

# **Sweetener Users Association Conference Call Update**

June 14, 2019

Ron Sterk  
Sosland Publishing Company  
[rsterk@sosland.com](mailto:rsterk@sosland.com)

# SUA June 2019: Presentation Overview

- **Domestic Sugar Market**
  - Supply/Imports (supply very tight this year)
  - Demand/Deliveries
  - Cash and Futures Prices (nearby cash steady, next year steady to weaker)
- **Global Sugar Market**
  - Brazil harvest gaining momentum
  - India still with heavy stocks
  - Global raw sugar prices firmer but upside constrained
  - Modest global deficit expected in 2019-20
- **Corn Sweetener Market**
  - U.S. production and demand (continues to slip)
  - Mexico HFCS consumption still lagging year ago
  - Higher prices can be expected in 2020
- **Other Issues with Impact on Sweeteners**
- **Conclusions**
- **Questions**

## U.S. Market Overview

- **2018-19: WASDE**
  - S-T-U ratio increased slightly but stocks still quite tight
  - Spot prices steady
  - Deliveries in April showed seasonal decline but remain strong
  - Imports to date still running ahead of projections
- **2019-20: WASDE**
  - S-T-U ratio at 12.4% for next year not a concern yet
  - Focus on summer weather for late beet crop
  - Beet sugar prices for next year have softened
- **HFCS supply/demand.**
  - Higher prices in 2020 already in the mix?
  - Mexican HFCS consumption down about 5%.

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

| 1,000 short tons<br>raw value | June         | Change from May |             | Change from 17-18 |               | RS-SPC       |
|-------------------------------|--------------|-----------------|-------------|-------------------|---------------|--------------|
|                               | 18-19        | Tons            | %           | Tons              | %             | 18-19        |
| Begin. Stocks                 | 2,008        | -               | 0.0%        | 132               | 7.0%          | 2,008        |
| Production                    | 8,948        | 1               | 0.0%        | (345)             | -3.7%         | 8,955        |
| Beet                          | 4,920        | 10              | 0.2%        | (359)             | -6.8%         | 4,925        |
| Cane                          | 4,028        | (9)             | -0.2%       | 14                | 0.3%          | 4,030        |
| Imports                       | 2,875        | 20              | 0.7%        | (402)             | -12.3%        | 3,033        |
| T.R.Q.                        | 1,538        | -               | 0.0%        | (125)             | -7.5%         | 1,638        |
| Other Prog.                   | 350          | -               | 0%          | 24                | 7.4%          | 350          |
| Mexico                        | 897          | -               | 0%          | (326)             | -26.7%        | 957          |
| <b>High Tier</b>              | <b>90</b>    | <b>20</b>       | <b>29%</b>  | <b>26</b>         | <b>40.6%</b>  | <b>90</b>    |
| Ttl Supply                    | 13,831       | 21              | 0.2%        | (614)             | -4.3%         | 13,996       |
| 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       |
| <b>Ending Stocks</b>          | <b>1,526</b> | <b>21</b>       | <b>1.4%</b> | <b>(482)</b>      | <b>-24.0%</b> | <b>1,716</b> |
| <b>Stocks-to-use</b>          | <b>12.4%</b> | <b>+0.2</b>     |             | <b>-3.7</b>       |               | <b>14.0%</b> |

