

Sweetener Users Association Conference Call Update

May 17, 2019

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SUA May 2019: Presentation Overview

- **Domestic Sugar Market**
 - Supply/Imports (supply very tight this year)
 - Demand/Deliveries
 - Cash and Futures Prices (mostly steady)
 - Initial 2019-20 Projections
- **Global Sugar Market**
 - Brazil harvest underway
 - India a mixed bag
 - Global raw sugar prices
 - Modest global deficit expected in 2019-20
- **Corn Sweetener Market**
 - U.S. production and demand (continues to slip; Marshall, Minn.)
 - Mexico HFCS consumption (forecast trimmed)
- **Other Issues with Impact on Sweeteners**
- **Conclusions**
- **Questions**

U.S. Market Overview

- **2018-19: WASDE**
 - Very tight supply forecast for rest of 2018-19
 - Spot prices slightly firmer
 - Deliveries in March picked up with beet still lagging
 - Imports to date running ahead of projections
- **2019-20: WASDE initial projections**
 - S-T-U ratio at 12% for next year not a concern in May
 - Focus on beet planting shifting to summer weather
 - Prices for next year mostly steady
- **HFCS supply/demand.**
 - Domestic corn use forecasts lowered
 - Mexican HFCS consumption lowered

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

<i>1,000 short tons</i>	May	Change from April		Change from 17-18		RS-SPC
<i>raw value</i>	18-19	Tons	%	Tons	%	18-19
Begin. Stocks	2,008	-	0.0%	132	7.0%	2,008
Production	8,947	(113)	-1.2%	(346)	-3.7%	8,930
Beet	4,910	(87)	-1.7%	(369)	-7.0%	4,900
Cane	4,037	(26)	-0.6%	23	0.6%	4,030
Imports	2,855	(7)	-0.2%	(422)	-12.9%	3,065
T.R.Q.	1,538	(22)	-1.4%	(125)	-7.5%	1,638
Other Prog.	350	-	0%	24	7.4%	350
Mexico	897	-	0%	(326)	-26.7%	1,007
High Tier	70	15	27%	6	9.4%	70
Ttl Supply	13,810	(120)	-0.9%	(635)	-4.4%	14,003
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	1,505	(120)	-7.4%	(503)	-25.0%	1,723
Stocks-to-use	12.2%	-1.0		-3.9		14.0%

USDA at unsustainable 12.2% S-T-U after lowering production and TRQ while leaving deliveries unchanged in May WASDE.

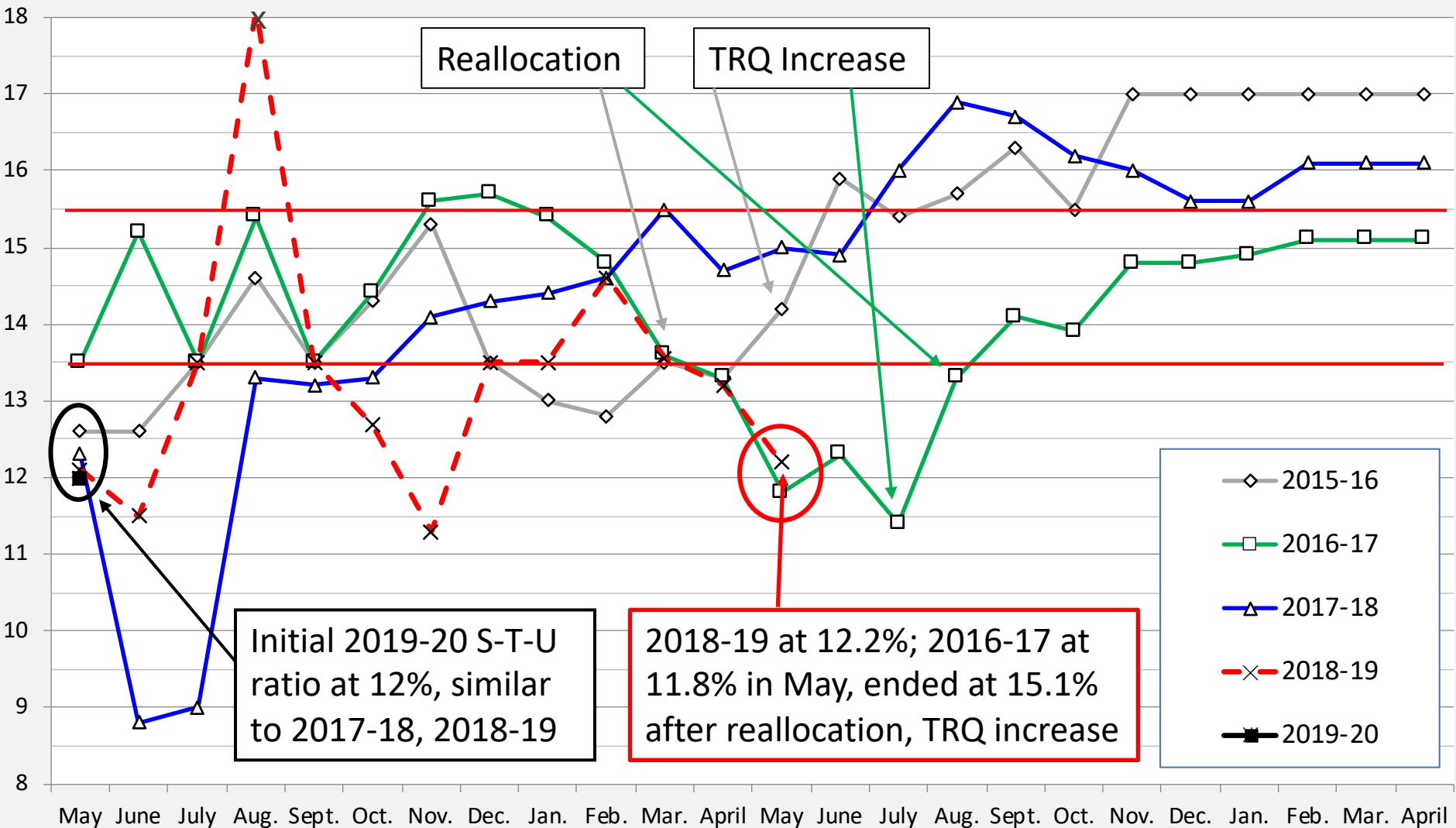
I'm still at 14% S-T-U with 100,000 tons more from TRQ reallocation and 110,000 tons more from Mexico, with my deliveries still slightly below USDA.

Not surprised if USDA only goes to 13.5%.

Surprised if USDA goes over 14.5%; **won't repeat 2016.**

SUA May 2019: Monthly Stocks-to-Use Ratios

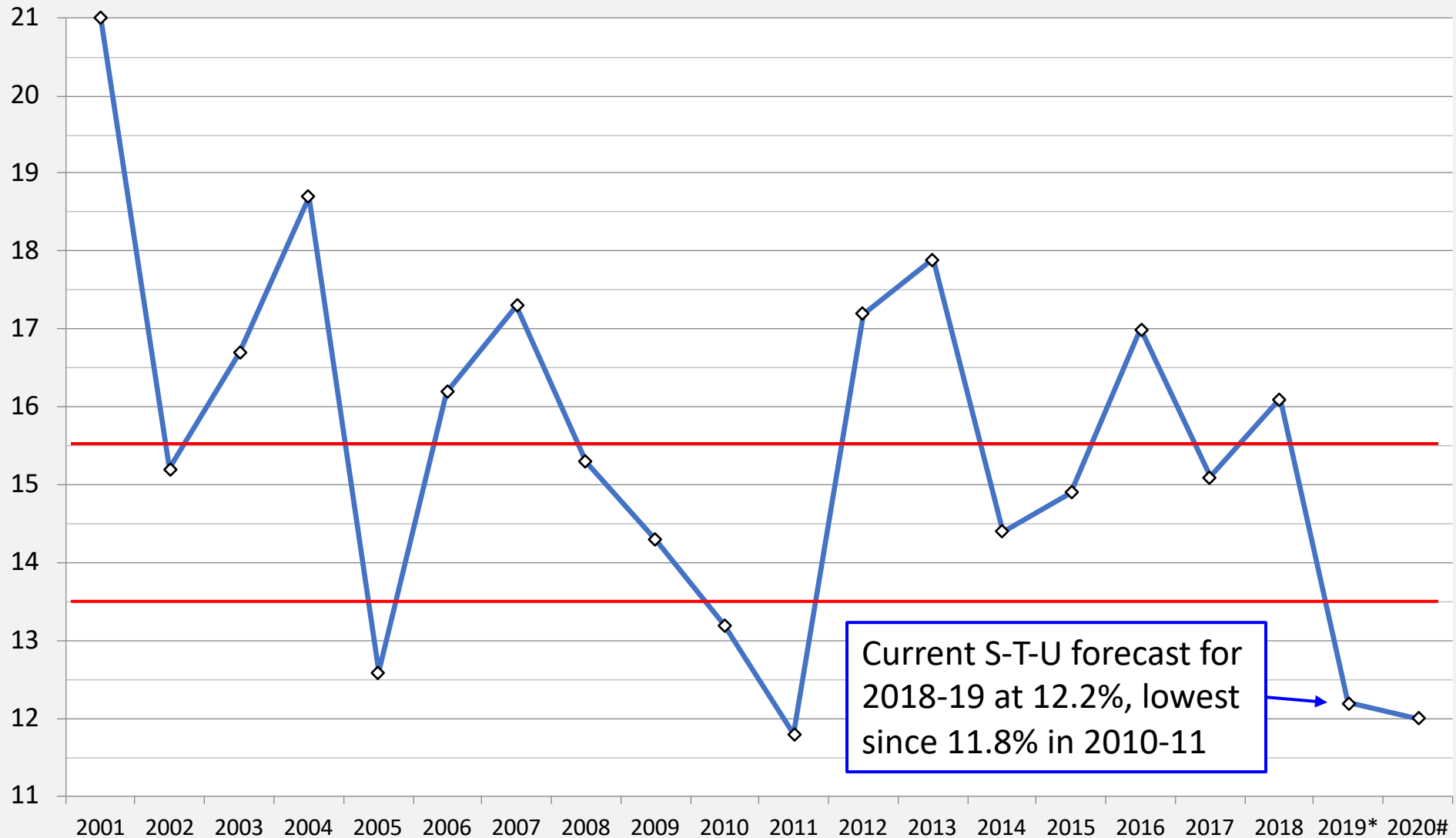
Two-year S-T-U ratios in per cent, beginning with first forecast in May for each marketing year.



