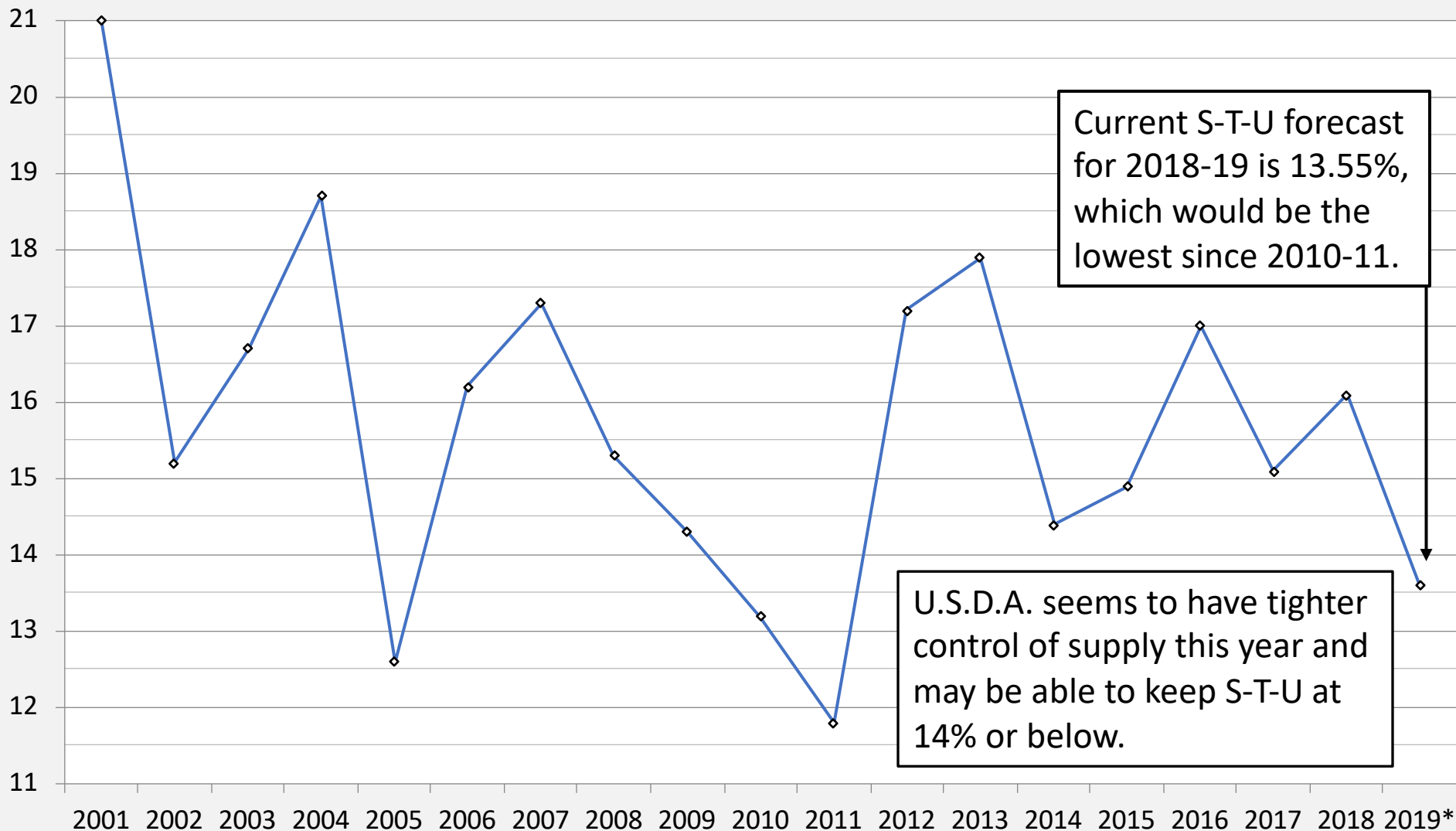
S-T-U ratios in per cent, beginning with first forecast in May for each marketing year.



Source: U.S.D.A.

# SUA March 2019: Annual S-T-U Ratios

In per cent, as of March 8. \*Forecast. Source: U.S.D.A.