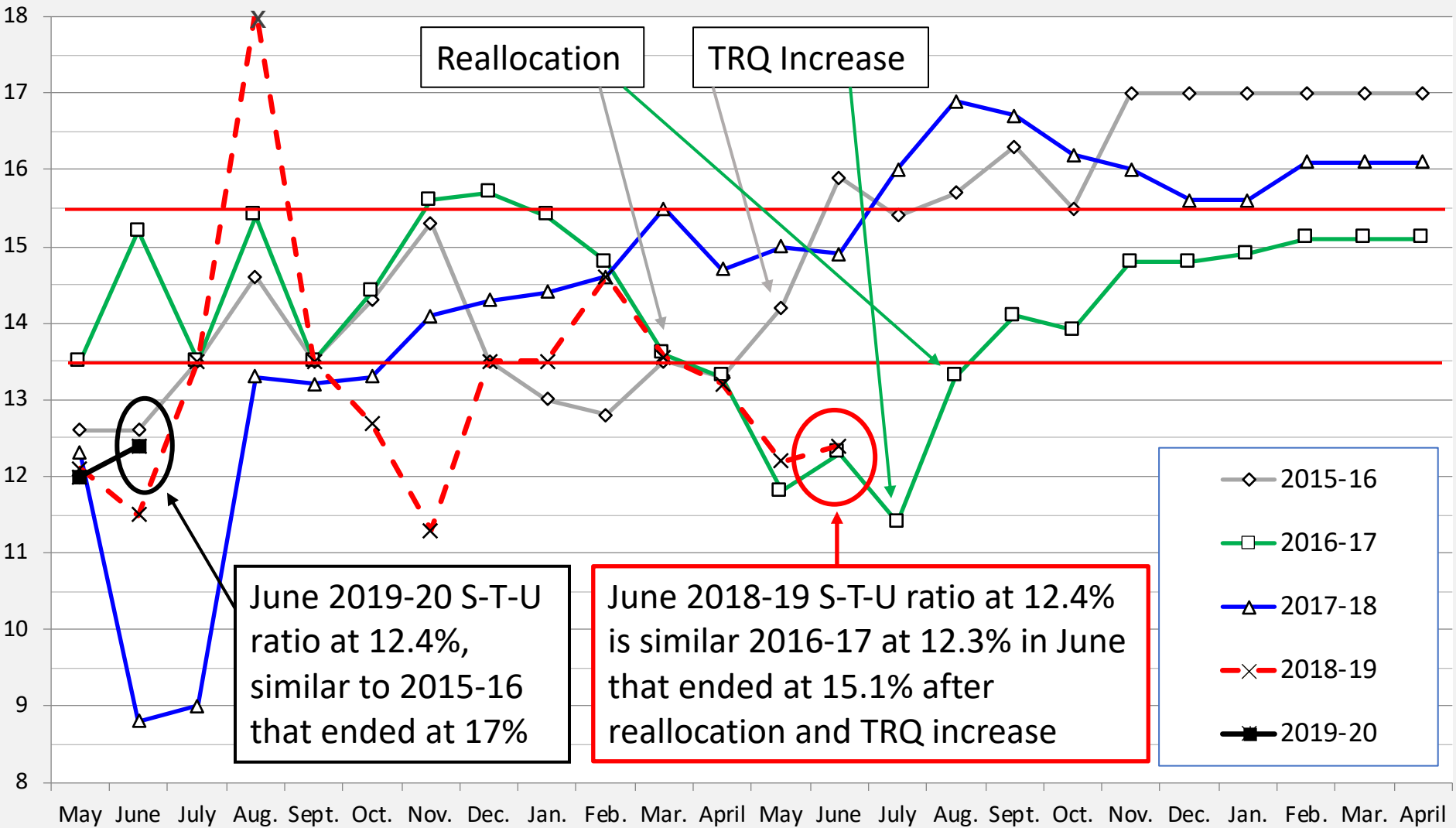
Only news in 2018-19 numbers was 20,000 ton increase in high tier. S-T-U at 12.4% still unsustainable. Production estimates closer to being set. Deliveries are main question going forward.

I'm still at 14% S-T-U with 100,000 tons more from TRQ reallocation and 60,000 tons more from Mexico, with my deliveries still slightly below USDA.