Source: U.S.D.A.

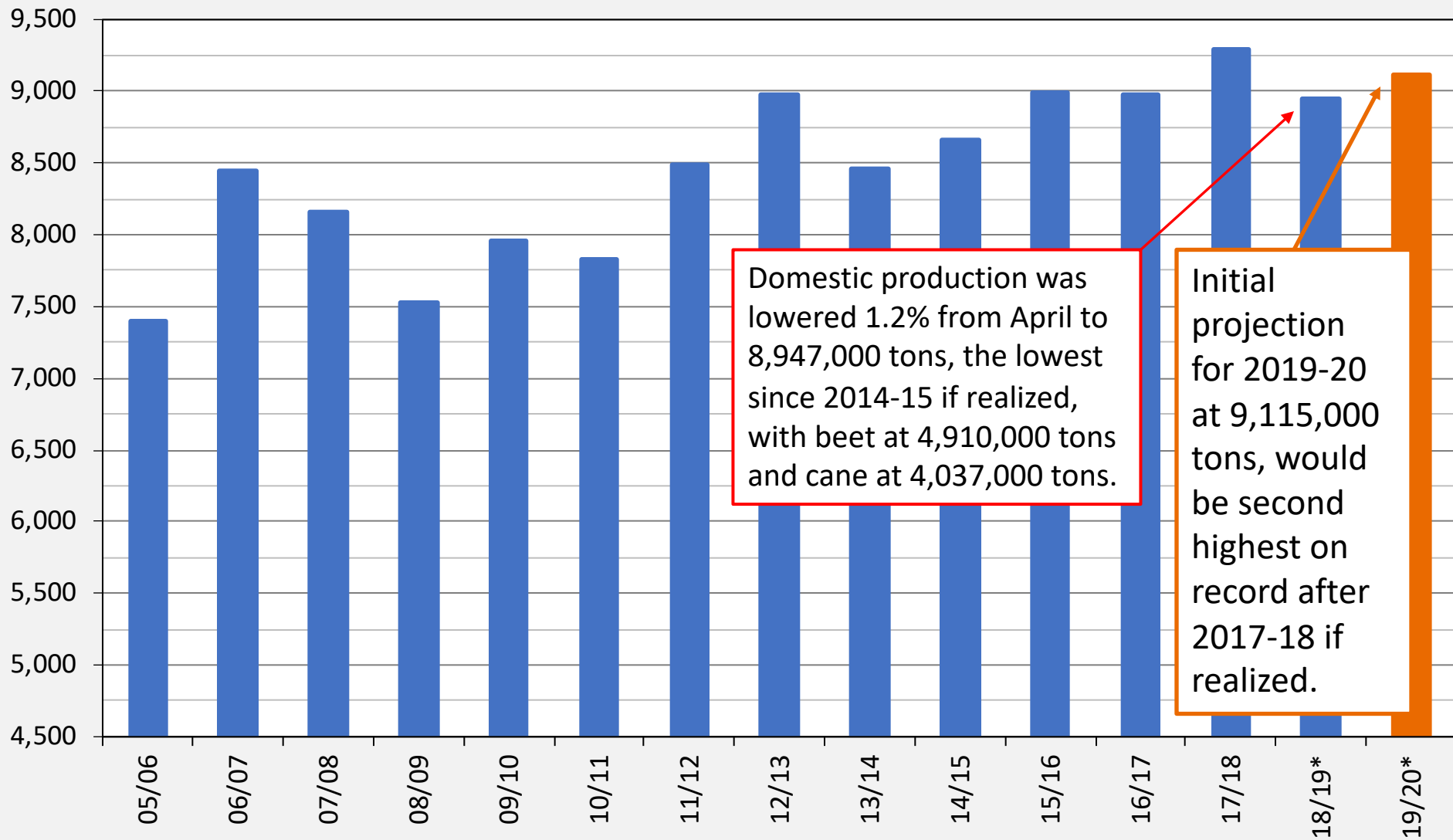
SUA May 2019: Annual S-T-U Ratios

In per cent, as of May 10. *Forecast; #Projected. Source: U.S.D.A.



SUA May 2019: U.S. Total Sugar Production

In 1,000 short tons, raw value. *Forecast as of May 10 WASDE. Source: U.S.D.A.

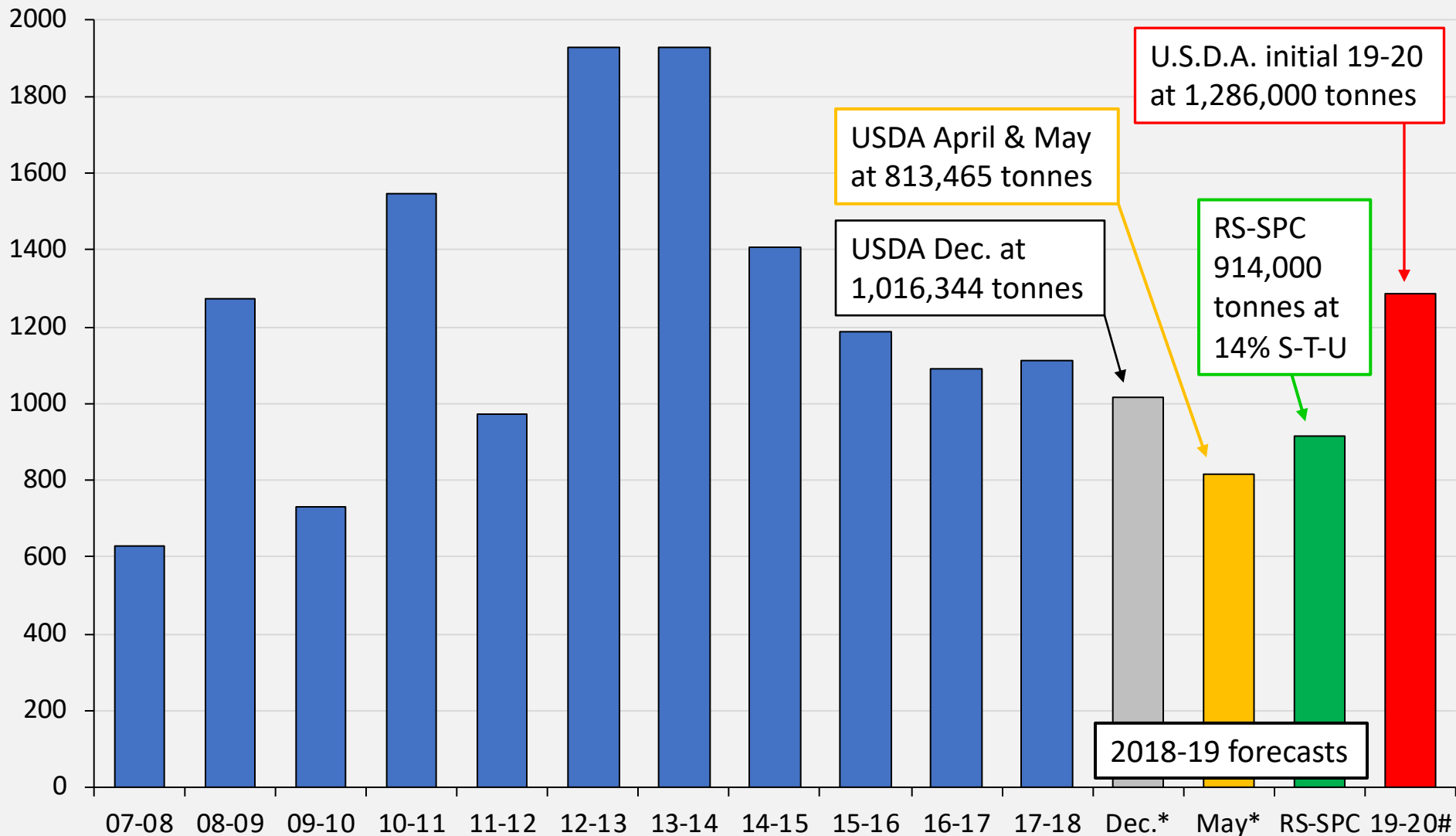


Domestic production was lowered 1.2% from April to 8,947,000 tons, the lowest since 2014-15 if realized, with beet at 4,910,000 tons and cane at 4,037,000 tons.