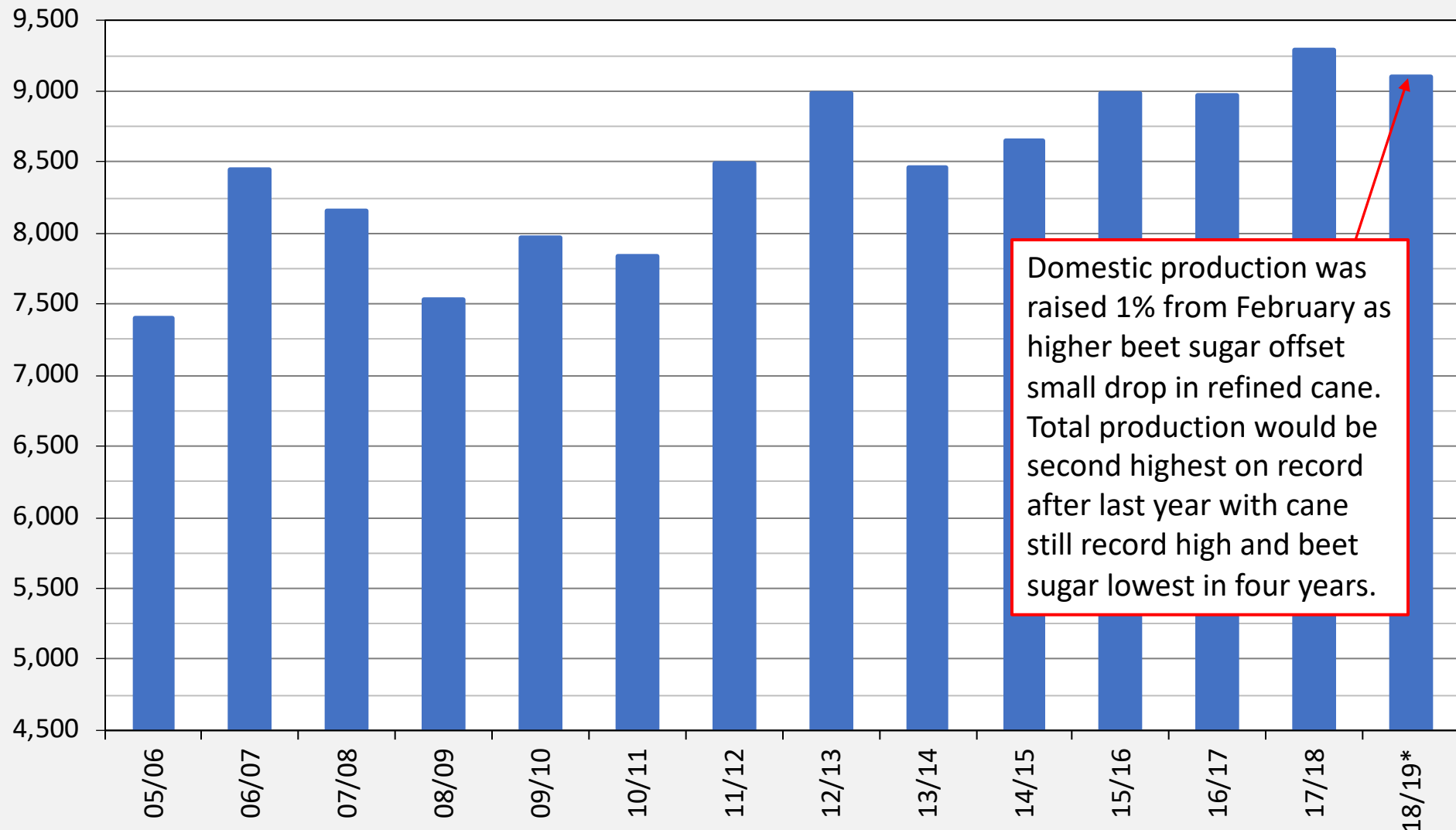


Current S-T-U forecast for 2018-19 is 13.55%, which would be the lowest since 2010-11.

U.S.D.A. seems to have tighter control of supply this year and may be able to keep S-T-U at 14% or below.

# SUA March 2019: U.S. Total Sugar Production

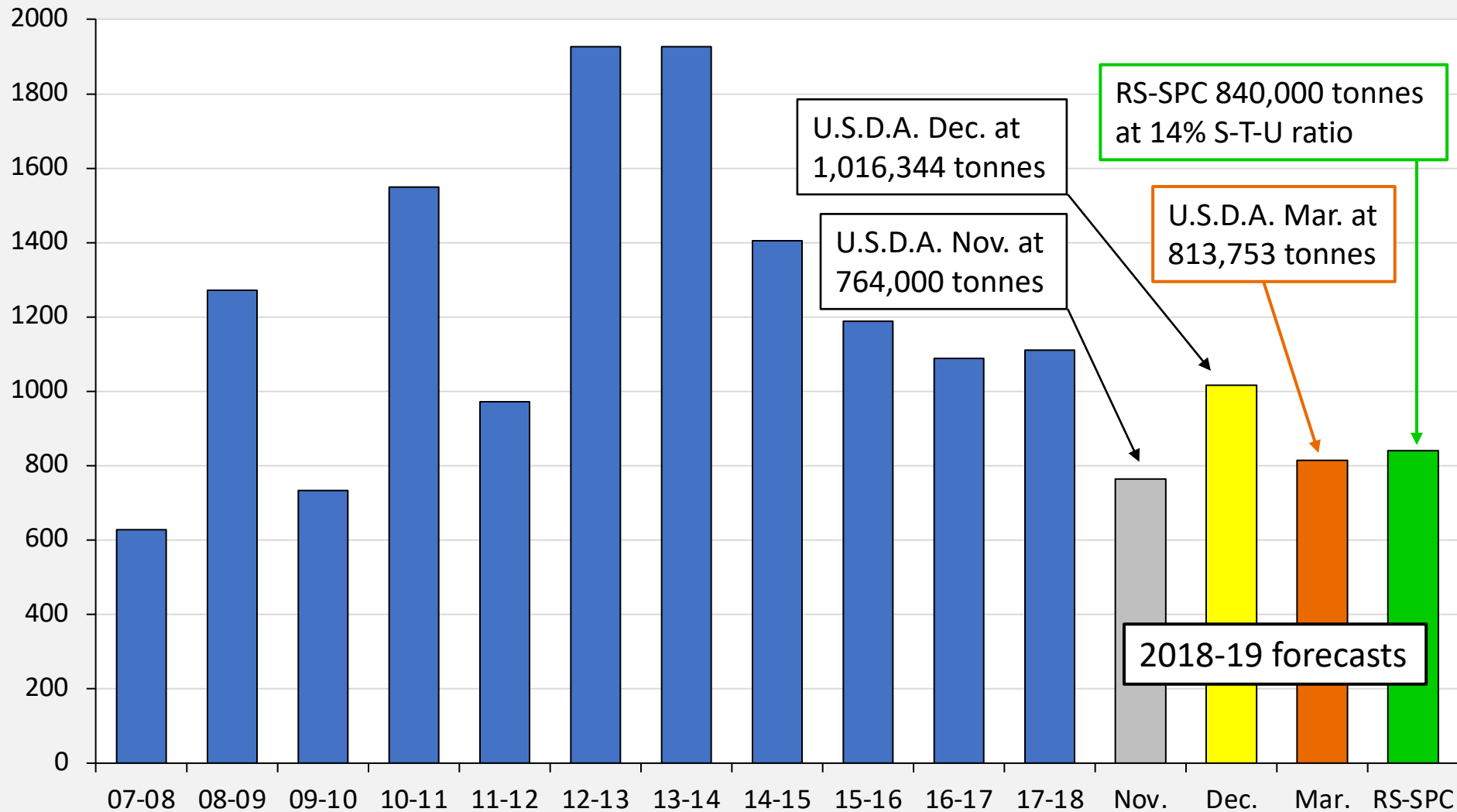
In 1,000 short tons, raw value. \*2018-19 projected as of March 8. Source: U.S.D.A.



Domestic production was raised 1% from February as higher beet sugar offset small drop in refined cane. Total production would be second highest on record after last year with cane still record high and beet sugar lowest in four years.

