

Sweetener Users Association Board Meeting Update

April 17, 2019

Ron Sterk
Sosland Publishing Company
rsterk@sosland.com

SUA April 2019: Presentation Overview

- **Domestic Sugar Market**
 - Supply/Imports
 - Demand/Deliveries
 - Cash and Futures Prices
- **Global Sugar Market**
 - Brazil harvest is underway; focus still on ethanol
 - Prices expected to firm into 2020
- **Corn Sweetener Market**
 - U.S. production continues to slip
 - New 2018 data
 - Mexico use running behind year-ago
- **Other Issues with Impact on Sweeteners**
- **Conclusions**
- **Questions**

2018-19 – U.S. Market Overview

- The USDA made minor supply-side changes from March in its April WASDE; no changes to 2017-18 or on the 2018-19 delivery side.
- U.S. beet and cane production were lowered slightly with total production down 0.5% from March and down 2.5% from year ago.
- **The S-T-U ratio in April was lowered to 13.2% from 13.55% in March** due to reduction in domestic production.
- Deliveries in February declined from January, with beet deliveries running 8.2% behind year ago through first five months of 2018-19 and refined cane deliveries running 6.8% ahead for the period.
- Pricing for 2018-19 and 2019-20 are unchanged.
- Much attention on sugar beet plantings; delays.
- HFCS consumption in Mexico continues to lag.

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

<i>1,000 short tons</i>	April	Change from Mar.		Change from 17-18		RS-SPC
<i>raw value</i>	18-19	Tons	%	Tons	%	18-19
Begin. Stocks	2,008	-	0%	132	7.0%	2,008
Production	9,060	(43)	-0.5%	(233)	-2.5%	9,010
Beet	4,997	(7)	-0.1%	(282)	-5.3%	4,960
Cane	4,063	(36)	-0.9%	49	1.2%	4,050
Imports	2,862	-	0%	(415)	-12.7%	2,980
T.R.Q.	1,560	-	0%	(103)	-6.2%	1,640
Other Prog.	350	-	0%	24	7.4%	350
Mexico	897	-	0%	(326)	-26.7%	925
High Tier	55	-	0%	(9)	-14.1%	65
Ttl Supply	13,930	(43)	-0.3%	(515)	-3.6%	13,998
Exports	35	-	0%	(135)	-79.4%	35
Deliveries	12,270	-	0%	85	0.7%	12,245
Food	12,125	-	0%	77	0.6%	12,100
Other	145	-	0%	8	5.8%	145
Misc.	-	-	-	(82)	-100.0%	-
Total Use	12,305	-	0%	(133)	-1.1%	12,280
Ending Stocks	1,625	(43)	-2.6%	(383)	-19.1%	1,718
Stocks-to-use	13.2%	-0.35		-2.9		14.0%

USDA slightly lowered beet and cane prod.; I'm still a little under.

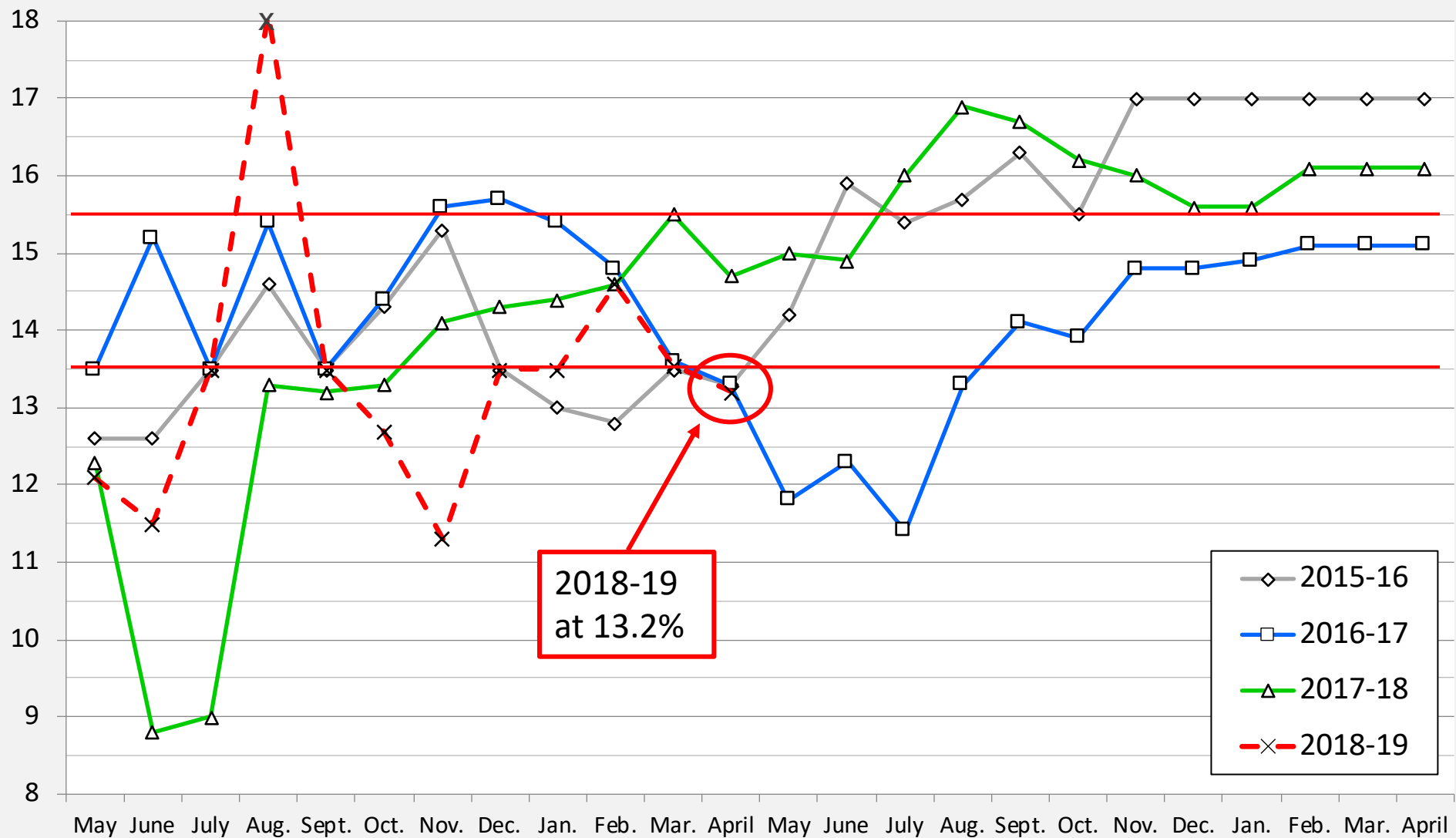
USDA left deliveries unchanged from March; I'm a bit under.

USDA S-T-U ratio at 13.2%; below low end of USDA target range.

I'm at 14% S-T-U with Mexico unchanged from March but with 80,000 tons added to T.R.Q. 65,000 tons needed from Mexico to bring S-T-U to 14.5%.

SUA April 2019: Monthly Stocks-to-Use Ratios

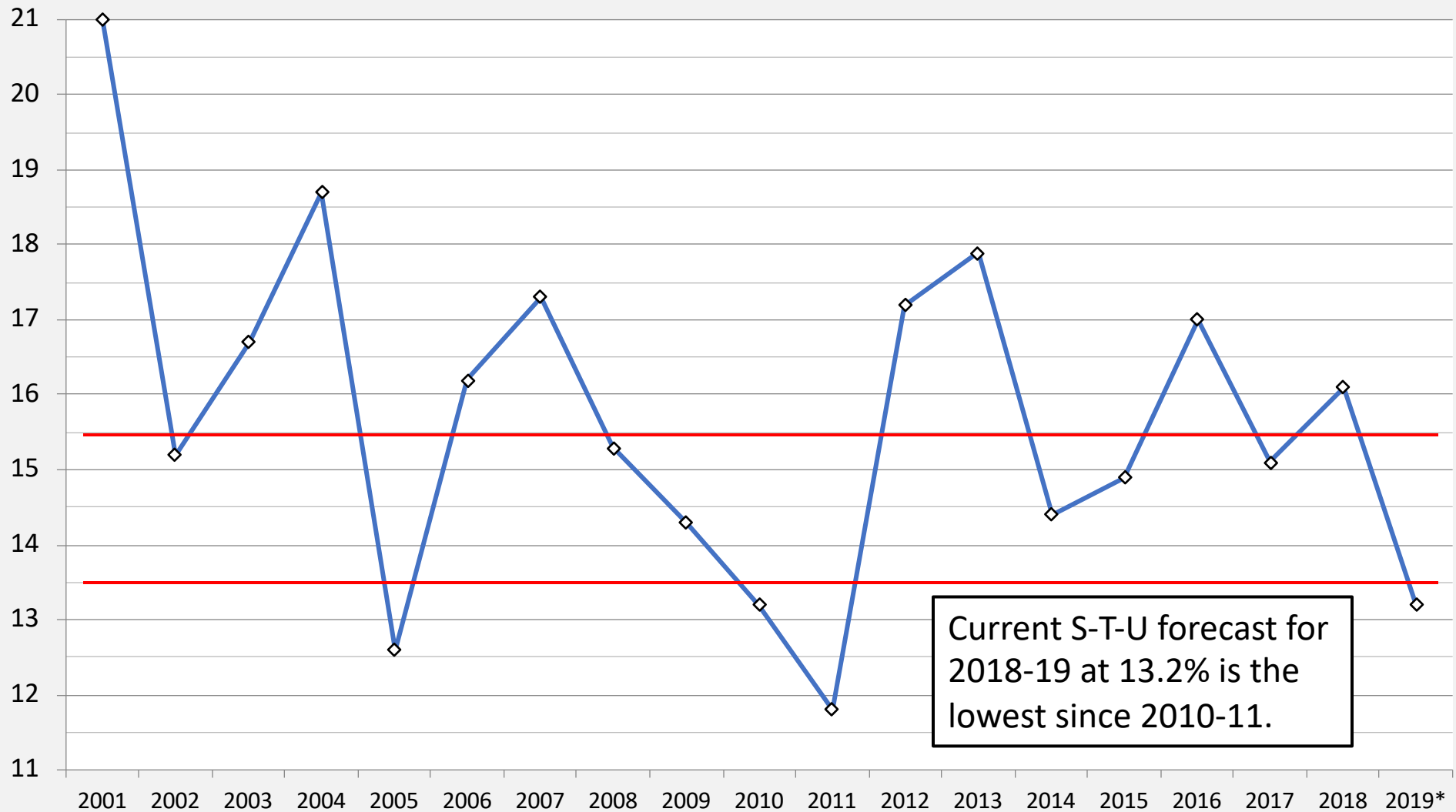
S-T-U ratios in per cent, beginning with first forecast in May for each marketing year.