Initial projection for 2019-20 at 9,115,000 tons, would be second highest on record after 2017-18 if realized.

SUA May 2019: U.S. Imports from Mexico

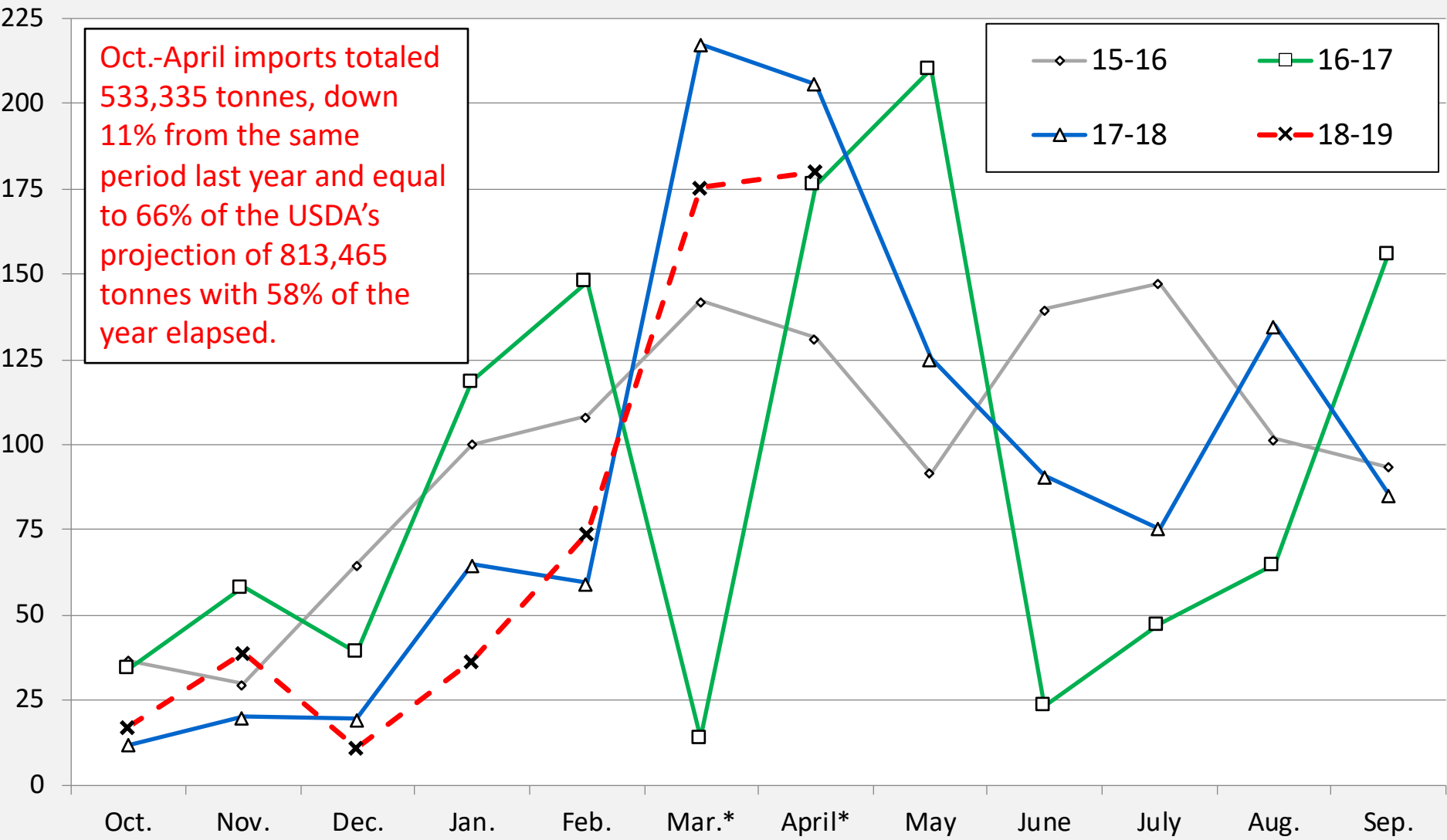
Annual, in 1,000 tonnes, raw value, as of May 10, 2019. *Forecast, #Projected.



Source: U.S.D.A.

SUA May 2019: U.S. Imports from Mexico

Monthly, in 1,000 tonnes, raw value. *March and April are U.S.D.A. forecasts for this year.