# SUA March 2019: U.S. Imports from Mexico

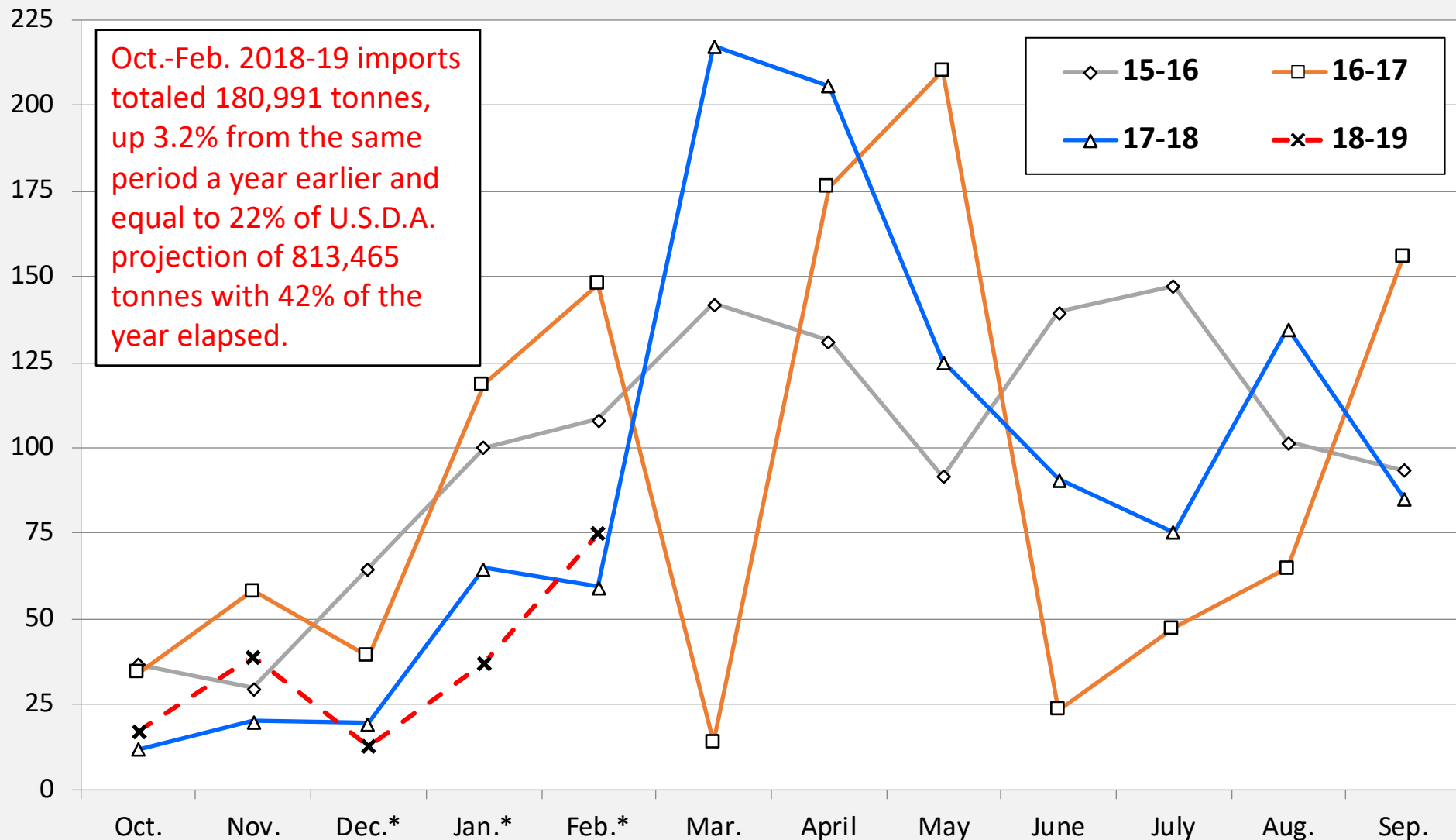
Annual, in 1,000 tonnes, raw value, as of March 8, 2019.





# SUA March 2019: U.S. Imports from Mexico

Monthly, in 1,000 tonnes, raw value. \*December, January, February are U.S.D.A. forecasts.



# SUA March 2019: U.S. Oct.-Jan. Imports

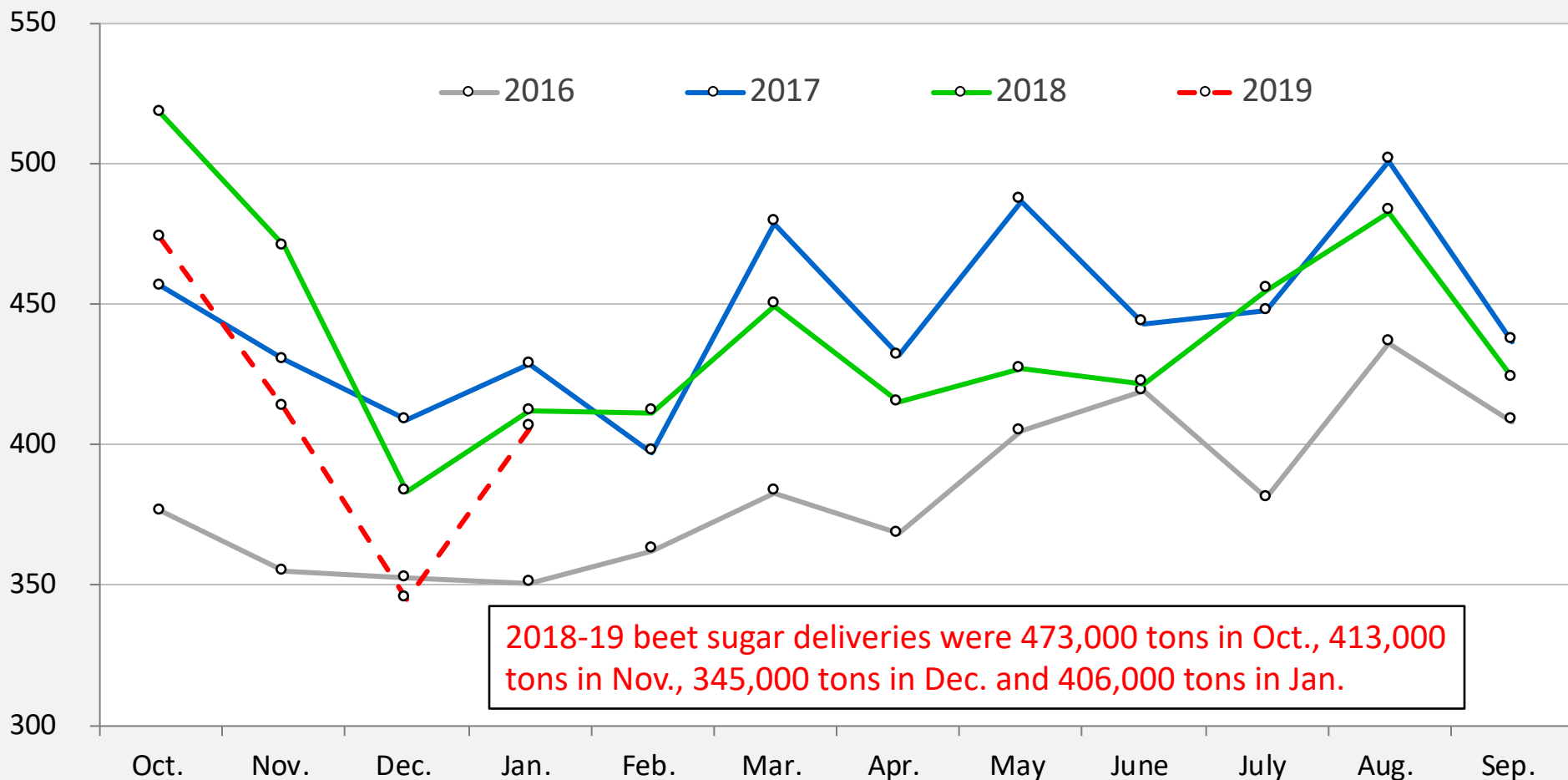
Total Oct.-Feb. imports, in 1,000 tonnes, raw value. Sources: U.S. Census Bureau and U.S.D.A.