Source: U.S.D.A.

SUA April 2019: Annual S-T-U Ratios

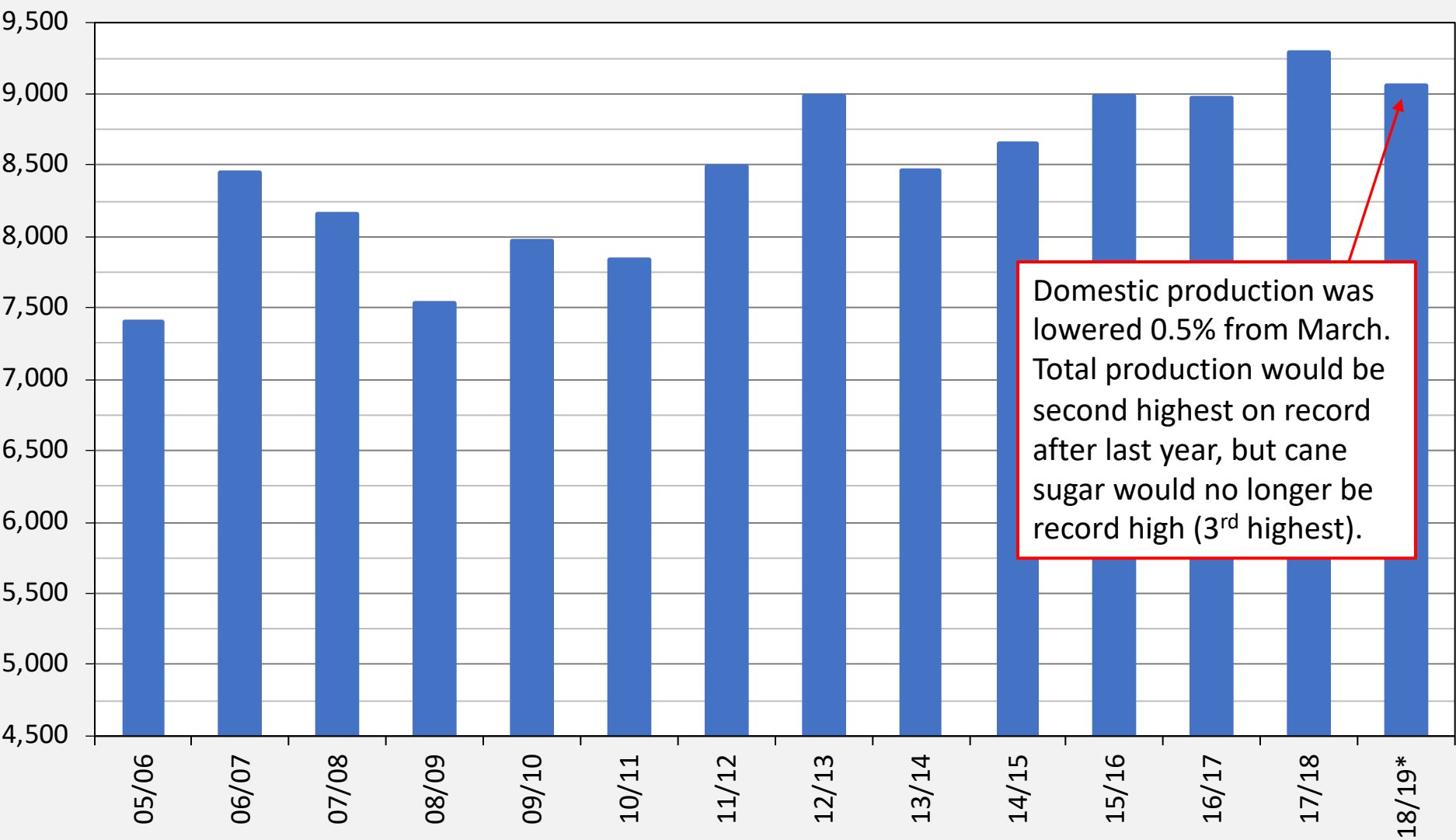
In per cent, as of April 9. *Forecast. Source: U.S.D.A.



Current S-T-U forecast for 2018-19 at 13.2% is the lowest since 2010-11.

SUA April 2019: U.S. Total Sugar Production

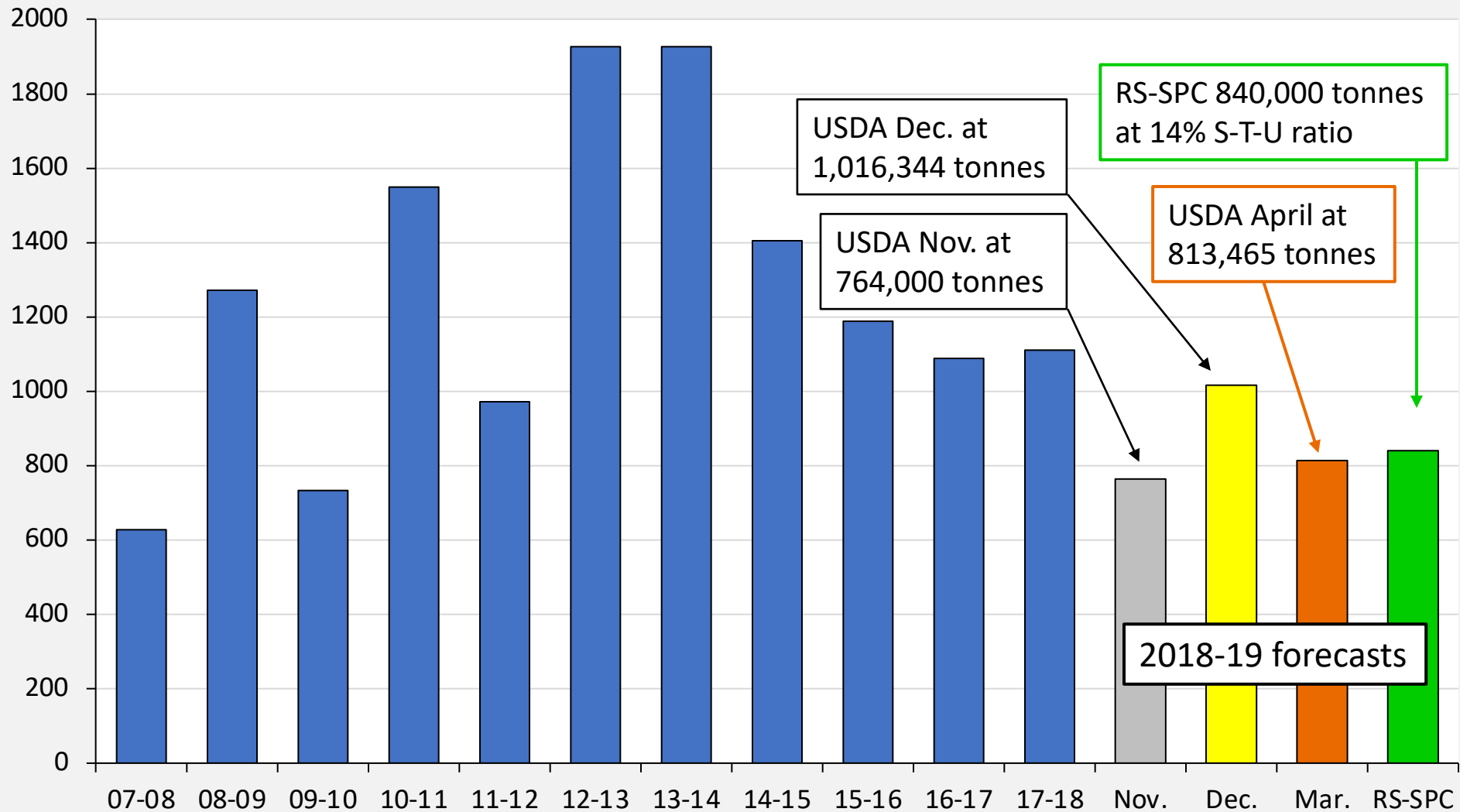
In 1,000 short tons, raw value. *2018-19 projected as of April 9. Source: U.S.D.A.



Domestic production was lowered 0.5% from March. Total production would be second highest on record after last year, but cane sugar would no longer be record high (3rd highest).