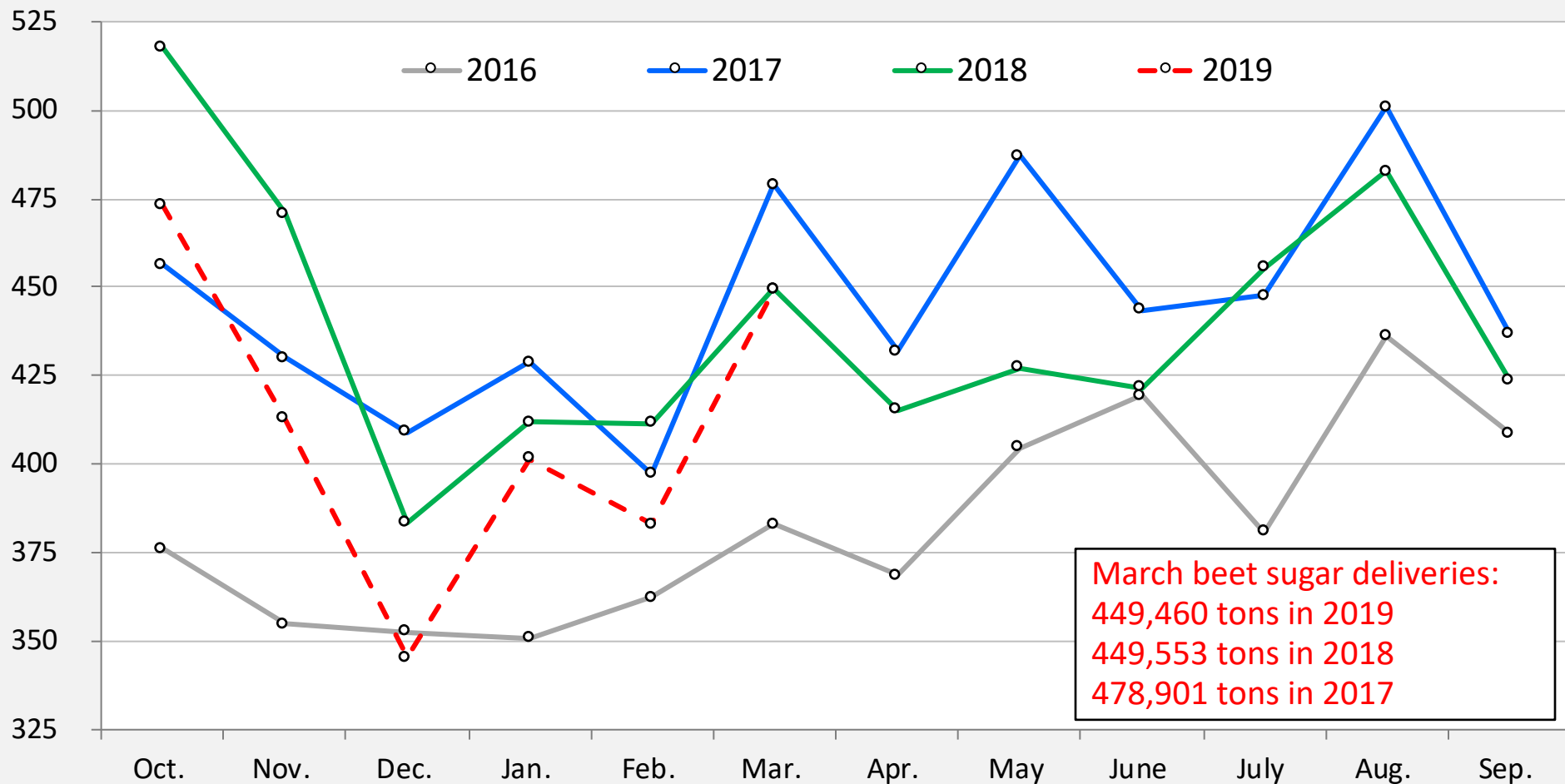


Sources: U.S.D.A. and U.S. Census Bureau



SUA May 2019: Beet Sugar Deliveries

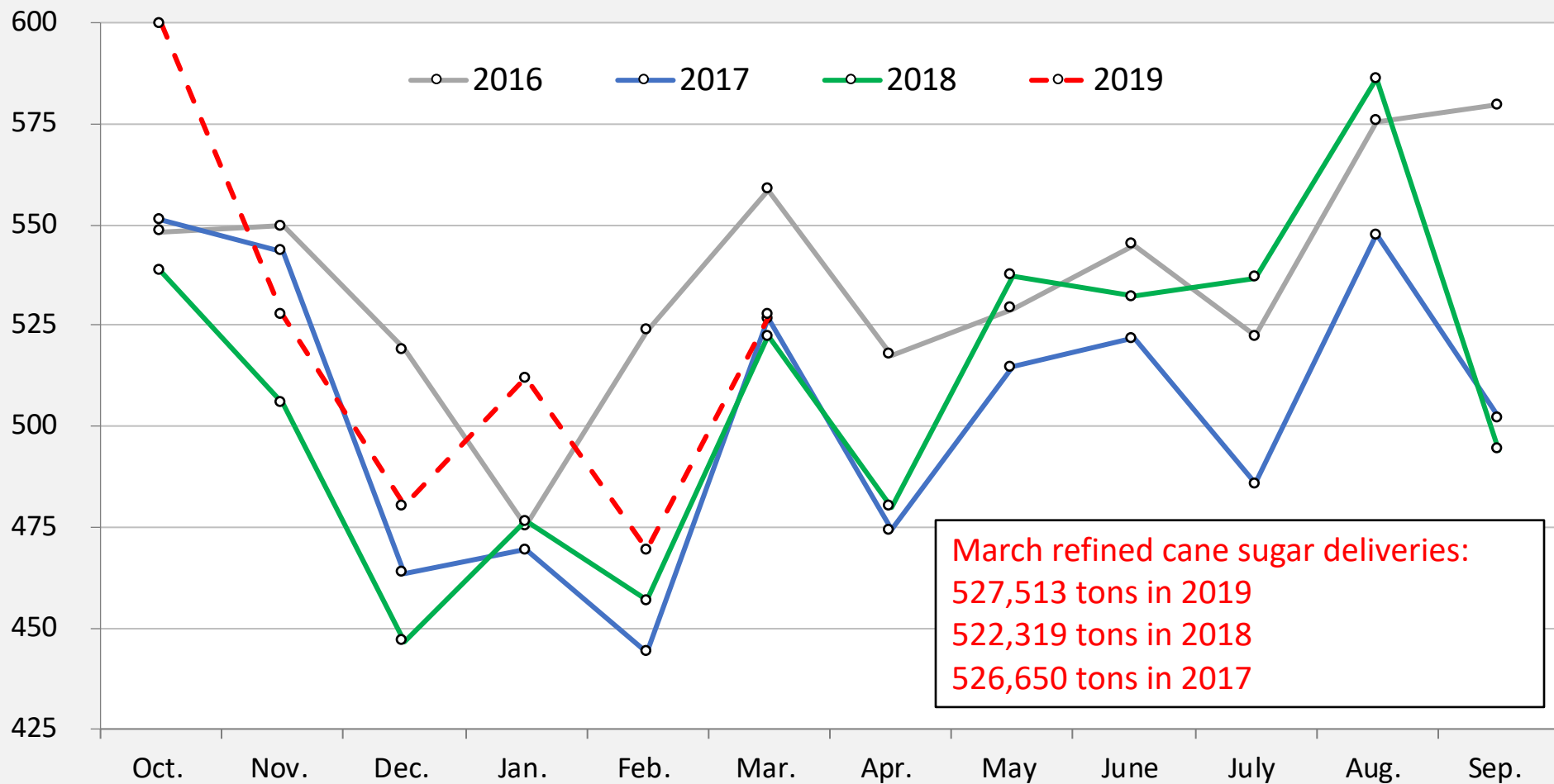
Monthly beet sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Beet sugar deliveries stronger in March (even with March 2018). Oct.-March deliveries averaged 411,000 tons per month, down 30,000 tons, or 7%, from the same period a year ago but slightly better than the 36,000 ton, or 8.2%, lag in Oct.-Feb.

SUA May 2019: Refined Cane Deliveries

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



Refined cane sugar deliveries also bounced in March and remained strong year to date. Oct.-March deliveries averaged 519,000 tons, up 28,000 tons, or 5.7%, from same period a year ago, though slightly down from the 33,000 ton, or 6.8%, lead in Oct.-Feb.

SUA May 2019: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	FY 2019	FY 2018	Per Cent
	<u>Oct.-Mar.</u>	<u>Oct.-Mar.</u>	<u>Change</u>
Total Deliveries/1 (actual weight)	5,259,434	5,277,327	-0.3
1-Bakery, cereal, and related products	1,207,282	1,212,254	-0.4
4-Confectionery and related products	595,525	586,250	1.6
6-Ice cream and dairy products	366,580	387,309	-5.4
7-Beverages	347,130	330,816	4.9
8-Canned, bottled and frozen foods	204,556	185,062	10.5
5-Multiple and all other food uses	555,977	602,972	-7.8
10-Non-food uses	78,412	62,787	24.9
11-Hotels, restaurants, institutions	42,027	47,846	-12.2
2-Wholesale grocers, jobbers, dealers	1,108,894	1,054,822	5.1
3-Retail grocers, chain stores	602,070	634,506	-5.1
12-Government agencies	6,572	6,275	4.7
9-All other deliveries	144,411	166,428	-13.2
Total Deliveries/1 (short tons, raw value)	5,627,595	5,646,740	-0.3
Crystalline:	4,898,315	4,917,781	-0.4
Consumer-size packages	1,105,583	1,146,559	-3.6
Packages 50 lbs and greater	1,446,255	1,429,407	1.2
Unpackaged (bulk)	2,346,477	2,341,814	0.2
Non-crystalline/2	729,280	728,960	0.0

Same six segments + and - thru March with bakery, retail showing smaller declines but dairy, multiple & other with larger declines.

Total deliveries improved from -0.4% Oct.-Feb. to -0.3% Oct.-Mar.

USDA still forecasting 0.6% increase.

Consumer & bulk slipped from March but 50-lb + bags improved.

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 May 2019: Mexico WASDE

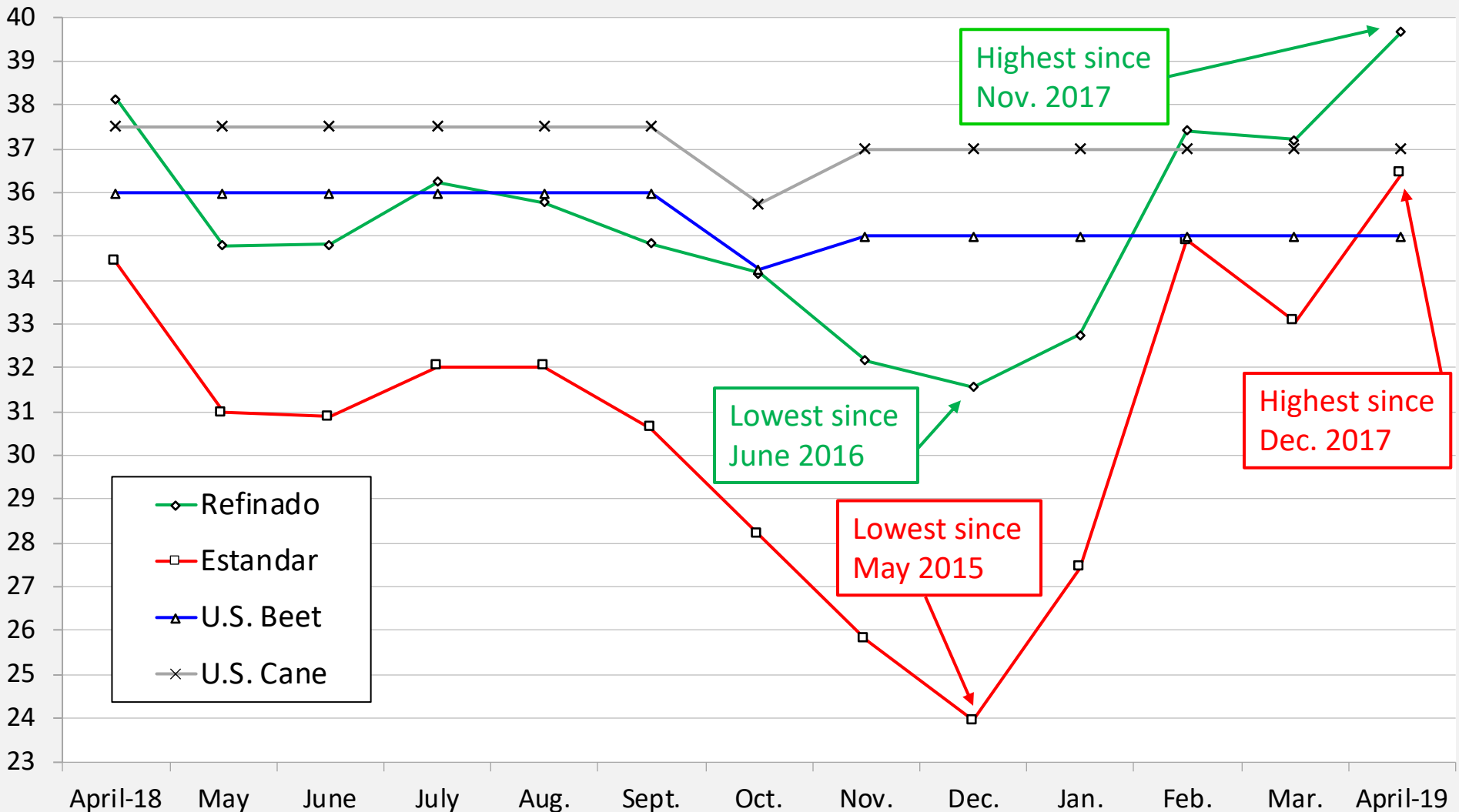
Source: U.S.D.A. May 10, 2019, WASDE.