	<u>Oct.-Feb.</u> <u>2018-19</u>	<u>% of</u> <u>Projected</u>	<u>Full-year</u> <u>Forecast</u>
W.T.O. Raw T.R.Q.	569,385	55%	1,037,944
W.T.O. Refined T.R.Q.	115,965	61%	189,046
<b>F.T.A. Sugar in T.R.Q.s</b>	51,266	27%	188,496
Total Quota	736,616	52%	1,415,486
Re-export Program	193,805	61%	317,515
<b>Mexico</b>	180,991	22%	813,465
High-duty Sugar	32,063	64%	49,895
<b>Total Imports</b>	<b>1,143,475</b>	<b>44%</b>	<b>2,596,361</b>

Imports from Mexico and F.T.A. in T.R.Q.s lag while all other categories are ahead of the pace needed to reach the U.S.D.A. import projection. Imports to date are at 44% of total projection, with 42% of year elapsed through February.

# SUA March 2019: Beet Sugar Deliveries

Monthly beet sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.

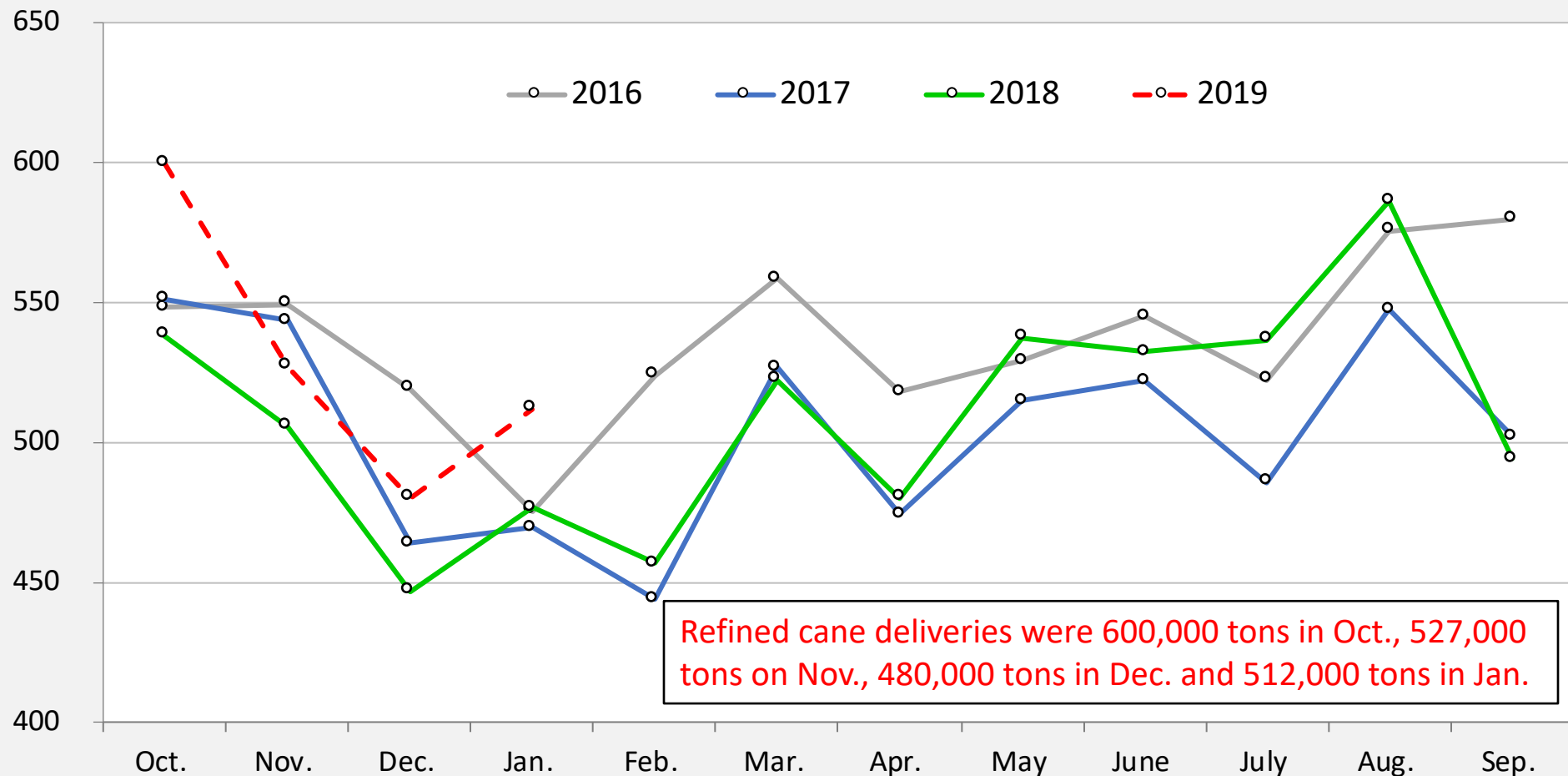


2018-19 beet sugar deliveries were 473,000 tons in Oct., 413,000 tons in Nov., 345,000 tons in Dec. and 406,000 tons in Jan.