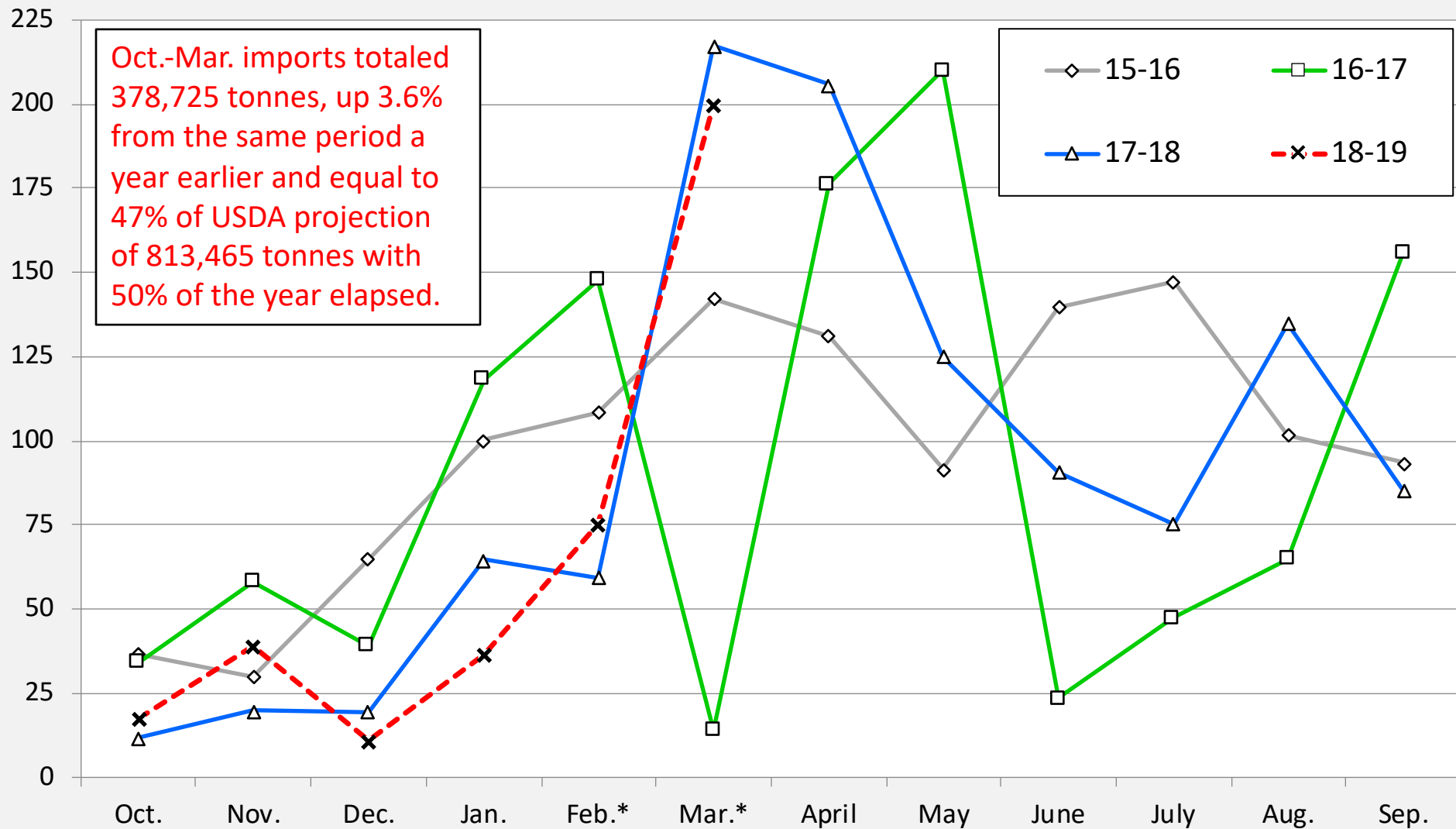
SUA April 2019: U.S. Imports from Mexico

Annual, in 1,000 tonnes, raw value, as of April 9, 2019.



SUA April 2019: U.S. Imports from Mexico

Monthly, in 1,000 tonnes, raw value. *February and March are U.S.D.A. forecasts.



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

SUA April 2019: U.S. October-March Imports

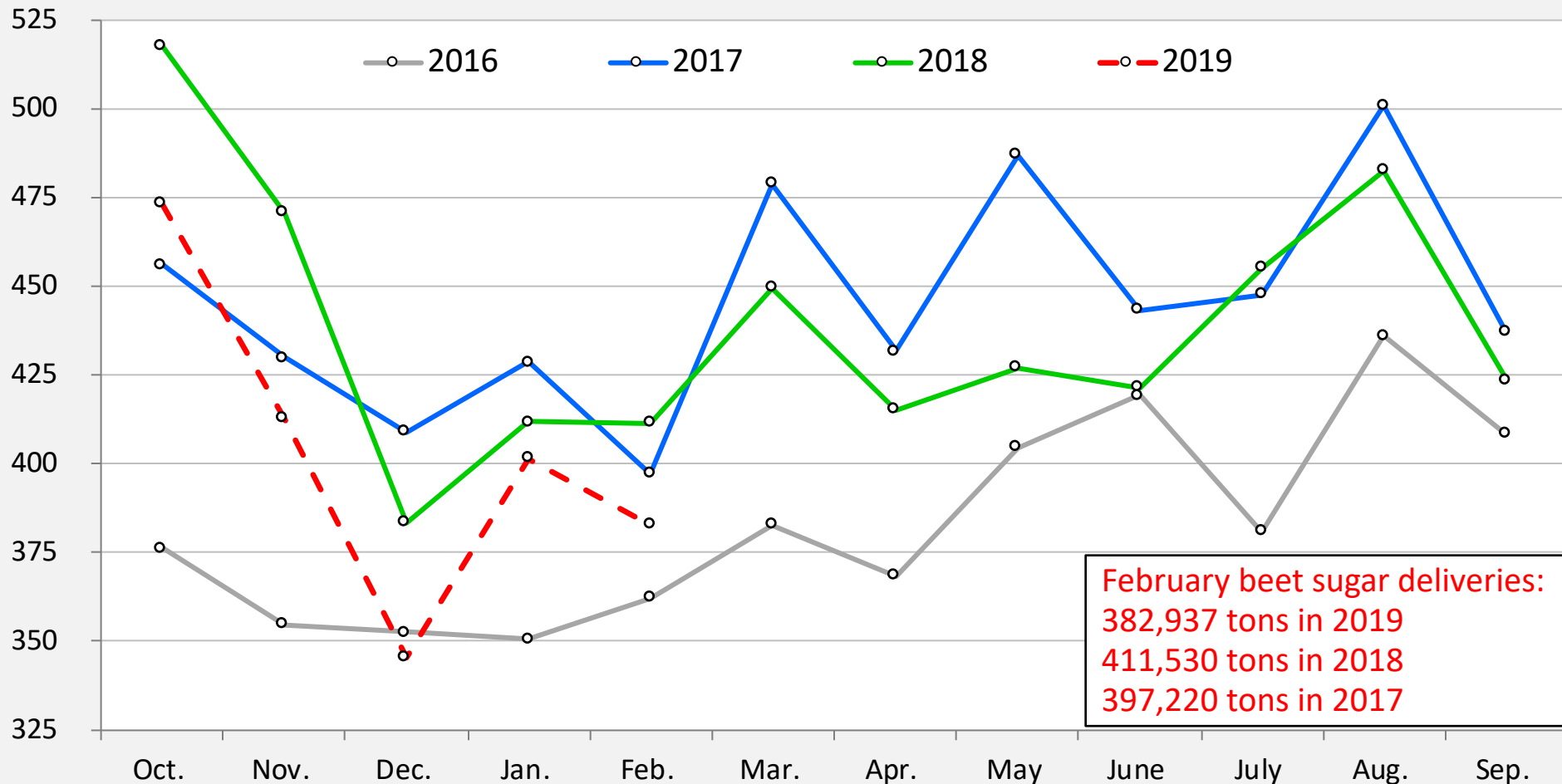
Total Oct.-Mar. imports, in 1,000 tonnes, raw value. Sources: U.S. Census Bureau and U.S.D.A.

	<u>Oct.-Mar.</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.	639,364	62%	1,037,944
W.T.O. Refined T.R.Q.	115,916	61%	189,046
F.T.A. Sugar in T.R.Q.s	63,350	34%	188,496
Total Quota	818,630	58%	1,415,486
Re-export Program	219,125	69%	317,515
Mexico	378,725	47%	813,465
High-duty Sugar	34,904	70%	49,895
Total Imports	1,451,384	56%	2,596,361

With 50% of year elapsed, Mexico is on target, raw and refined T.R.Q.s are ahead of pace, as are re-exports and high-tier imports.