<i>1,000 tonnes</i>	May	From	From	May	From
<i>Actual weight</i>	<u>18-19</u>	<u>April</u>	<u>17-18</u>	<u>19-20</u>	<u>18-19</u>
Begin. Stocks	1,395	-	393	995	(400)
Production	6,200	48	190	6,100	(100)
Imports	70	-	(134)	70	-
Total Supply	7,665	48	449	7,165	(500)
Exports	1,954	852	855	1,394	(560)
Domestic Use	4,716	(379)	(7)	4,776	60
Total Use	6,670	473	848	6,170	(500)
Ending Stocks	995	(425)	(400)	995	-
S-T-U (total)	14.9%	-8	-9.1	16.1%	+1.2
S-T-U (dom.)	21.1%	-6.8	-8.4	20.8%	-0.3

Significant changes from April to 2018-19 forecasts. Production up slightly. Exports raised 77% (to U.S. unchanged) on increase to third-country destinations under CEDES export certificate program. Domestic use lowered 7%, in line with 2017-18. Initial 2019-20 projections have lower exports, higher domestic use.

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

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



SUA May 2019: U.S.D.A. 2019-20 WASDE

<i>1,000 short tons</i>	May	May	Change from 18-19		RS-SPC
<i>raw value</i>	<u>18-29</u>	<u>19-20</u>	<u>Tons</u>	<u>%</u>	<u>19-20</u>
Begin. Stocks	2,008	1,505	(503)	-25.0%	1,750
Production	8,947	9,115	168	1.9%	9,010
Beet	4,910	5,114	204	4.1%	4,960
Cane	4,037	4,001	(36)	-0.9%	4,050
Imports	2,855	3,219	364	12.7%	3,233
T.R.Q.	1,538	1,381	(157)	-10.1%	1,573
Other Prog.	350	350	-	0.0%	350
Mexico	897	1,418	521	58.1%	1,260
High Tier	70	70	-	0.0%	50
Ttl Supply	13,810	13,839	29	0.2%	13,993
Exports	35	35	-	0.0%	35
Deliveries	12,270	12,320	50	0.4%	12,295
Food	12,125	12,175	50	0.4%	12,150
Other	145	145	-	0.0%	145
Misc.	-	-	-	-	-
Total Use	12,305	12,355	50	0.4%	12,330
Ending Stocks	1,505	1,484	(21)	-1.3%	1,663
Stocks-to-use	12.2%	12.0%	-0.2		13.5%

USDA's initial 12% S-T-U ratio for 2019-20 not a concern at this point as it has been the favored starting point the past couple of years.

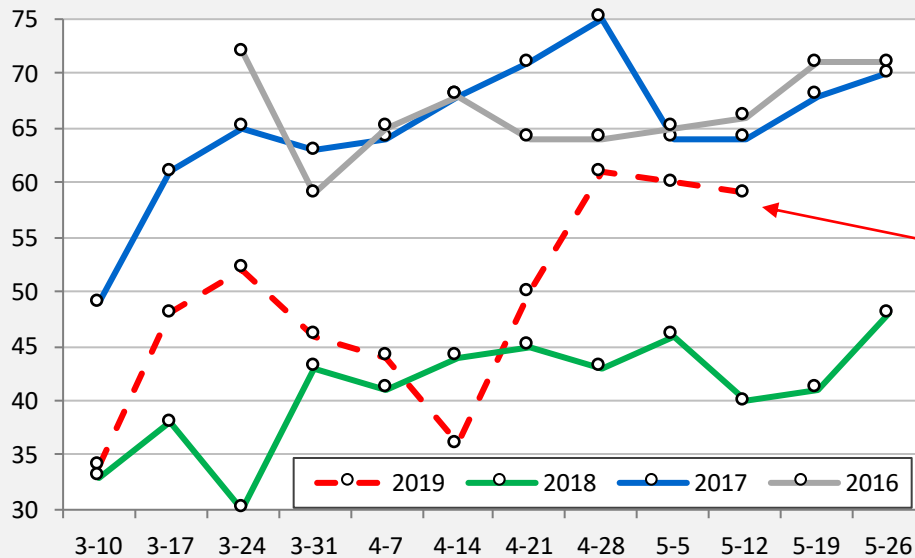
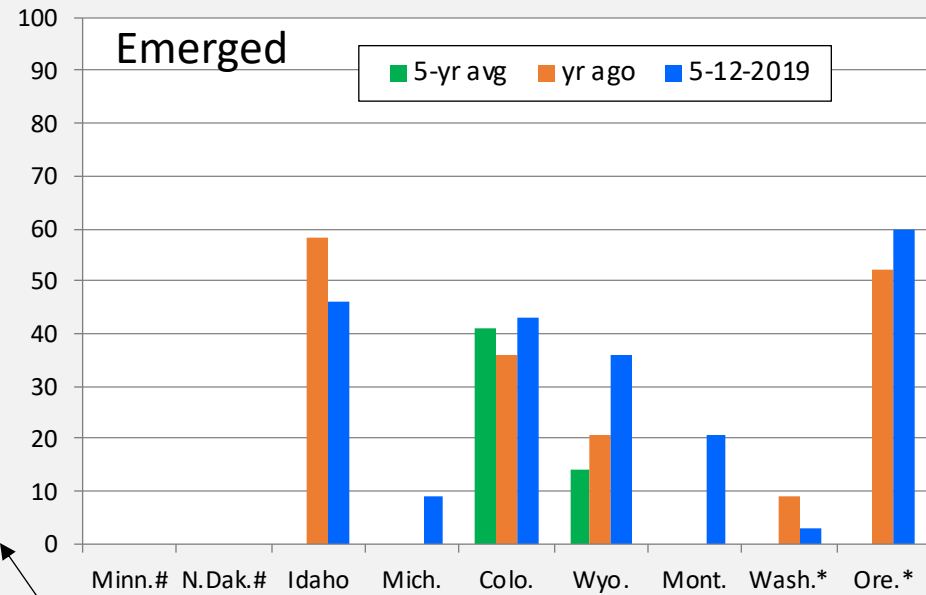
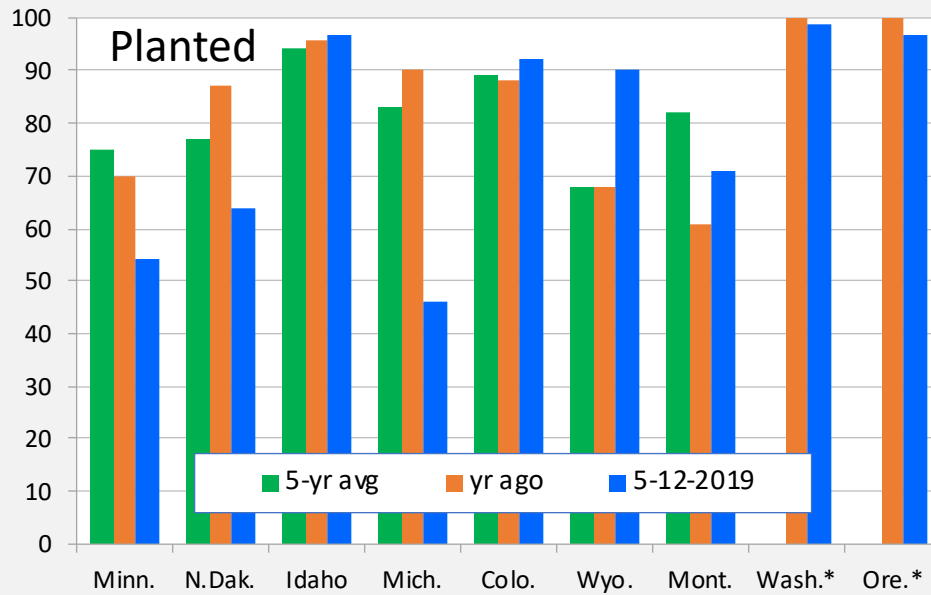
The RS-SPC column shows possible scenario to get S-T-U to 13.5%; not really what I am thinking yet.

The USDA will get to 13.5% in July & Sept.

Main concern for 2019-20 is whether Oct.-Dec. supply will be limited by late-planted/harvested beet crop.