Beet sugar deliveries rebounded in January, but still were below the prior two years. Deliveries averaged 409,000 tons per month so far in 2018-19, down 8% from the same period last year.

# SUA March 2019: Refined Cane Deliveries

Monthly refined cane sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Refined cane deliveries also rebounded and were the highest for January in records back to 1992. Oct.-Jan. deliveries averaged 530,000 tons per month, up 8% from the same period last year. Monthly cane deliveries averaged 121,000 tons (30%) more than beet deliveries, compared with 46,000 tons (10%) more for the period last year.

# SUA March 2019: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	FY 2019	FY 2018	PERCENT
	<u>Oct.-Jan.</u>	<u>Oct.-Jan.</u>	<u>CHANGE</u>
<b>Total Deliveries/1</b> (actual weight)	3,543,661	3,538,527	0.1
1-Bakery, cereal, and related products	800,177	809,479	-1.1
4-Confectionery and related products	396,175	391,206	1.3
6-Ice cream and dairy products	250,473	251,682	-0.5
7-Beverages	232,800	211,260	10.2
8-Canned, bottled and frozen foods	137,641	129,021	6.7
5-Multiple and all other food uses	372,784	410,889	-9.3
10-Non-food uses	59,520	42,752	39.2
11-Hotels, restaurants, institutions	29,016	33,102	-12.3
2-Wholesale grocers, jobbers, dealers	727,444	694,635	4.7
3-Retail grocers, chain stores	430,977	449,172	-4.1
12-Government agencies	4,608	4,346	6.0
9-All other deliveries	102,046	110,983	-8.1
<b>Total Deliveries/1</b> (short tons, raw value)	3,791,717	3,786,224	0.1
Crystalline:	3,323,271	3,310,367	0.4
<b>Consumer-size packages</b>	784,374	798,784	-1.8
Packages 50 lbs and greater	971,980	964,992	0.7
<b>Unpackaged (bulk)</b>	1,566,916	1,546,590	1.3
Non-crystalline/2	468,447	475,857	-1.6

Four segments in the negative last month improved, but still negative; two new segments now negative.

Total deliveries have improved from -.9% in Oct.-Dec. to +.1% Oct.-Jan.; U.S.D.A. forecasts full-year deliveries for food up 0.6%.

Bulk deliveries from -.5% last month to +1.3% this month.

Source: U.S.D.A.

1/Deliveries from domestic sugar beet processors, sugar cane processors and refiners.

2/Includes all liquid, edible molasses, sugar syrups and cane juice.

# SUA March 2019: Mexico WASDE

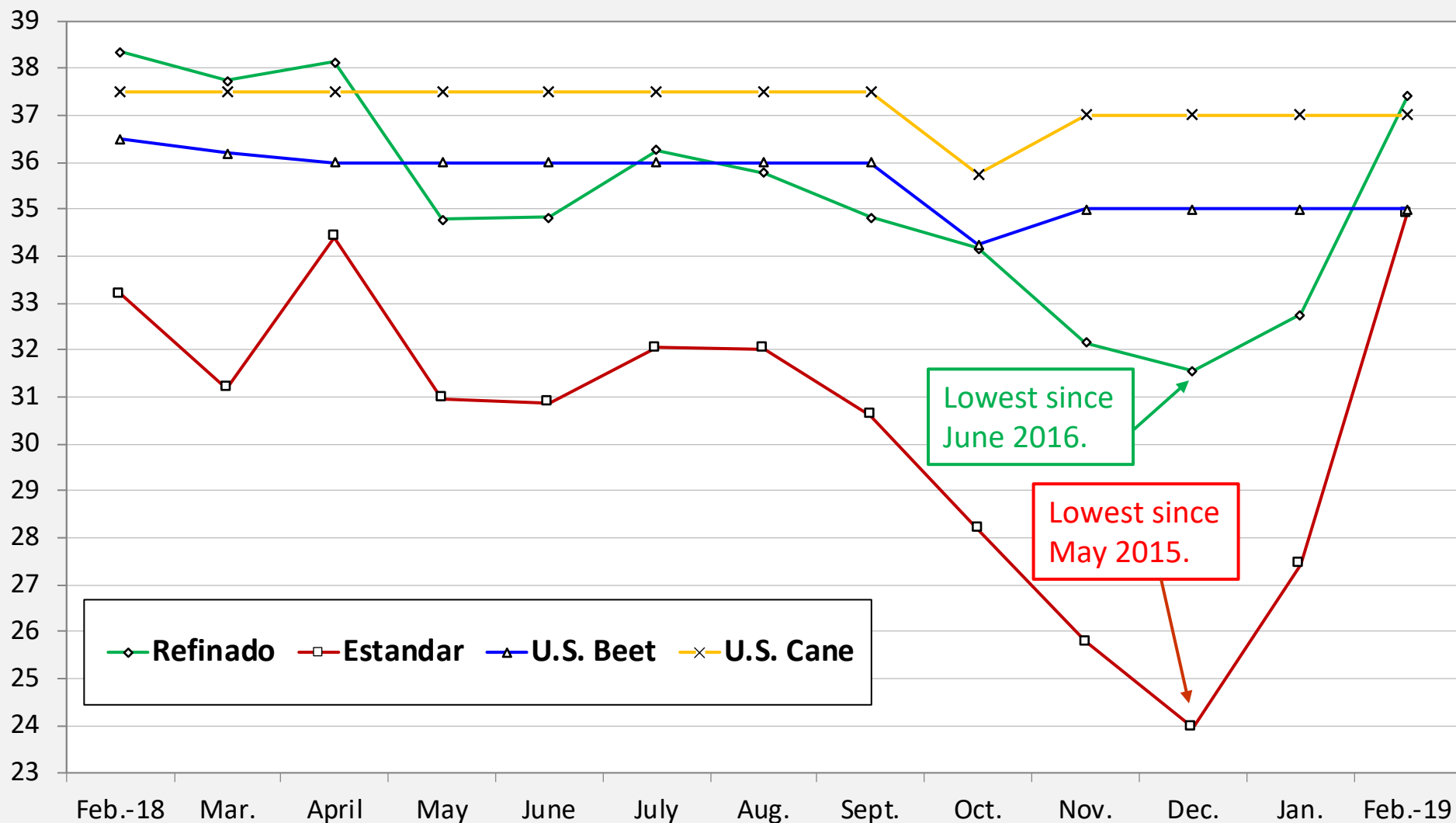
Source: U.S.D.A. March 8, 2019, WASDE.