SUA April 2019: Beet Sugar Deliveries

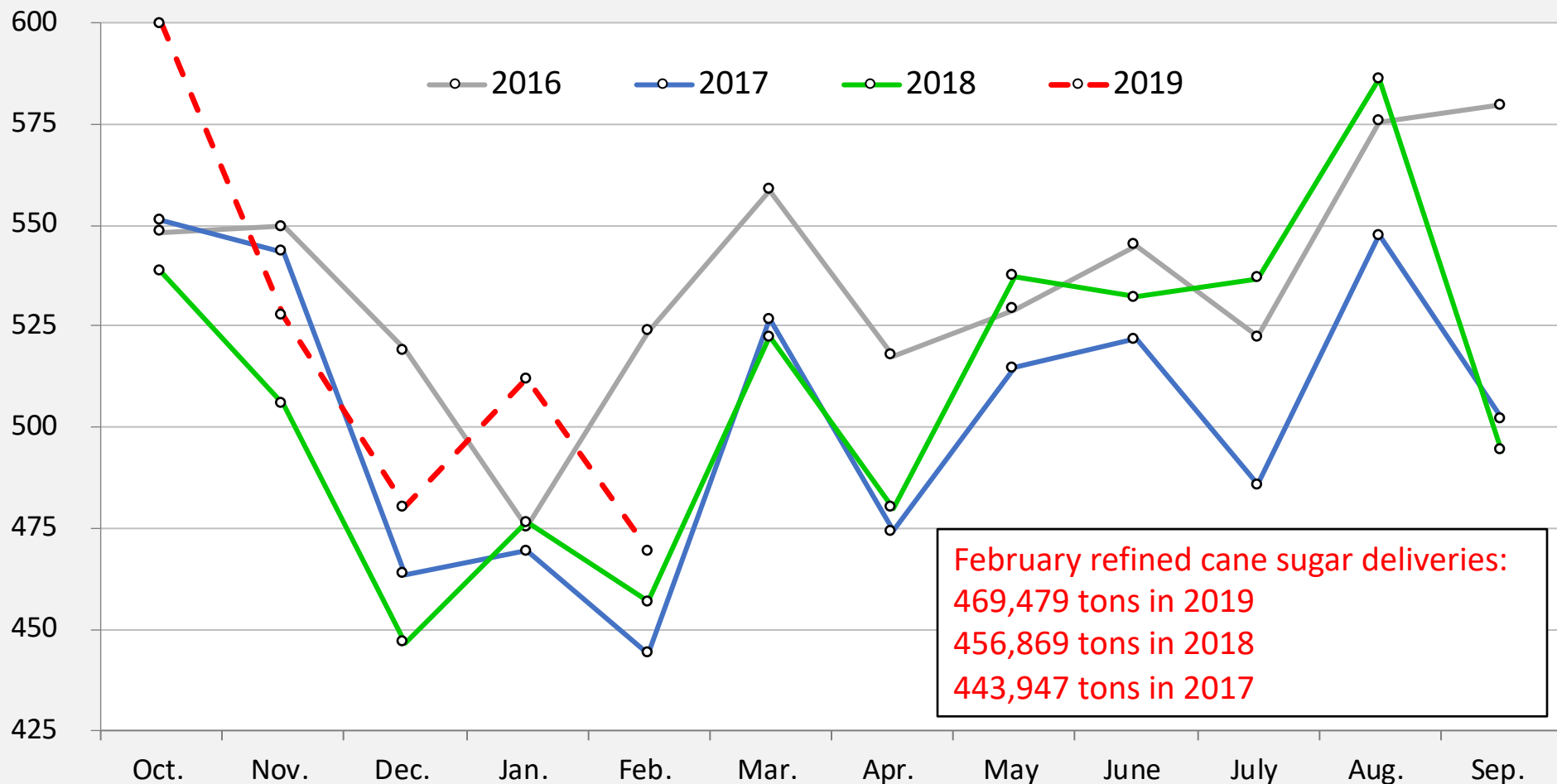
Monthly beet sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



After rebounding in January, beet sugar deliveries again declined in February and were lowest since 2016. Deliveries averaged 403,000 tons per month for the Oct.-Feb. period, down 36,000 tons, or 8.2%, from the same period a year earlier.

SUA April 2019: Refined Cane Deliveries

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



Refined cane deliveries dropped in February but still were the highest since 2016. Deliveries averaged 518,000 tons per month during the Oct.-Feb. period, up 33,000 tons, or 6.8%, from a year earlier. Cane deliveries averaged 115,000 tons, or 28.5%, more than beet sugar deliveries for the period, vs 46,000 tons, or 10.5%, more 2018.

SUA April 2019: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	FY 2019	FY 2018	PERCENT
	<u>Oct.-Feb.</u>	<u>Oct.-Feb.</u>	<u>CHANGE</u>
Total Deliveries/1 (actual weight)	4,342,737	4,358,313	-0.4
1-Bakery, cereal, and related products	990,932	1,003,327	-1.2
4-Confectionery and related products	488,044	482,494	1.2
6-Ice cream and dairy products	308,429	316,712	-2.6
7-Beverages	289,554	268,753	7.7
8-Canned, bottled and frozen foods	168,974	156,272	8.1
5-Multiple and all other food uses	457,235	503,259	-9.1
10-Non-food uses	68,549	52,738	30.0
11-Hotels, restaurants, institutions	34,966	39,828	-12.2
2-Wholesale grocers, jobbers, dealers	901,334	858,214	5.0
3-Retail grocers, chain stores	508,984	533,919	-4.7
12-Government agencies	5,537	5,225	6.0
9-All other deliveries	120,199	137,572	-12.6
Total Deliveries/1 (short tons, raw value)	4,646,729	4,663,395	-0.4
Crystalline:	4,058,509	4,065,989	-0.2
Consumer-size packages	933,100	955,952	-2.4
Packages 50 lbs and greater	1,193,852	1,183,889	0.8
Unpackaged (bulk)	1,931,558	1,926,148	0.3
Non-crystalline/2	588,220	597,406	-1.5

Six segments positive and six negative thru Feb. Bakery, dairy, multiple, retail and "other" more negative than in March.

Total deliveries have slipped from +.1% in March (thru Jan.) to -.4% in April (thru Feb.). USDA full-year deliveries for food still at +0.6%.

Bulk and 50 lb + bags in plus column, but bulk down from +1.3% in March.

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 April 2019: Mexico WASDE

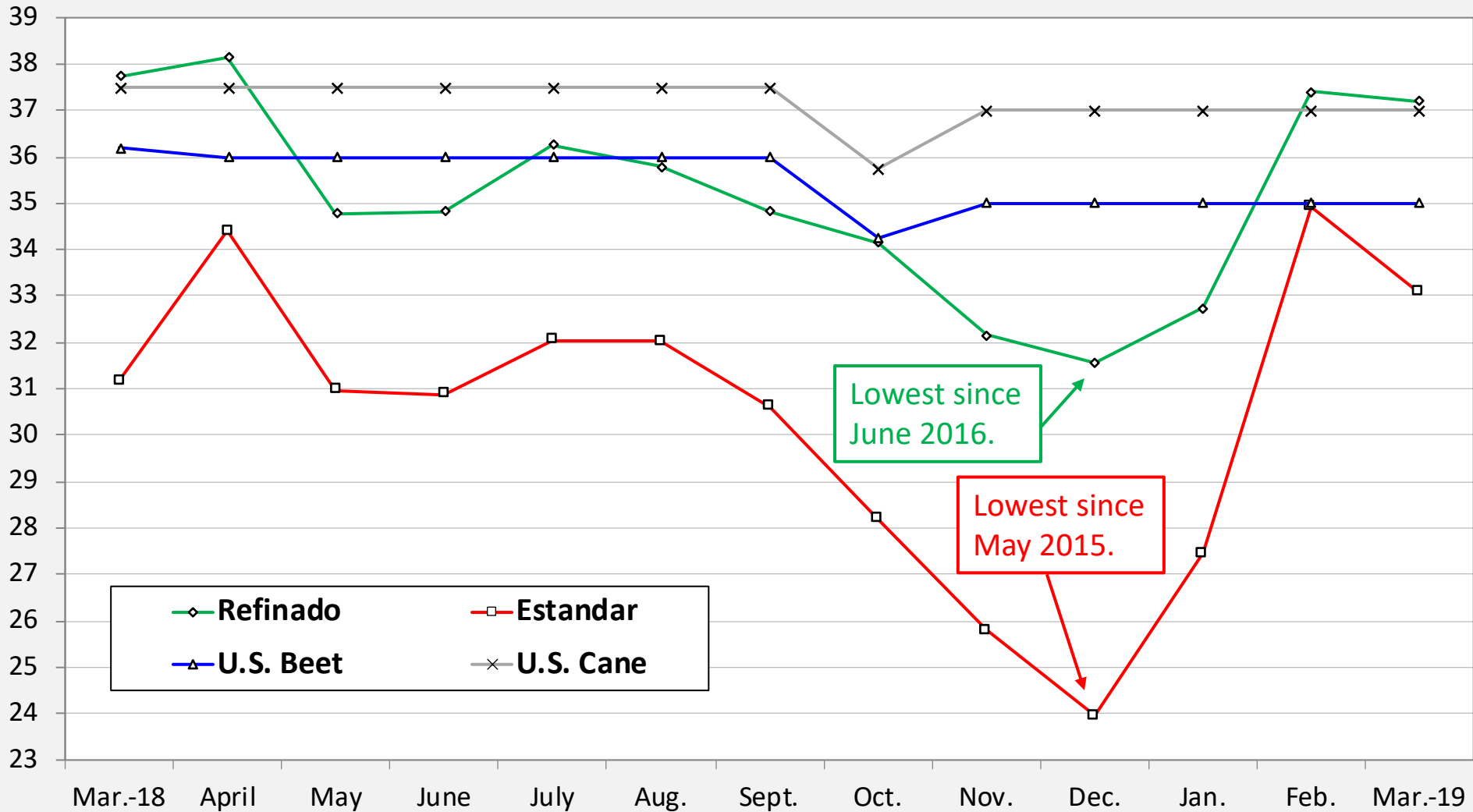
Source: U.S.D.A. April 9, 2019, WASDE.