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

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

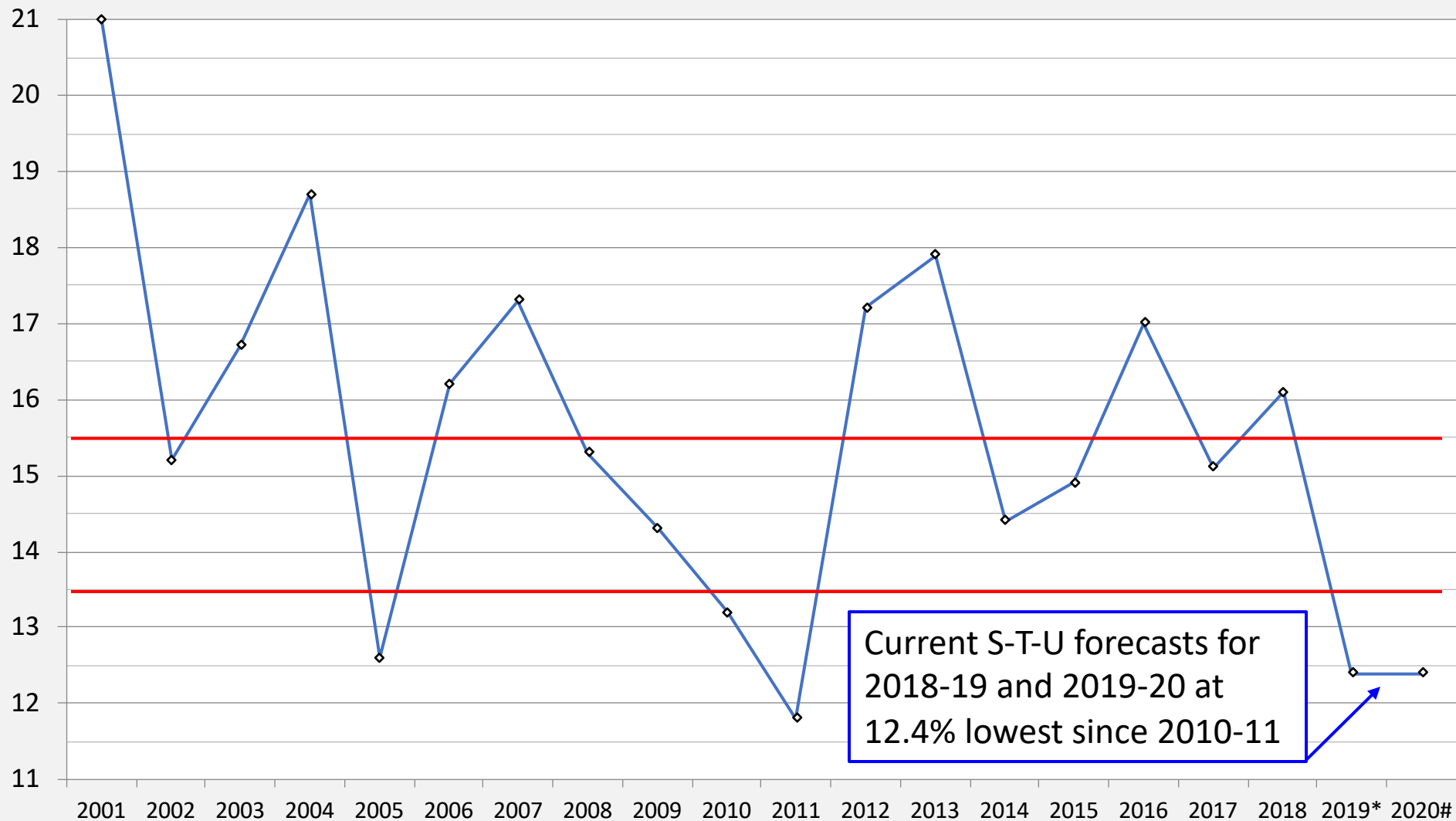
Two-year S-T-U ratios in per cent, beginning with first forecast in May for each marketing year.



Source: U.S.D.A.