<i>1,000 tonnes</i>	<b>March</b>	<b>Change</b>	<b>March</b>	<b>Change</b>	<b>Change</b>
<i>Actual weight</i>	<b><u>17-18</u></b>	<b><u>from Feb.</u></b>	<b><u>18-19</u></b>	<b><u>from Feb.</u></b>	<b><u>from 17-18</u></b>
<b>Begin. Stocks</b>	1,002	-	1,395	-	393
<b>Production</b>	6,010	-	6,152	127	142
<b>Imports</b>	204	-	70	-	(134)
<b>Total Supply</b>	7,216	-	7,617	127	401
<b>Exports</b>	1,099	-	1,102	(164)	3
<b>Domestic Use</b>	4,723	-	5,095	202	372
<b>Total Use</b>	5,822	-	6,197	38	375
<b>Ending Stocks</b>	1,395	-	1,420	90	25
<b>S-T-U (total)</b>	24.0%	-	22.9%	1.3	-1.1
<b>S-T-U (dom.)</b>	29.5%	-	27.9%	0.7	-1.6

There were no changes from February for 2017-18. For 2018-19, production was raised 2.1% from February and 2.4% from last year. Exports were lowered 13% from February due to sharp cut in exports to U.S., with exports to other countries raised. Domestic use was raised 4.1% and carryover 7% from last month.

# SUA March 2019: U.S. and Mexico Sugar Prices

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



# SUA March 2019: Cash Sugar Price Outlook

<b>Beet sugar 2018-19</b>	Spot prices firm at 35c to 36c f.o.b. Midwest; 39c f.o.b. West Coast (41c to 42c delivered)
<b>Cane sugar 2018-19</b>	37c to 38c f.o.b. Northeast 36c to 37c f.o.b. South/Southeast Mostly 36c f.o.b. Gulf 41c to 42c delivered West Coast
<b>Beet sugar 2019-20</b>	Firm at 35c f.o.b. Midwest, 36c f.o.b. Michigan and 38c f.o.b. West Coast
<b>Cane sugar 2019-20</b>	Gulf and Southeast firm at 36c f.o.b. Northeast cane firm at 37c f.o.b. or even 38c

## Recent Developments and Factors to Watch – focus on 2019-20

- One take-away from the Colloquium was that refined sugar prices have limited downside for next year with a bit more upside with weather key.
- Stability was another take-away, with beet processors and cane refiners content with current pricing levels (profitable) and don't want significant increase that may encourage high-tier imports or T.R.Q. action.
- Widening of beet and cane deliveries deserves close watch; at what point could prices be affected?



# SUA March 2019: New York #16 Raw Futures

ICE domestic raw sugar futures as of March 13, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFK19 (D10)	26.29 S	0.14	26.30	26.25	26.29 S	2627	17	1:25:33 PM EDT - 03/13/19
ESFN19 (D10)	26.89 S	0.09	26.90	26.86	26.89 S	3511	55	1:25:33 PM EDT - 03/13/19
ESFU19 (D10)	26.98 S	0.12	27.00	26.92	26.98 S	1968	125	1:25:33 PM EDT - 03/13/19
ESFX19 (D10)	26.30 P				26.30 P	545	0	
ESFF20 (D10)	25.62 S	-0.33	25.62	25.62	25.62 S	451	1	1:25:33 PM EDT - 03/13/19
ESFH20 (D10)	26.00 S	-0.15	26.00	26.00	26.00 S	372	1	1:25:33 PM EDT - 03/13/19
ESFK20 (D10)	26.30 P				26.30 P	489	0	
ESFN20 (D10)	26.30 P				26.30 P	240	0	
ESFU20 (D10)	26.30 P				26.30 P	180	0	
ESFX20 (D10)	26.30 P				26.30 P		0	
ESFF21 (D10)	26.30 P				26.30 P		0	

The nearby contract has risen about 0.40c a lb in the past month to a one-year high, recently breaking above the 26c level after trading mostly between 25c and 26c a lb since June of 2018. Traders see 27c as the ceiling above which high-tier imports become more attractive as long as world raws stay below 13c a lb. Most 2020 months are trading at a discount to 2019 contracts.

# SUA March 2019: Global Sugar Overview

- **Global supply/demand**
  - Most still expect a small global surplus this year and a small global deficit next year along with gradual price firmness going forward.
- **Brazil**
  - Harvest is expected to start late in Brazil (typically begins in March for crop year beginning April 1) as mills give the crop time to respond to recent rainfall. Ethanol still preferred and strong early production expected, but some have raised sugar forecasts from earlier.
- **India remains critical**
  - Production forecasts have been lowered, but stocks remain high and potential exports still overhang the market. Cane growers will be kept happy through general elections in May.
- **Influence of energy prices on global raw sugar**
  - Crude oil prices continue to influence world futures on any given day, with higher trending crude providing support for raw sugar.