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

There were no changes from March for either 2017-18 or 2018-19. Stocks-to-use ratios remain quite high in Mexico, indicating ample sugar supplies for export to the United States or to non-U.S. destinations.

SUA April 2019: U.S. and Mexico Sugar Prices

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

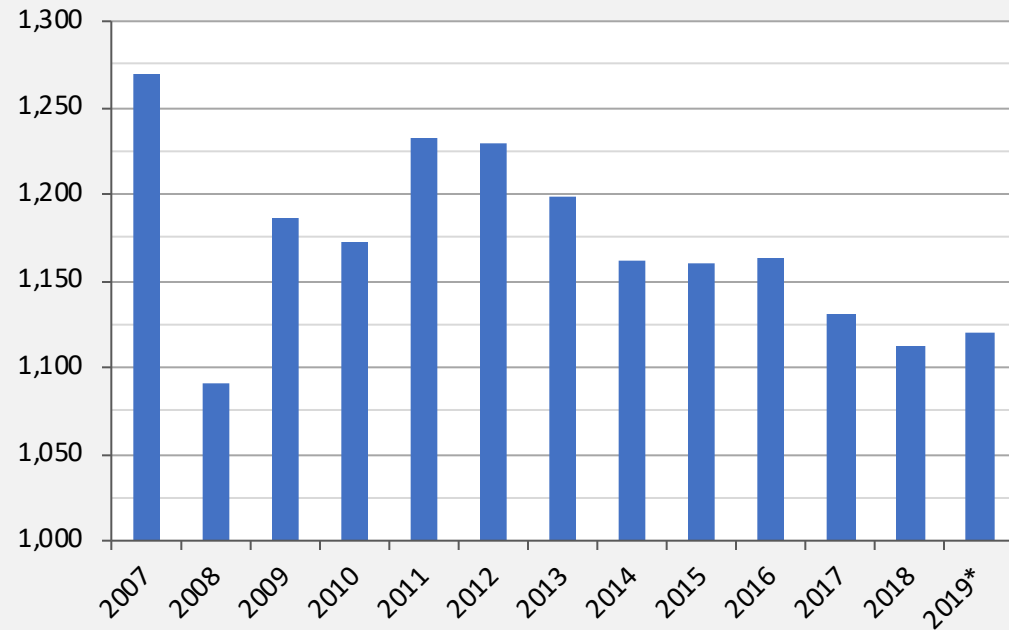


SUA April 2019: U.S. Sugar Beet Plantings

Intentions, in 1,000 acres. Source: U.S.D.A.

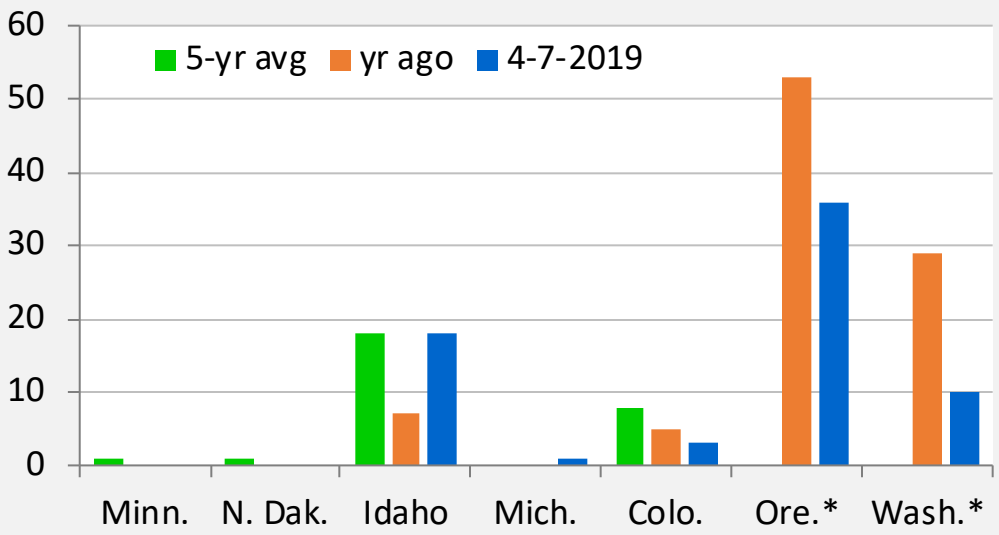
	2018	2019	Change from 2018	
	Planted	Intended	Acres	Percent
Minnesota	415.0	417.0	2.0	0.5%
N. Dakota	202.0	203.0	1.0	0.5%
Idaho	163.0	167.0	4.0	2.5%
Michigan	150.0	147.0	-3.0	-2.0%
Nebraska	45.5	43.8	-1.7	-3.7%
Montana	43.5	46.8	3.3	7.6%
Wyoming	32.1	33.1	1.0	3.1%
Colorado	26.3	26.5	0.2	0.8%
California	24.6	24.5	-0.1	-0.4%
Oregon	9.3	9.7	0.4	4.3%
Washington	1.8	1.8	0.0	0.0%
U.S.	1,113.1	1,120.2	7.1	0.6%

The USDA, in its March 29 Prospective Plantings report, said farmers intend to plant 1,120,200 acres of sugar beets in 2019, up 7,100 acres, or 0.6%, from 2018 but still second lowest since 2008 ... but weather may be a factor in final plantings.



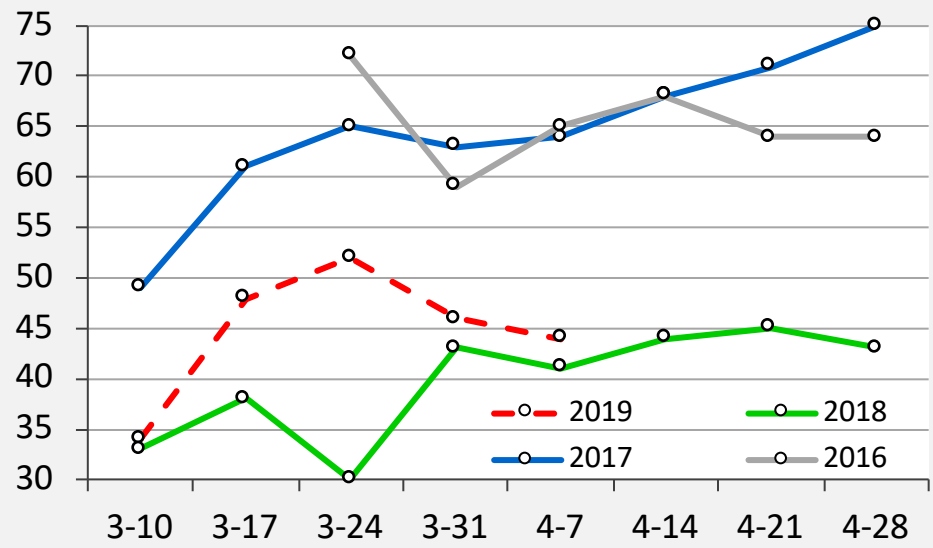
SUA April 2019: U.S. Beet and Cane Progress

In per cent, as of April 7. Source: U.S.D.A. and state U.S.D.A. field offices.



Sugar beets planted as of April 7, 2019. *Oregon and Washington 5-year averages not available.

Louisiana good-to-excellent sugar cane crop ratings as of April 7, 2019.



SUA April 2019: Cash Sugar Price Outlook

Beet sugar 2018-19	Spot prices firm at 35c to 36c f.o.b. Midwest 39c f.o.b. West Coast (41c to 42c delivered)
Cane sugar 2018-19	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
Beet sugar 2019-20	Firm at 35c f.o.b. Midwest, 36c f.o.b. Michigan, 38c f.o.b. West Coast
Cane sugar 2019-20	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

- Slicing campaigns done for some processors, winding down early for others due to smaller 2018 beet crop.
- No change in pricing for spot or for next year in past several months, since well before Colloquium. Sales have been slow to date.
- Much focus remains on planting of 2019 beet crop, which is behind but not critical at this time. Late planting may reduce sugar supply available in August-September and briefly after Oct. 1.

SUA April 2019: New York #16 Raw Futures

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

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFN19 (D10)	27.00 S	0.00	27.20	27.00	27.00 S	2773	3	1:00:00 PM EDT - 04/12/19
ESFU19 (D10)	27.33 S	0.23	27.44	27.26	27.33 S	2456	4	1:12:31 PM EDT - 04/12/19
ESFX19 (D10)	26.55 S	0.00			26.55 S	629	0	1:00:00 PM EDT - 04/12/19
ESFF20 (D10)	26.10 S	-0.05	25.63	25.63	26.10 S	466	1	1:12:31 PM EDT - 04/12/19
ESFH20 (D10)	26.00 S	-0.05	26.20	25.80	26.00 S	389	3	1:12:31 PM EDT - 04/12/19
ESFK20 (D10)	26.40 S	0.00			26.40 S	503	0	1:00:00 PM EDT - 04/12/19
ESFN20 (D10)	26.40 S	0.00			26.40 S	246	0	1:00:00 PM EDT - 04/12/19
ESFU20 (D10)	26.40 S	0.00			26.40 S	229	0	1:00:00 PM EDT - 04/12/19
ESFX20 (D10)	26.40 S	0.00			26.40 S		0	1:00:00 PM EDT - 04/12/19
ESFF21 (D10)	26.40 S	0.00			26.40 S		0	1:00:00 PM EDT - 04/12/19
ESFH21 (D10)	26.40 S	0.00			26.40 S		0	1:00:00 PM EDT - 04/12/19

The nearby contract has closed above 26.60c a lb since March 22, bumping over 27c on occasion. There continues to be about a 0.40c to 1.00c discount to nearby values for 2020 and 2021 contracts. Traders see 27c as the point above which high-tier imports become more attractive if world raws stay below 13c a lb.