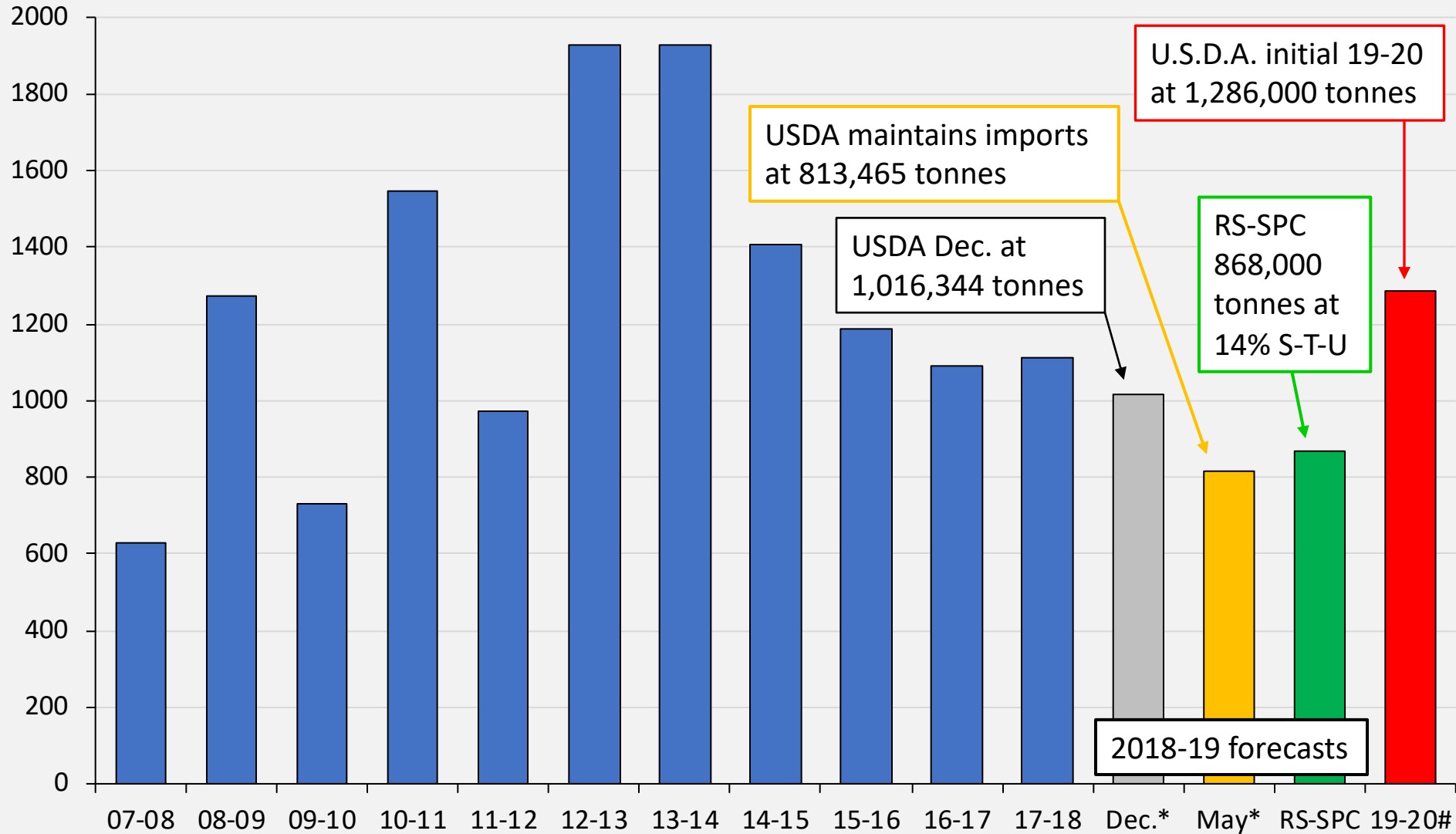
# SUA June 2019: Annual S-T-U Ratios

In per cent, as of June 11 WASDE. \*Forecast; #Projected. Source: U.S.D.A.