# SUA March 2019: New York #11 Raw Futures

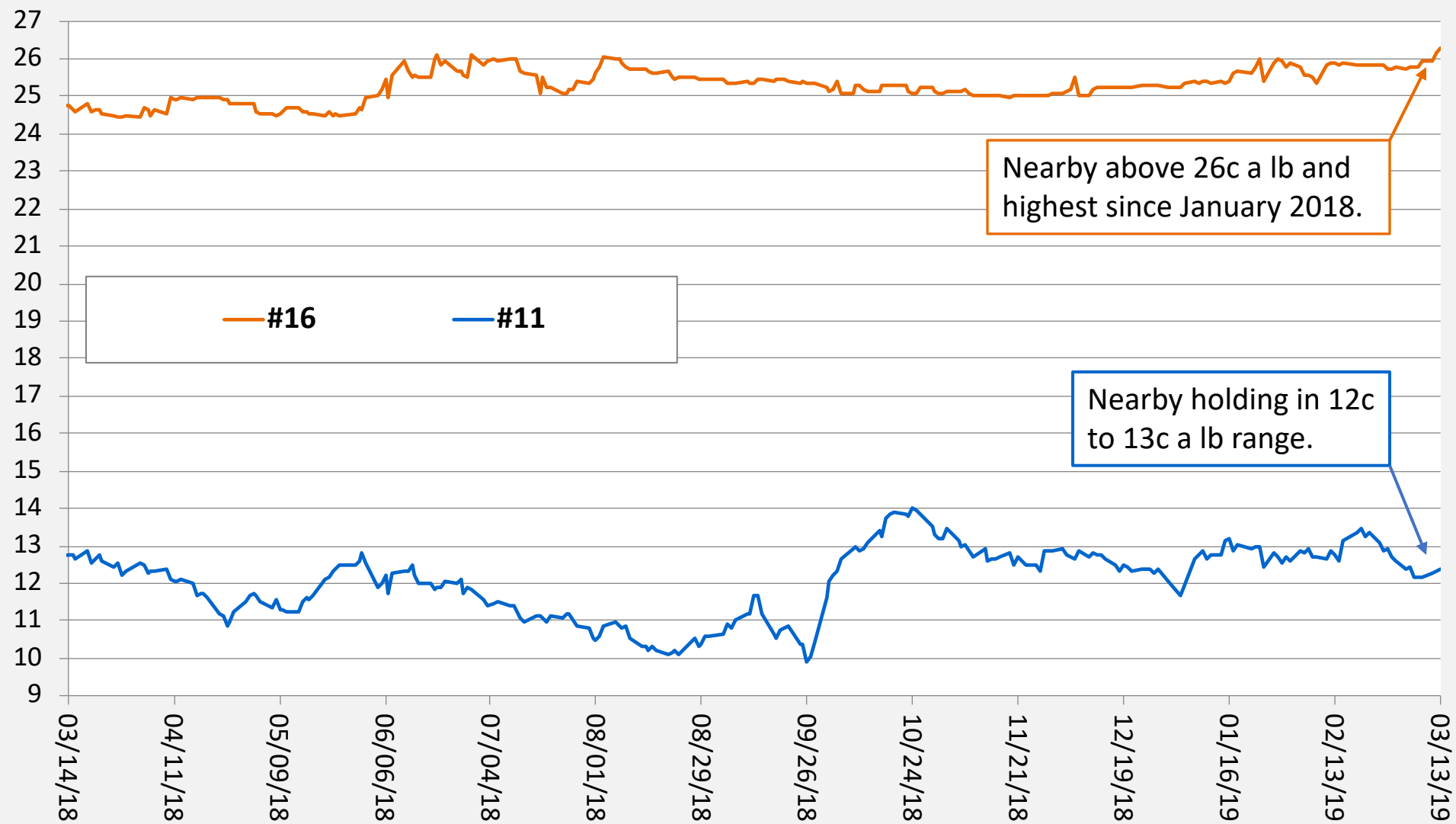
ICE world raw sugar futures as of March 13, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBK19 (D10)	12.36 S	0.03	12.38	12.24	12.36 S	350090	65273	1:05:02 PM EDT - 03/13/19
ESBN19 (D10)	12.54 S	0.00	12.56	12.43	12.54 S	200180	52729	1:00:00 PM EDT - 03/13/19
ESBV19 (D10)	12.89 S	-0.01	12.90	12.79	12.89 S	169019	22431	1:05:02 PM EDT - 03/13/19
ESBH20 (D10)	13.71 S	0.00	13.72	13.61	13.71 S	97146	10735	1:00:00 PM EDT - 03/13/19
ESBK20 (D10)	13.84 S	-0.01	13.85	13.75	13.84 S	21306	1865	1:05:02 PM EDT - 03/13/19
ESBN20 (D10)	13.92 S	-0.03	13.93	13.85	13.92 S	14905	417	1:05:02 PM EDT - 03/13/19
ESBV20 (D10)	14.09 S	-0.04	14.15	14.02	14.09 S	19623	98	1:05:02 PM EDT - 03/13/19
ESBH21 (D10)	14.60 S	-0.04	14.59	14.55	14.60 S	6228	26	1:05:02 PM EDT - 03/13/19
ESBK21 (D10)	14.59 S	-0.04	14.56	14.55	14.59 S	1067	19	1:05:02 PM EDT - 03/13/19
ESBN21 (D10)	14.59 P				14.59 P	1181	0	
ESBV21 (D10)	14.71 P				14.71 P	335	0	
ESBH22 (D10)								

The nearby world raw future has traded mostly between 12c and 13c a lb since November 2018, briefly braking above 13c in late February only to drop more than 1c a lb in early March. The trend still is higher with a 1c carry into 2020 and a 2c carry into 2021, but the market will not take off because of large stocks in India and indications of increased production in Brazil in 2019-20. Higher world prices will indirectly support U.S. domestic values.