SUA April 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.
 - Producer selling for 2019 has been evident when nearby futures near or above 12.80c a lb.
- **Brazil**
 - Harvest is underway with early focus on ethanol production, which is typical. Some have forecast increased sugar production for 2019-20.
- **India remains critical**
 - Production forecasts also have inched up for India; surplus stocks still available for export; May elections.
- **El Niño impact on Asia**
 - El Niño may cause dryness and reduce production in Thailand, China.

SUA April 2019: New York #11 Raw Futures

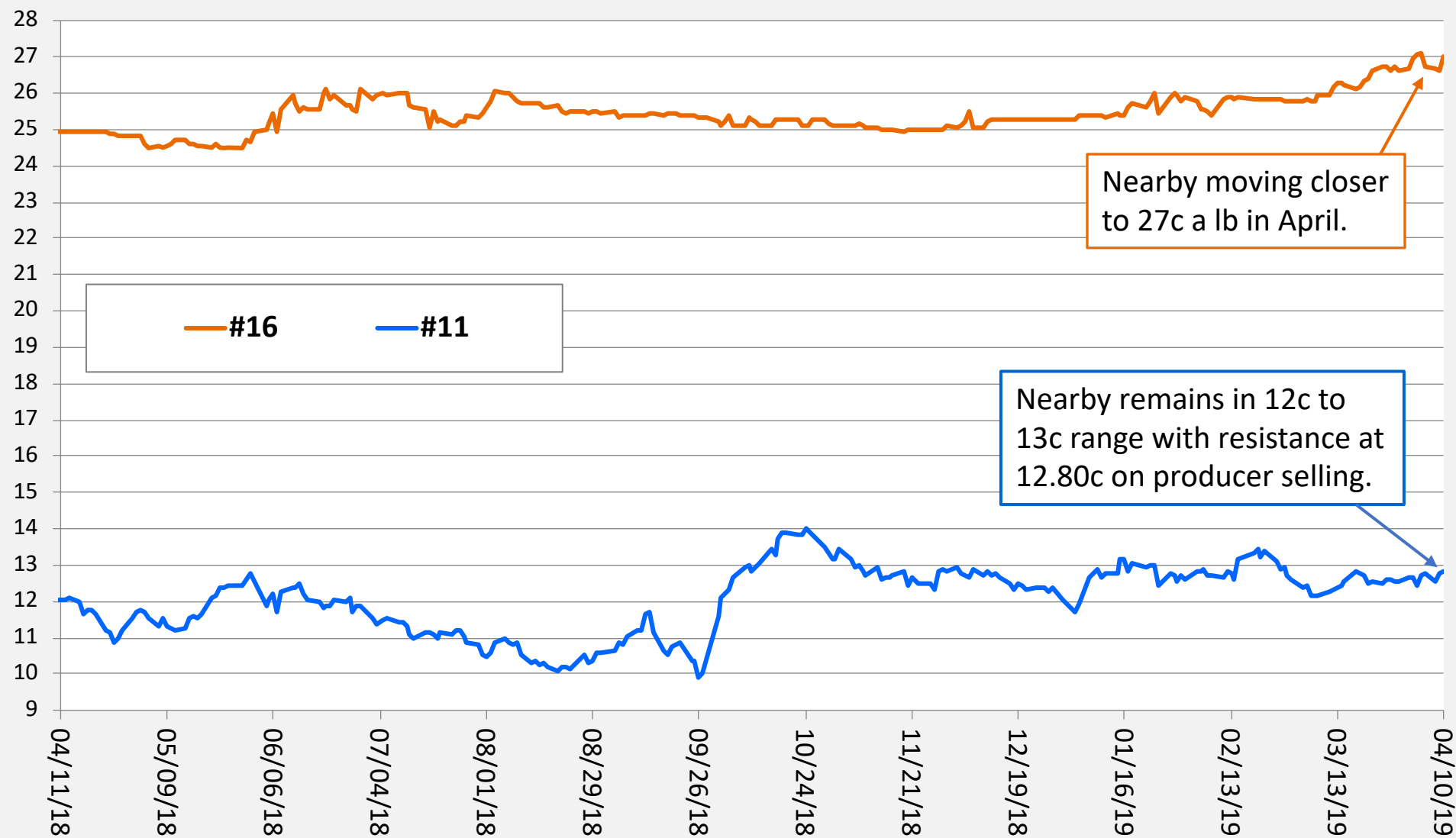
ICE world raw sugar futures as of April 12, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBK19 (D10)	12.77 S	0.11	12.77	12.61	12.77 S	161443	91663	1:04:35 PM EDT - 04/12/19
ESBN19 (D10)	12.92 S	0.10	12.93	12.75	12.92 S	345220	94950	1:04:35 PM EDT - 04/12/19
ESBV19 (D10)	13.23 S	0.10	13.24	13.07	13.23 S	178350	18625	1:04:35 PM EDT - 04/12/19
ESBH20 (D10)	14.08 S	0.09	14.09	13.93	14.08 S	120962	5188	1:04:35 PM EDT - 04/12/19
ESBK20 (D10)	14.18 S	0.06	14.19	14.07	14.18 S	30254	2674	1:04:35 PM EDT - 04/12/19
ESBN20 (D10)	14.27 S	0.04	14.28	14.18	14.27 S	21482	953	1:04:35 PM EDT - 04/12/19
ESBV20 (D10)	14.43 S	0.02	14.45	14.35	14.43 S	25020	604	1:04:35 PM EDT - 04/12/19
ESBH21 (D10)	14.99 S	0.03	15.00	15.00	14.99 S	6952	3	1:04:35 PM EDT - 04/12/19
ESBK21 (D10)	14.98 S	0.03			14.98 S	1483	0	1:04:35 PM EDT - 04/12/19
ESBN21 (D10)	14.97 S	0.03			14.97 S	1734	0	1:04:35 PM EDT - 04/12/19
ESBV21 (D10)	15.11 S	0.03			15.11 S	840	0	1:04:35 PM EDT - 04/12/19
ESBH22 (D10)	15.42 S	0.03			15.42 S	2	0	1:04:35 PM EDT - 04/12/19

The nearby world raw future continues to trade mostly between 12c and 13c a lb and has since November 2018. A move to 12.80c a lb attracts producer selling, which quickly pulls the price back down. World raws have carry of about 1c to 2c a lb through 2021. Higher world prices indirectly support U.S. domestic values and may limit high-tier imports.

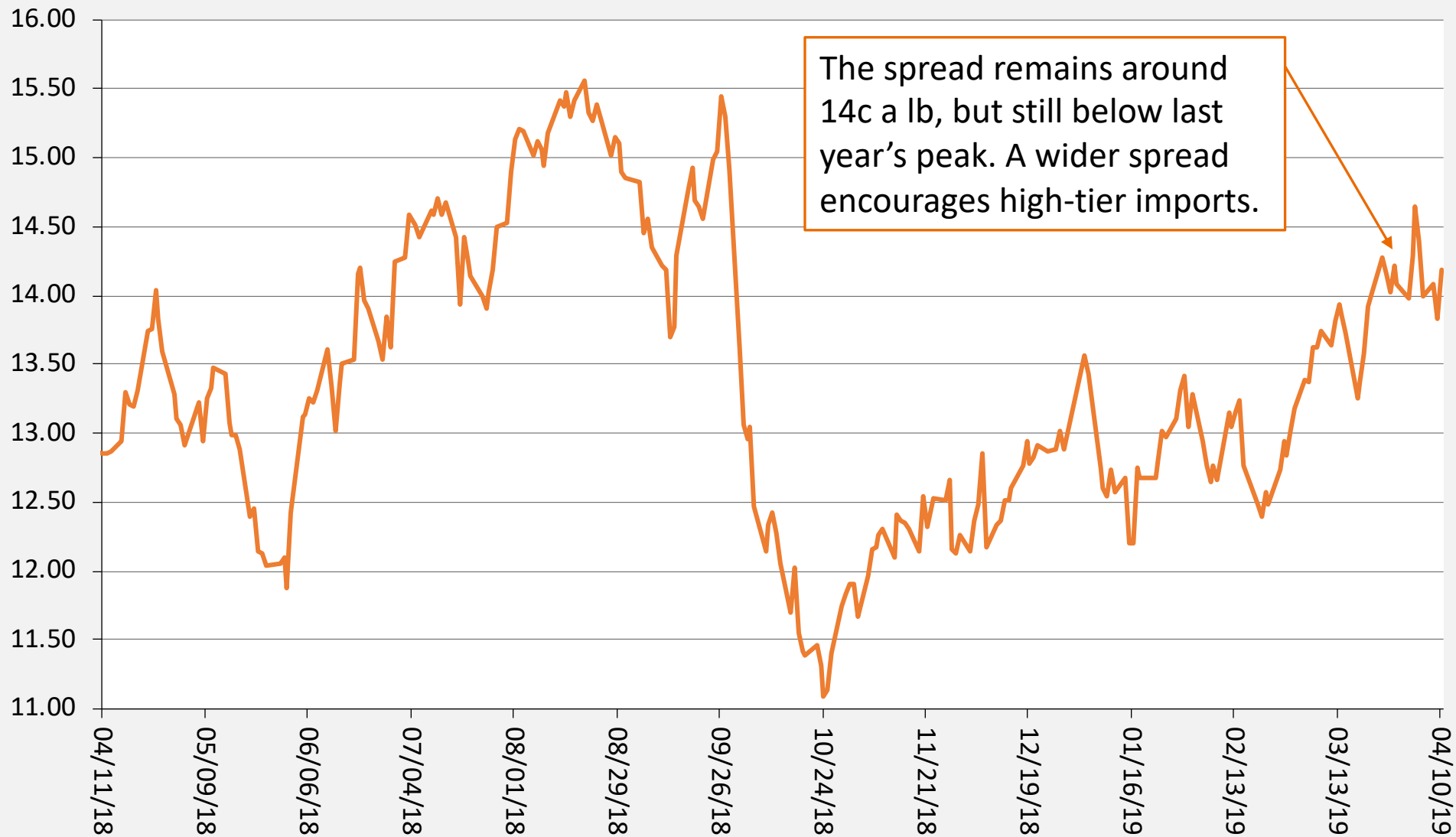
SUA April 2019: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of April 10, 2019.