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

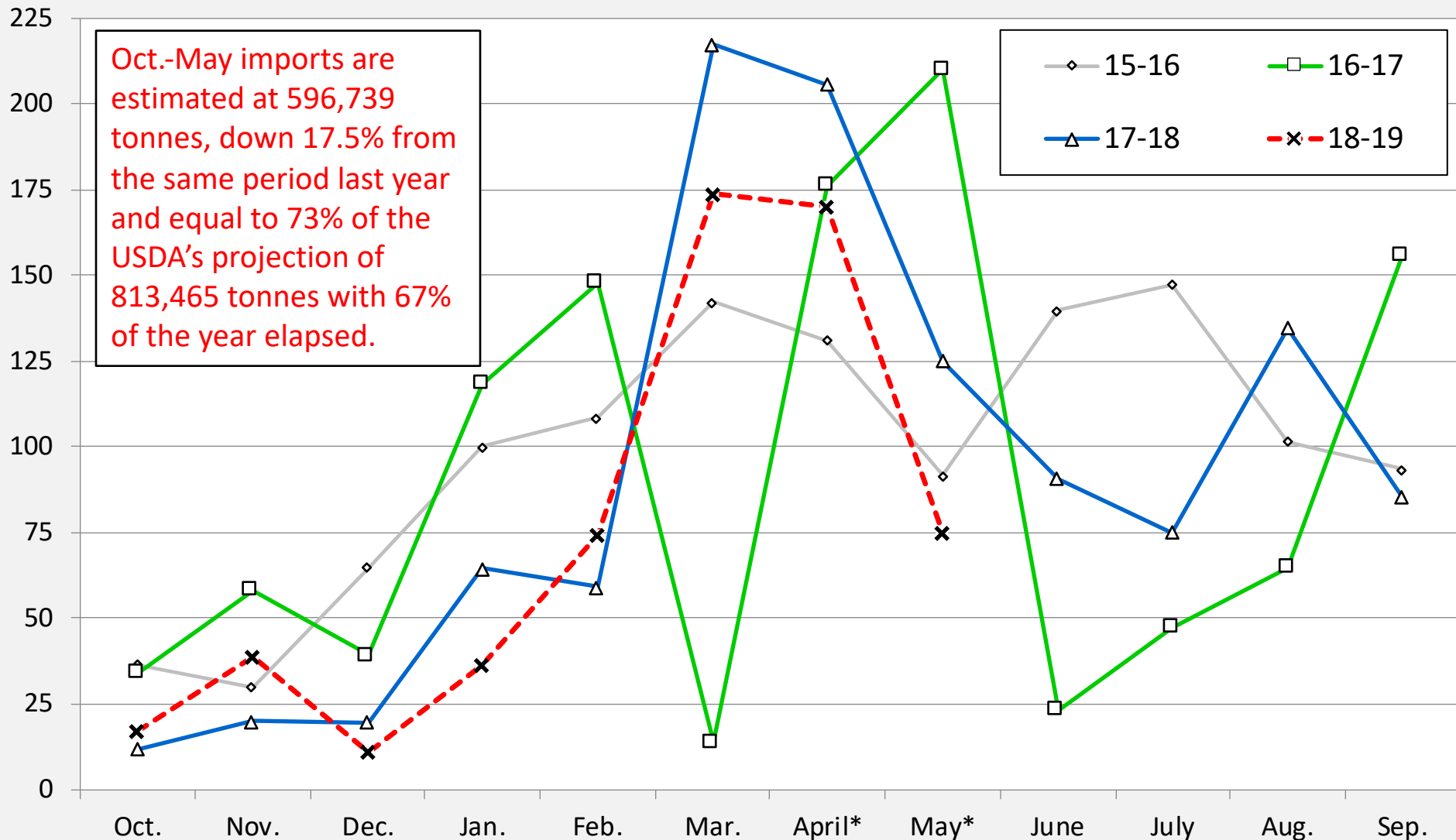
Annual, in 1,000 tonnes, raw value, as of June 11, 2019. \*Forecast, #Projected.



Source: U.S.D.A.

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

Monthly, in 1,000 tonnes, raw value. \*April and May are U.S.D.A. forecasts for 2018-19.