# SUA March 2019: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of March 13, 2019.

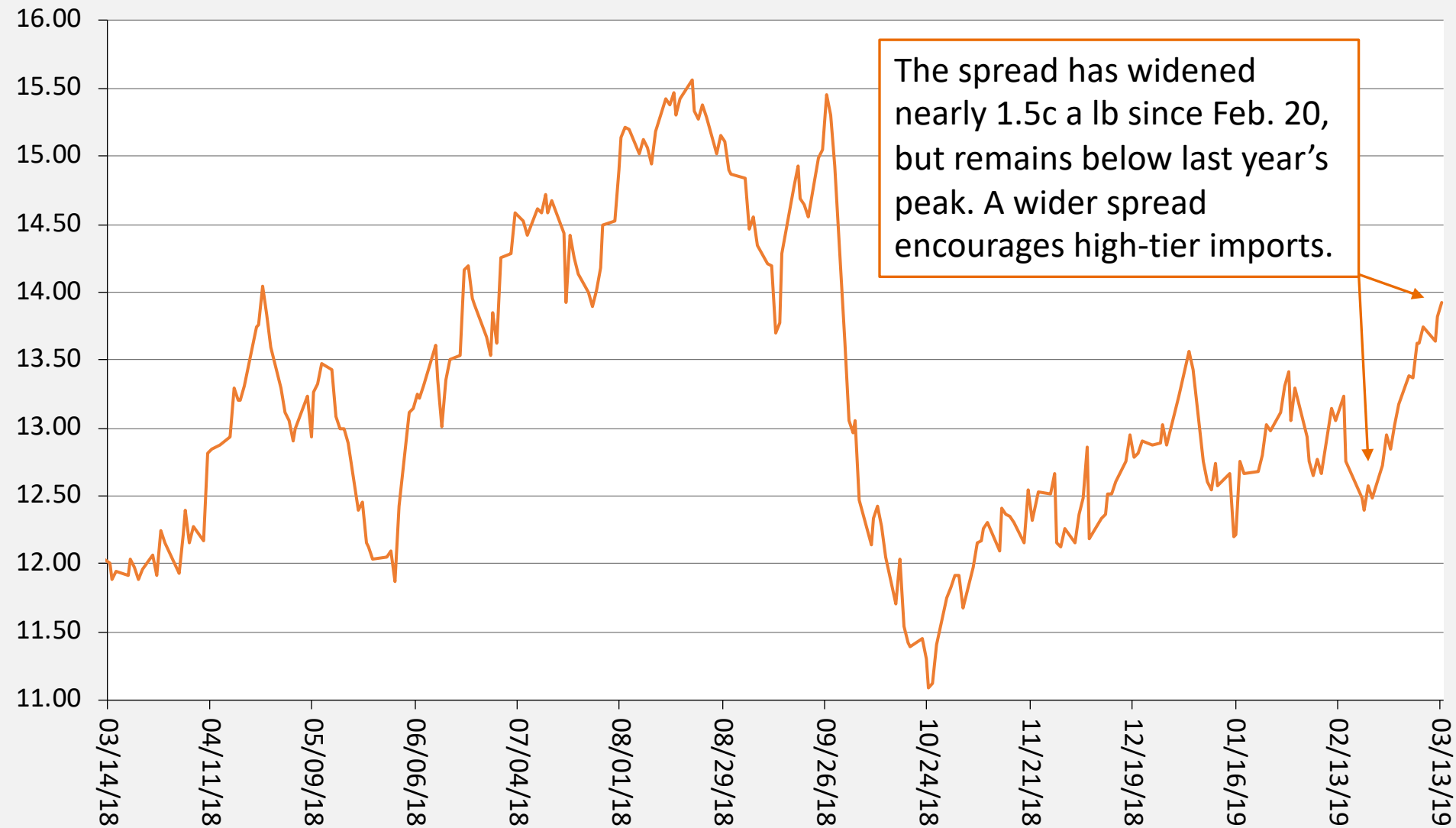


Nearby above 26c a lb and highest since January 2018.

Nearby holding in 12c to 13c a lb range.

# SUA March 2019: Nearby Futures Spread

Nearby ICE Futures New York #11 and #16 price spread, in cents per lb, as of March 13, 2019.



The spread has widened nearly 1.5c a lb since Feb. 20, but remains below last year's peak. A wider spread encourages high-tier imports.

# SUA March 2019: Corn Sweetener Prices

Cents/lb or \$/cwt.

## 42% HFCS Spot

	<u>2019</u>	<u>2018</u>
Midwest	25-25¾	24¾-25¾
Northeast	26½-27¼	26¼-27¼
Southeast	26¾-27½	26½-27½
South	26¼-27	26-27
West	27-28¾	26¾-28¾

## 55% HFCS Spot

	<u>2019</u>	<u>2018</u>
Midwest	31¾-32¼	30¼-31¾
Northeast	33¼-33¾	31¾-33¼
Southeast	33¼-33¾	31¾-33¼
South	33-33½	31½-33
West	33¾-35¼	32¼-34¾

## Corn Syrup Spot

	<u>2019</u>	<u>2018</u>
Midwest	35¾-36¼	34¼-35¼
Northeast	38-38½	36½-37½
Southeast	38-38½	36½-37½
South	39-39½	37½-38½
West	40¼-40¾	38¾-39¾

Continued indications of declining HFCS demand in U.S. (reduced use of corn for sweeteners in Feb., forecast corn use unchanged in March).

Oct.-Jan. HFCS consumption in Mexico was 9% below year-ago level (mainly due to low prices for sugar). U.S.D.A. lowered 2018-19 forecast HFCS consumption in Mexico by 2.4% from February and from 2017-18 in March WASDE.

Currently the market appears routine with normal winter weather delays to truck and rail shipments.

Spot market mostly quiet with supply possibly more available than in recent years.

Corn syrup and dextrose demand both remain good relative to HFCS in United States, mainly due to increased functional use.

## Dextrose Spot

	<u>2019</u>	<u>2018</u>
East	40½-41½	39½-41
Midwest	39½-40½	38½-40
South	41½-42½	40½-42
West	42½-43½	41½-43

# SUA March 2019: Other Issues & Trends

- **Weather** – Major concern about late planting in most regions due to cold, wet conditions, with flooding a given in the Red River Valley. Brief warm-up a concern for beet piles in Michigan, but campaign will end in March.
- **Trade** – **Brazil?** USMCA ratification? Progress in talks with China. Other regions (E.U., Japan). Impact on sugar unknown.
- **G.M.O.** – Refined sugar is exempt, as are corn sweeteners, vegetable oils and certain other ingredients but debate goes on.
- **Reformulation** – Food and beverage makers continue to cut sweeteners globally in response to consumers and to avoid taxes.
- **Consumer Sugar Perception/Reduction** – Sugar reduction remains high on survey responses and is one of top 2019 trends.

# SUA March 2019: Conclusions

## ■ Domestic Sugar Market

- Spot beet and refined cane sugar prices are unchanged.
- Beet processors and cane refiners are comfortably sold.
- Deliveries remain slow for beet sugar, strong for cane sugar.
- Supplies are tighter for remainder of 2018-19. T.R.Q. increase not in the books, but reallocation a possibility. Expect S-T-U ratio between 13.6% and 14% for this year.
- Export limit for Mexico is set, and Mexico is awash in sugar.
- Offers for 2019-20 are flat to slightly higher from spot prices; trade has been quite slow to date.

## ■ Global Sugar Market

- The market is shifting from surplus to deficit with Brazil and India still dictating supply; more bullish scenario going forward.

## ■ Domestic Corn Sweetener Market

- HFCS demand slowing in the U.S. and Mexico.