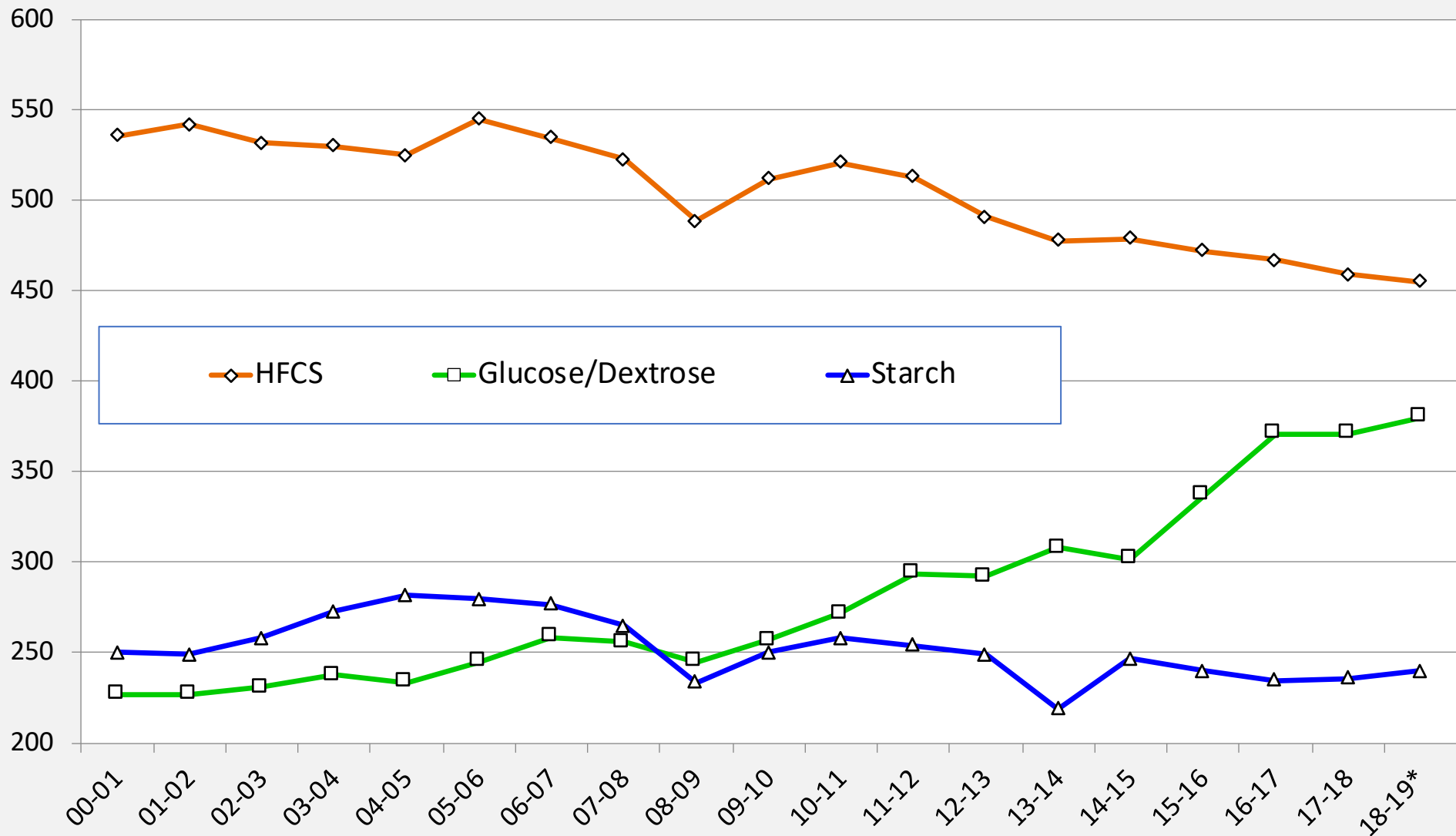
SUA April 2019: Nearby Futures Spread

Nearby ICE Futures New York #11 and #16 price spread, in cents per lb, as of April 10, 2019.



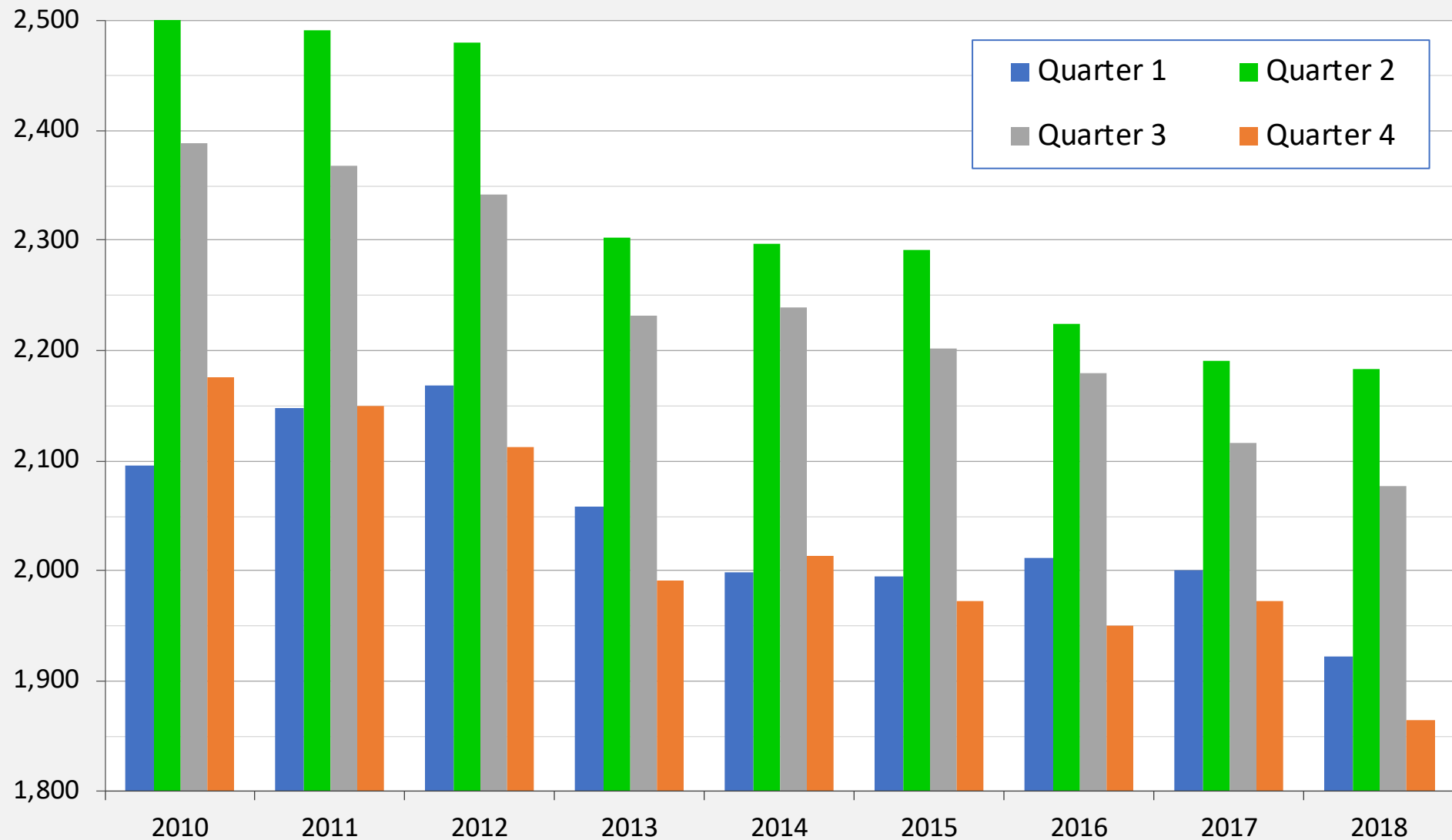
SUA April 2019: Corn Used for Sweeteners

In million bus. *forecast. Source: U.S.D.A.