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

In per cent, as of May 12. #Data not yet available, *5-year data not available. Source: U.S.D.A.



In the four largest sugar beet states, beets were 63% planted as of May 12 vs 81% last year and 80% as the 2014-18 average.

Louisiana good-to-excellent cane rating was 59% as of May 12 vs 40% at same time last year.

SUA May 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 43c 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 43c 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

- Impact on spot pricing from U.S.D.A. action; spot prices firmer in some areas with sugar hard to find (esp. in West). Limited business left to do.
- Pricing for 2019-20 has been steady with sales progressing slowly; some “protective” buying noted by larger users. Will supply increase for this year have impact on pricing for next year?
- The Crop Progress report showed strong planting gains as of May 12, with Michigan the greatest concern. Red River Valley should show strong progress this week. Focus shifting to summer weather.

SUA May 2019: New York #16 Raw Futures

ICE domestic raw sugar futures as of May 15, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFN19 (D10)	26.48 S	-0.04	26.55	26.50	26.48 S	3218	10	1:10:08 PM EDT - 05/15/19
ESFU19 (D10)	26.65 S	-0.10	26.60	26.60	26.65 S	3030	7	1:10:08 PM EDT - 05/15/19
ESFX19 (D10)	26.34 S	0.00			26.34 S	1653	0	1:10:08 PM EDT - 05/15/19
ESFF20 (D10)	26.10 S	0.00			26.10 S	760	0	1:10:08 PM EDT - 05/15/19
ESFH20 (D10)	26.20 S	0.00			26.20 S	550	0	1:10:08 PM EDT - 05/15/19
ESFK20 (D10)	26.25 S	0.00			26.25 S	503	0	1:10:08 PM EDT - 05/15/19
ESFN20 (D10)	26.30 S	0.00			26.30 S	246	0	1:10:08 PM EDT - 05/15/19
ESFU20 (D10)	26.35 S	0.00			26.35 S	229	0	1:10:08 PM EDT - 05/15/19
ESFX20 (D10)	26.40 S	0.00			26.40 S		0	1:10:08 PM EDT - 05/15/19
ESFF21 (D10)	26.40 S	0.00			26.40 S		0	1:10:08 PM EDT - 05/15/19
ESFH21 (D10)	26.40 S	0.00			26.40 S		0	1:10:08 PM EDT - 05/15/19

The nearby domestic raw sugar contract continues to trade at a slight discount to the second month and has dropped about 0.50c a lb since late April, trading around 26.50c a lb recently, but still in the upper half of its more-than-year-long trading range of 25c to 27c a lb. Overall, domestic raw futures are very flat through March 2021. Traders see 27c as the point above which high-tier imports become more attractive when the nearby world raw is at 13c or below, and under 27c with the nearby raw below 12c a lb as it is currently.

SUA May 2019: Global Sugar Overview

- **Global supply/demand**
 - Multiple new forecasts for small to modest global deficit for 2019-20 out of New York Sugar Week as lower production in Asia (India and Thailand) more than offsets gains in Brazil and Europe.
 - Recent futures activity mostly spec or outside market driven.
- **Brazil**
 - Harvest is underway slowly with focus on ethanol. Mixed ideas on sugar/ethanol mix, but trend leaning back toward ethanol with “parity” in 13c to 14c a lb range for sugar.
- **India still critical**
 - Production expected record high this year, sending carryover stocks to record levels; large stocks keeping lid on world prices as subsidized exports will increase if prices rise much above 13c.
- **Pricing**
 - World raws hovering just below 12c recently, but with strong carry in later months and into the next two years.

SUA May 2019: New York #11 Raw Futures

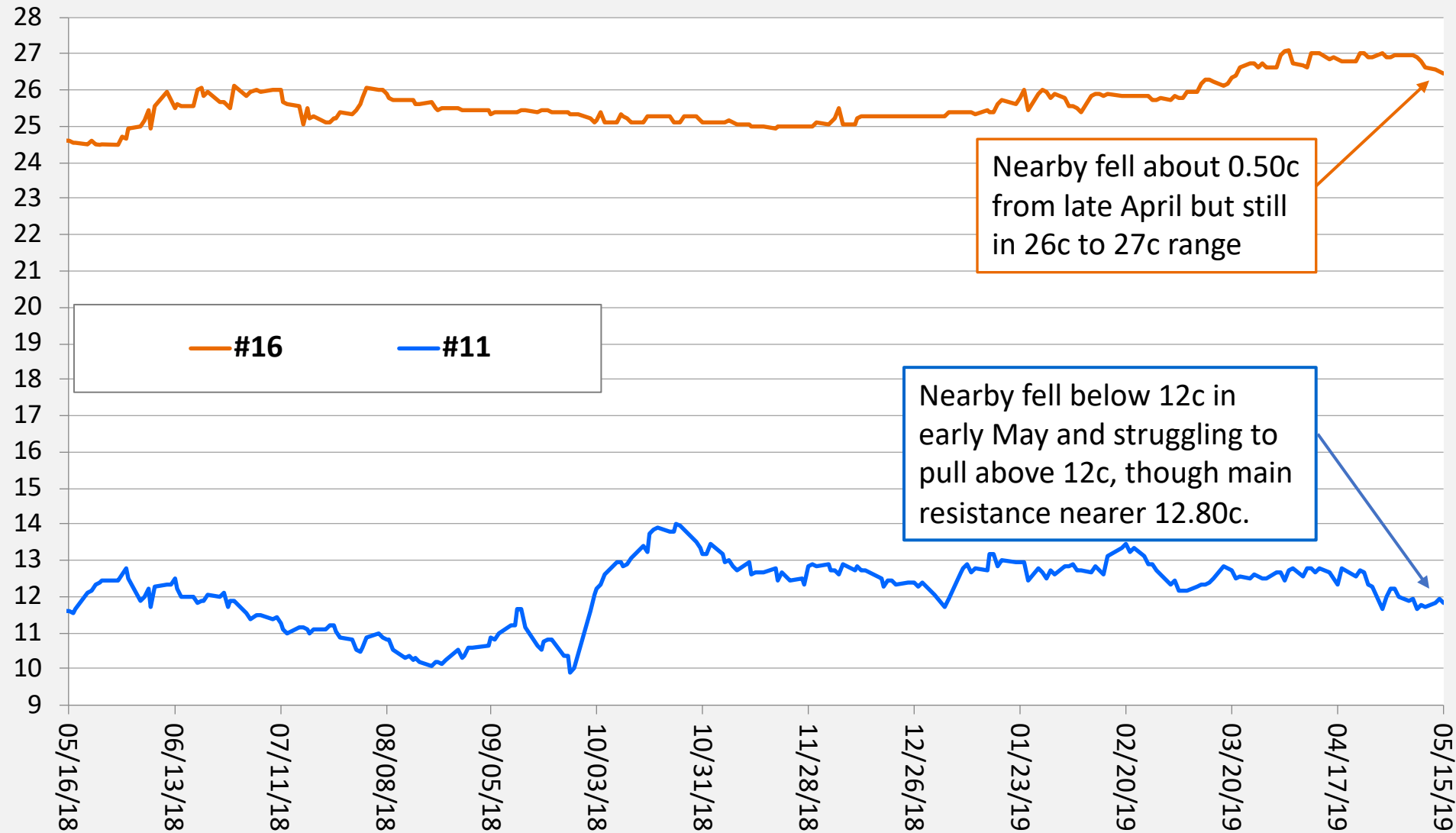
ICE world raw sugar futures as of May 15, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBN19 (D10)	11.85 S	-0.09	12.06	11.77	11.85 S	448814	61016	1:00:19 PM EDT - 05/15/19
ESBV19 (D10)	12.19 S	-0.07	12.37	12.11	12.19 S	262742	30325	1:00:19 PM EDT - 05/15/19
ESBH20 (D10)	13.17 S	-0.09	13.36	13.10	13.17 S	170375	10489	1:00:19 PM EDT - 05/15/19
ESBK20 (D10)	13.31 S	-0.10	13.51	13.23	13.31 S	39707	2573	1:00:19 PM EDT - 05/15/19
ESBN20 (D10)	13.45 S	-0.10	13.64	13.38	13.45 S	32265	648	1:00:19 PM EDT - 05/15/19
ESBV20 (D10)	13.65 S	-0.11	13.77	13.58	13.65 S	30981	213	1:00:19 PM EDT - 05/15/19
ESBH21 (D10)	14.17 S	-0.11	14.26	14.10	14.17 S	15677	78	1:00:19 PM EDT - 05/15/19
ESBK21 (D10)	14.18 S	-0.11			14.18 S	2101	2	1:00:19 PM EDT - 05/15/19
ESBN21 (D10)	14.20 S	-0.11			14.20 S	2099	2	1:00:19 PM EDT - 05/15/19
ESBV21 (D10)	14.32 S	-0.11			14.32 S	1166	0	1:00:19 PM EDT - 05/15/19
ESBH22 (D10)	14.64 S	-0.11			14.64 S	217	0	1:00:19 PM EDT - 05/15/19

The nearby world raw future slipped below its months-long trading range of 12c to 13c a lb in early May and has struggled to pull above 12c largely due to record-high stocks in India, some of which may be exported. But forecasts for lower sugar production in Asia, a slow start to Brazil's cane harvest and a forecast modest deficit in 2019-20 have provided support, especially in forward months that see about a 1c to 2½ a lb carry through 2021. The ethanol "parity" of 13c to 14c a lb in Brazil will make it difficult to pull much above 14c.