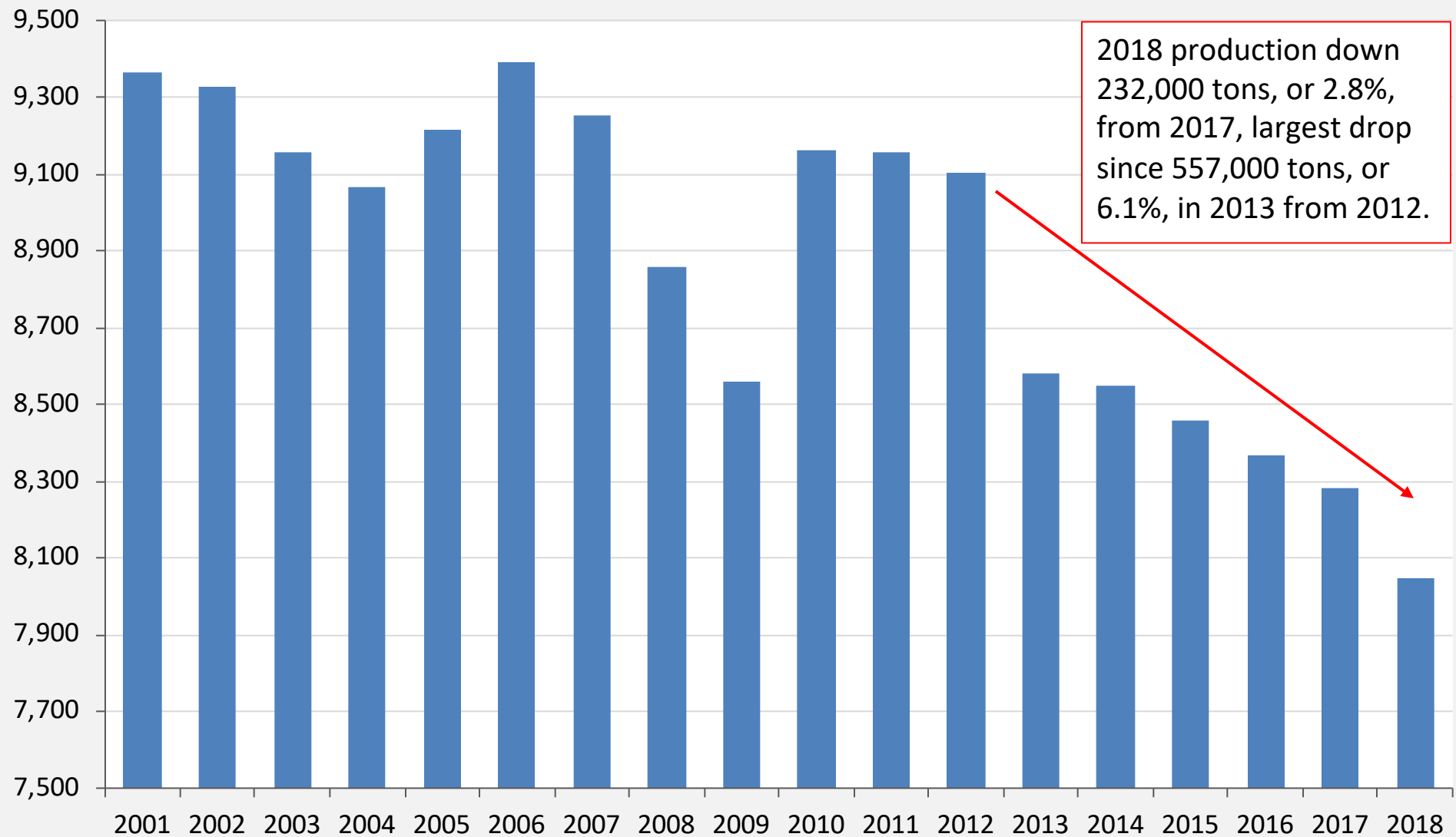
SUA April 2019: HFCS Production by Quarter

Quarterly, in 1,000 short tons, dry weight. Source: U.S.D.A.



SUA April 2019: HFCS Production by Year

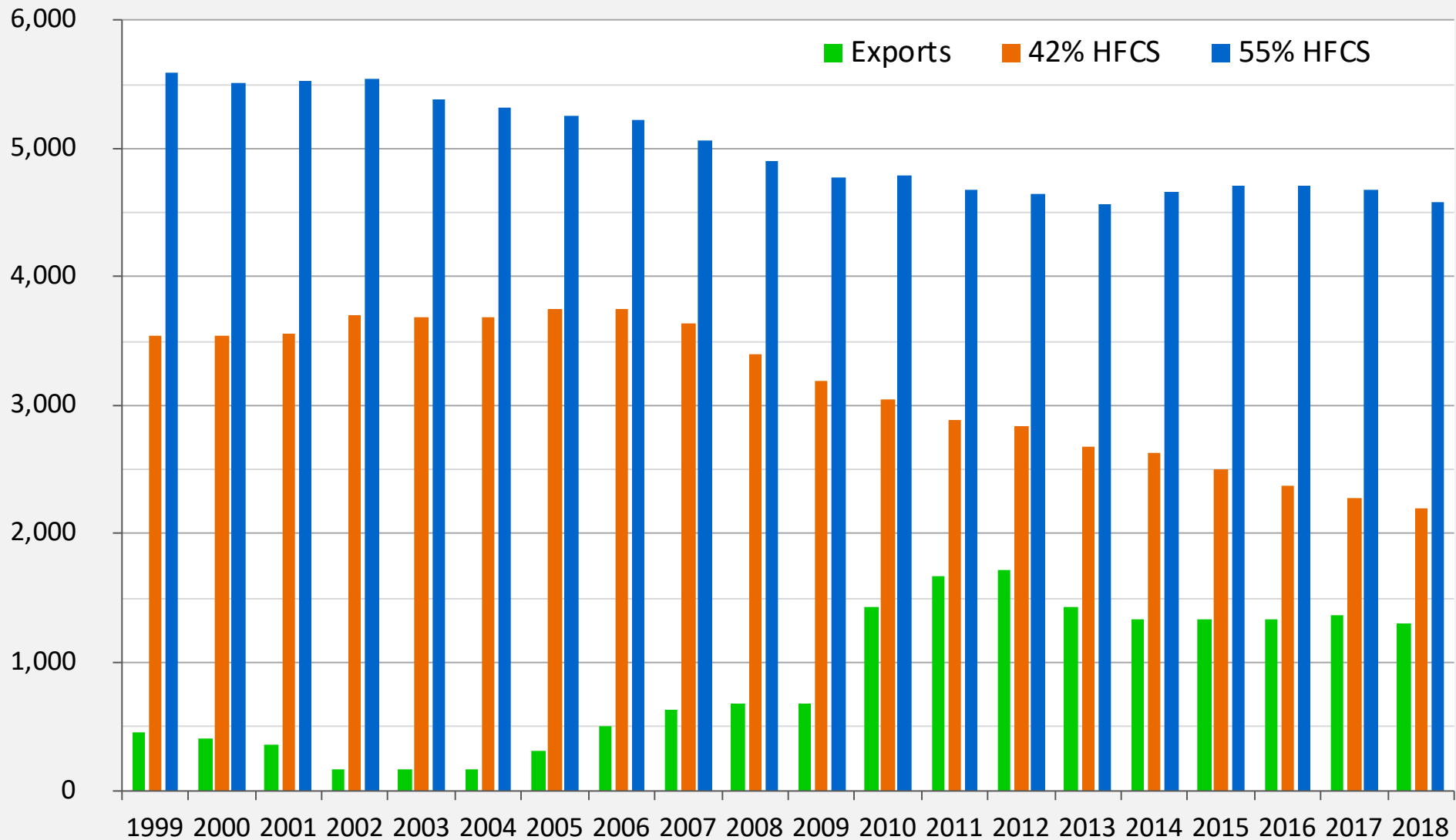
Calendar year, in 1,000 short tons, dry weight. Source: U.S.D.A.



2018 production down 232,000 tons, or 2.8%, from 2017, largest drop since 557,000 tons, or 6.1%, in 2013 from 2012.

SUA April 2019: HFCS Utilization by Year

Calendar year, in 1,000 short tons, dry weight; 42% and 55% HFCS are domestic deliveries.



Source: U.S.D.A.

SUA April 2019: Corn Sweetener Prices

Cents/lb or \$/cwt. NOTE: Prices shown reflect sales to small/med. users; large sales lower.

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 April).

Oct.-Feb. HFCS consumption in Mexico was 6.2% below year-ago level. USDA in March lowered 2018-19 forecast HFCS consumption in Mexico by 2.4% from 2017-18; unchanged from March in April WASDE.

New data indicates large drop in production in 2018.

Floods, storms affected production, shipments in March.

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 April 2019: Other Issues & Trends

- **Weather** – Remains the major concern due to delayed planting. Expect most/all acres to get planted with mid-to-late May the critical period. Late planting may result in late harvest, which could reduce new-crop sugar available in July-Sept. quarter and early 2019-20.
- **Trade** –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 April 2019: Conclusions

■ Domestic Sugar Market

- Spot beet and refined cane sugar prices are unchanged.
- Beet processors and cane refiners are comfortably sold with some sold out for current year.
- Deliveries remain slow for beet sugar, strong for cane sugar.
- Supplies are tighter for rest of 2018-19 with S-T-U ratio at 13.2%, which is below suspension agreements minimum.
- Mexico has plenty of sugar to export.
- Offers for 2019-20 are flat with spot prices and unchanged from month ago; sales have been slow to date.
- Weather is key factor for sugar beet planting.

■ Global Sugar Market

- The market is shifting from surplus to deficit; harvest underway in Brazil; watching El Niño effect in Asia.