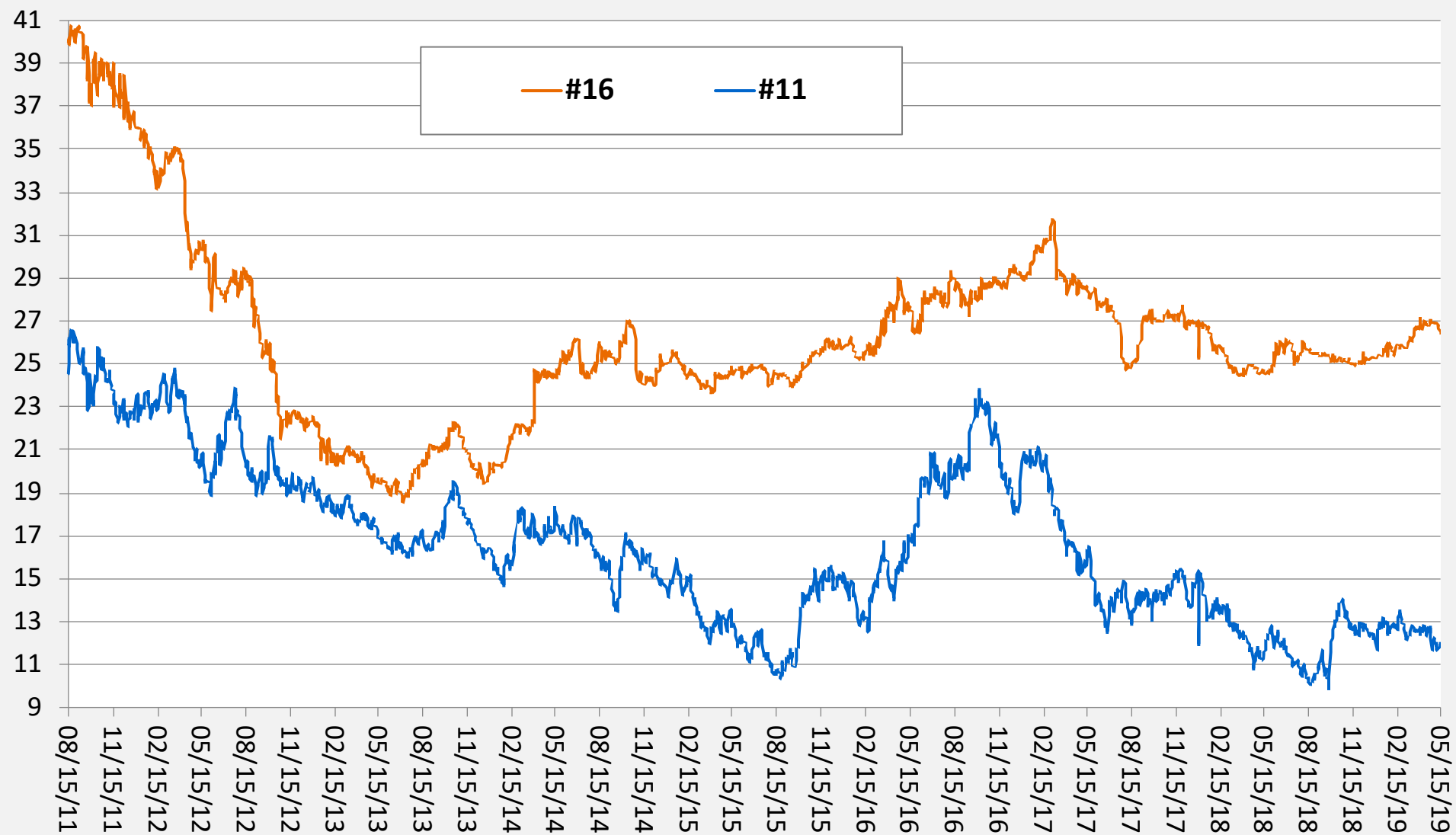
SUA May 2019: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of May 15, 2019.



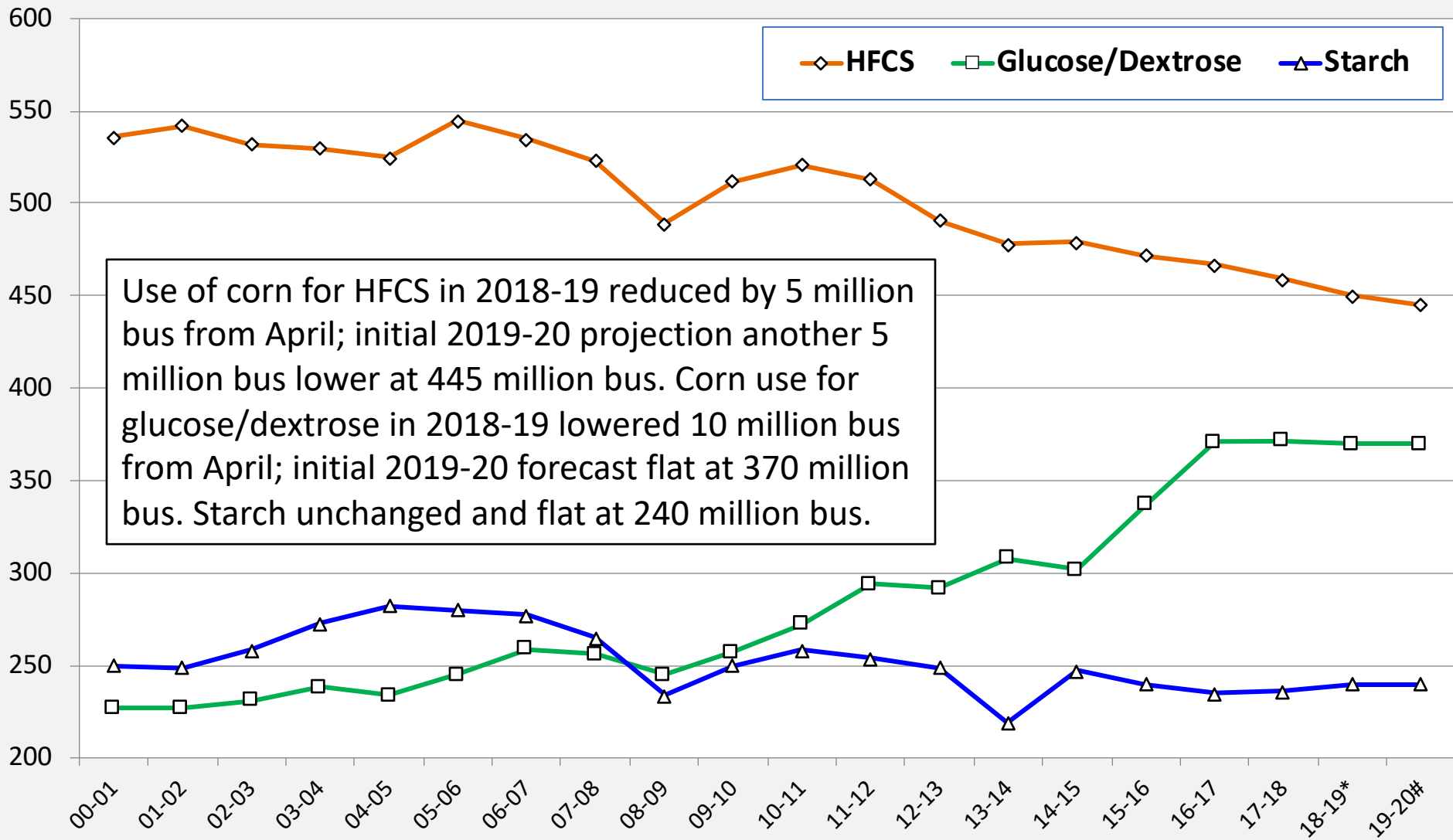
SUA May 2019: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, almost 8 years.



SUA May 2019: Corn Used for Sweeteners

In million bus. *Forecast; #Projected. Source: U.S.D.A.



SUA May 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 production/use in U.S. (reduced use of corn for sweeteners in May WASDE).

Oct.-Mar. HFCS consumption in Mexico was 5.6% below year-ago level. USDA in May lowered 2018-19 forecast HFCS consumption in Mexico by 2.25% from April (down 4.6% from 2017-18) and projected 2019-20 consumption flat with 2018-19 at 1,520,000 tonnes, dry basis.

Floods affected U.S. production, shipments in March-April.

ADM to “repurpose” Marshall, Minn., plant to starch.

Spot market mostly quiet.

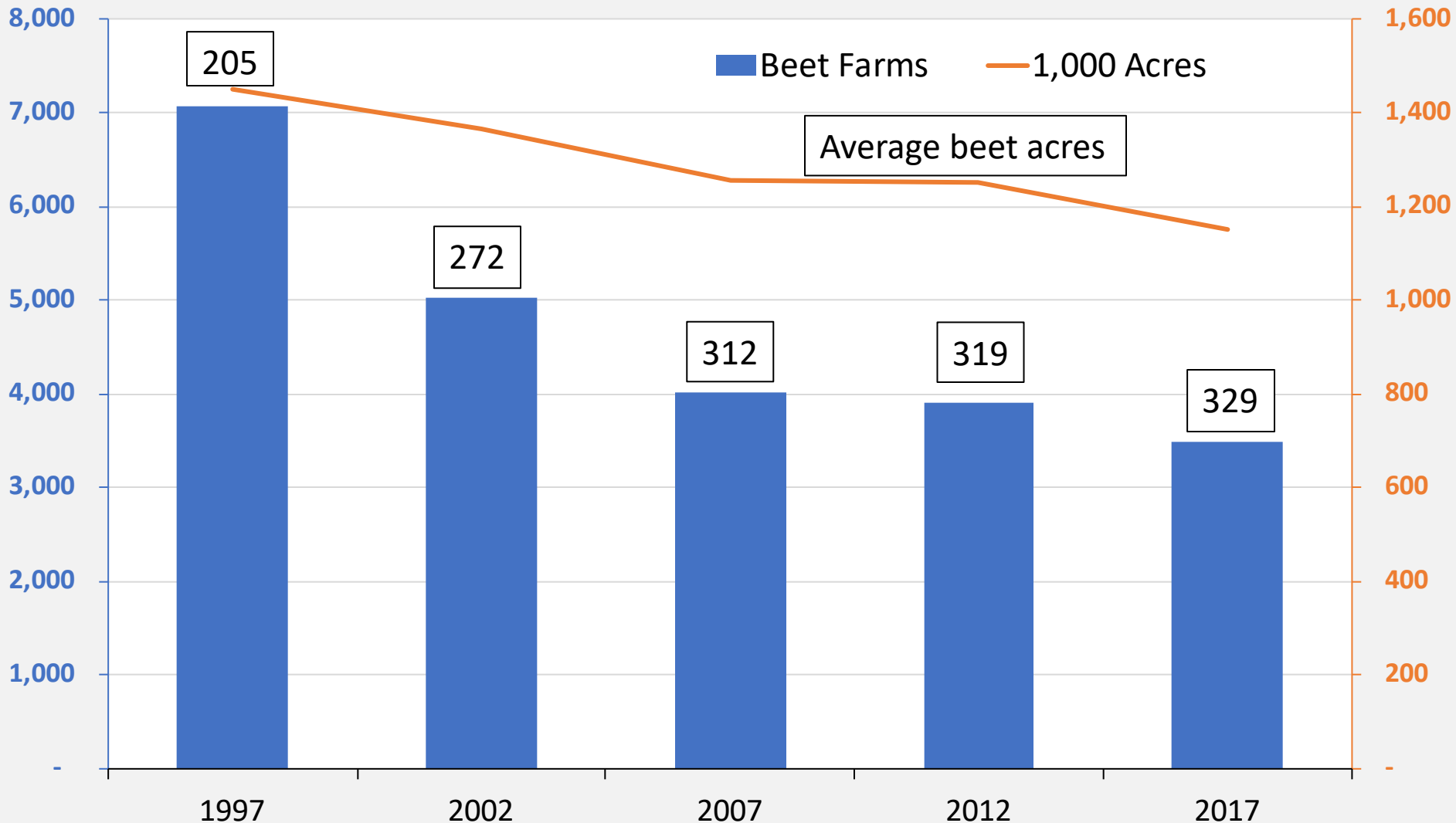
Use of corn for glucose/dextrose in 2018-19 was lowered by 10 million bus from April in May WASDE; projected flat in 2019-20.

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

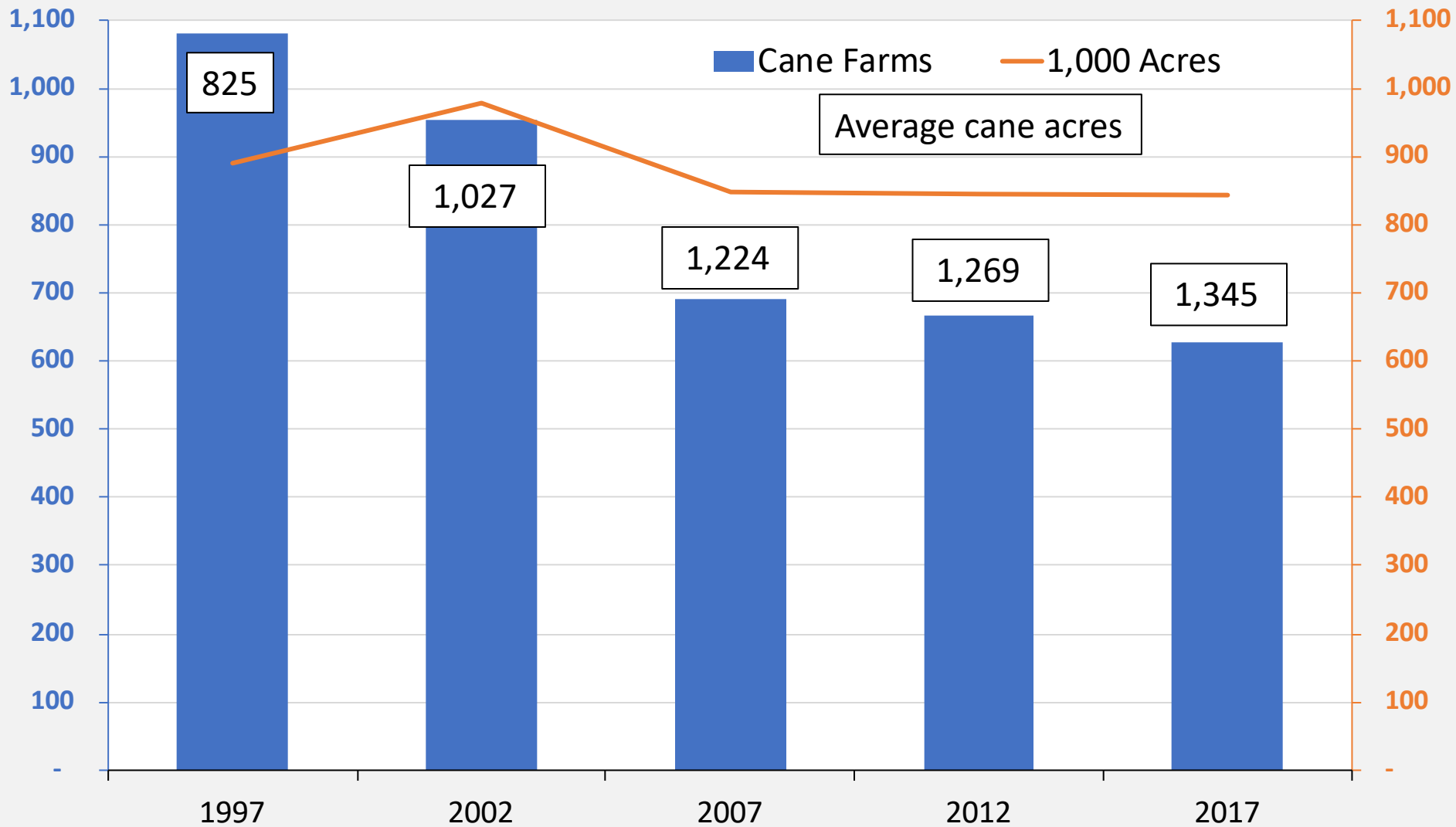
SUA May 2019: Sugar Beet Farms and Acres

Source: U.S.D.A. 2017 Census of Agriculture.



SUA May 2019: Sugar Cane Farms and Acres

Source: U.S.D.A. 2017 Census of Agriculture.



SUA May 2019: Other Issues & Trends

- **Weather** – Pressure from late planting easing; now watching for warm summer (heating degree days) for crop to “catch up.”
- **Trade** –USMCA ratification? Talks with China have taken step back with potential impact on sweeteners. Other regions: Japan, E.U.
- **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.
- **Added Sugars** – Still making changes in some cases.
- **Sugar Taxes** – Philadelphia study.

SUA May 2019: Conclusions

■ Domestic Sugar Market

- Spot beet and refined cane sugar prices are steady to firmer.
- Beet processors are comfortably sold or sold out.
- Deliveries remain slow for beet sugar, strong for cane sugar.
- Supplies are very tight for rest of 2018-19 with S-T-U ratio at 12.2%; unsustainable and below 13.5% to 15.5% target range.
- Mexico has sugar to export; would rather sell to U.S. than to other countries or deliver on futures market.
- Offers for 2019-20 are flat with spot prices and unchanged from month ago; sales have been slow but inquiries active.
- Weather is key factor for sugar beet crop through summer.

■ Global Sugar Market

- The market is shifting from surplus to deficit; harvest underway in Brazil; Asian production expected lower in 2019-20; firmer prices going forward but struggling nearby.