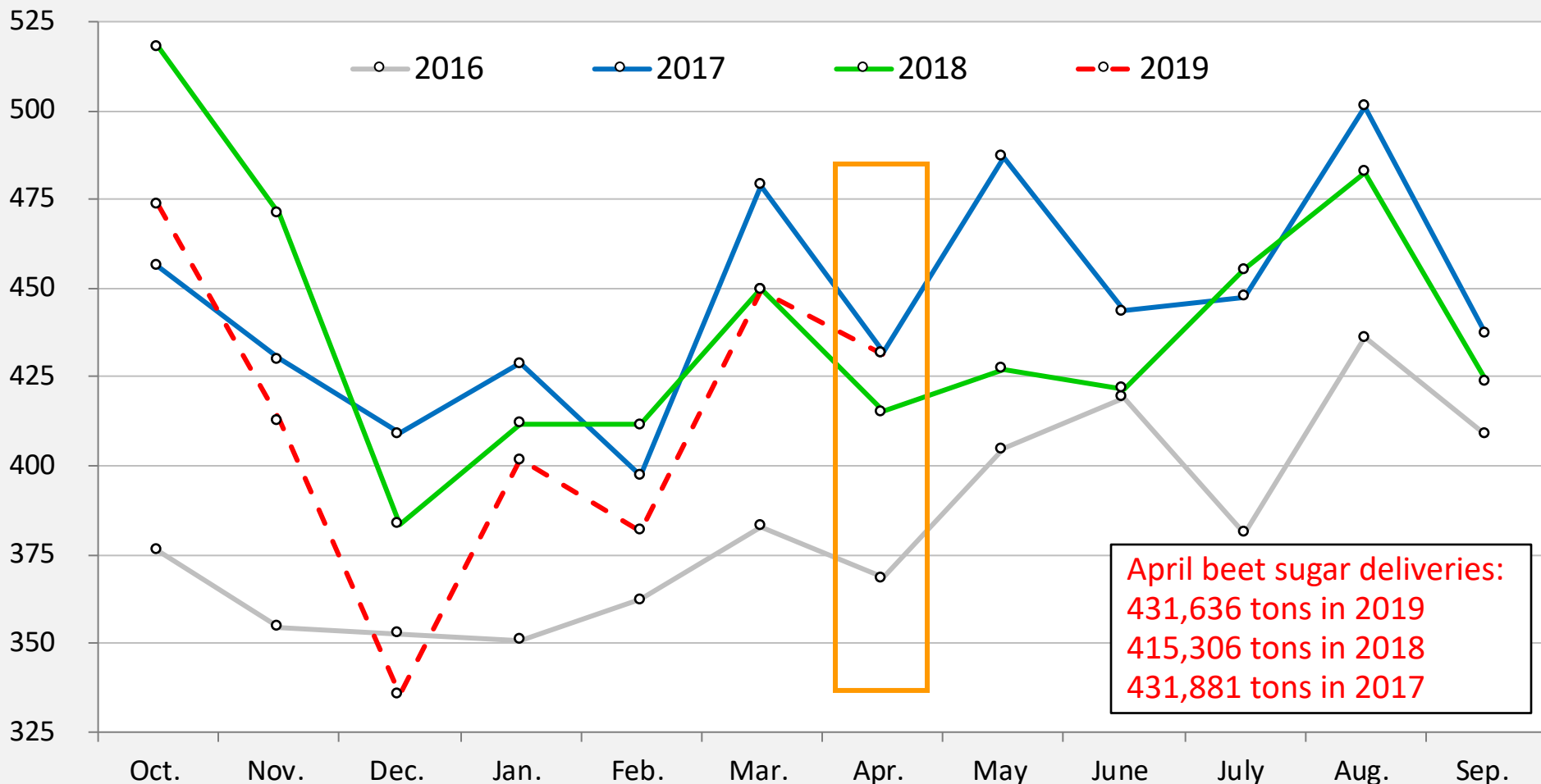


Sources: U.S.D.A. and U.S. Census Bureau



# SUA June 2019: Beet Sugar Deliveries

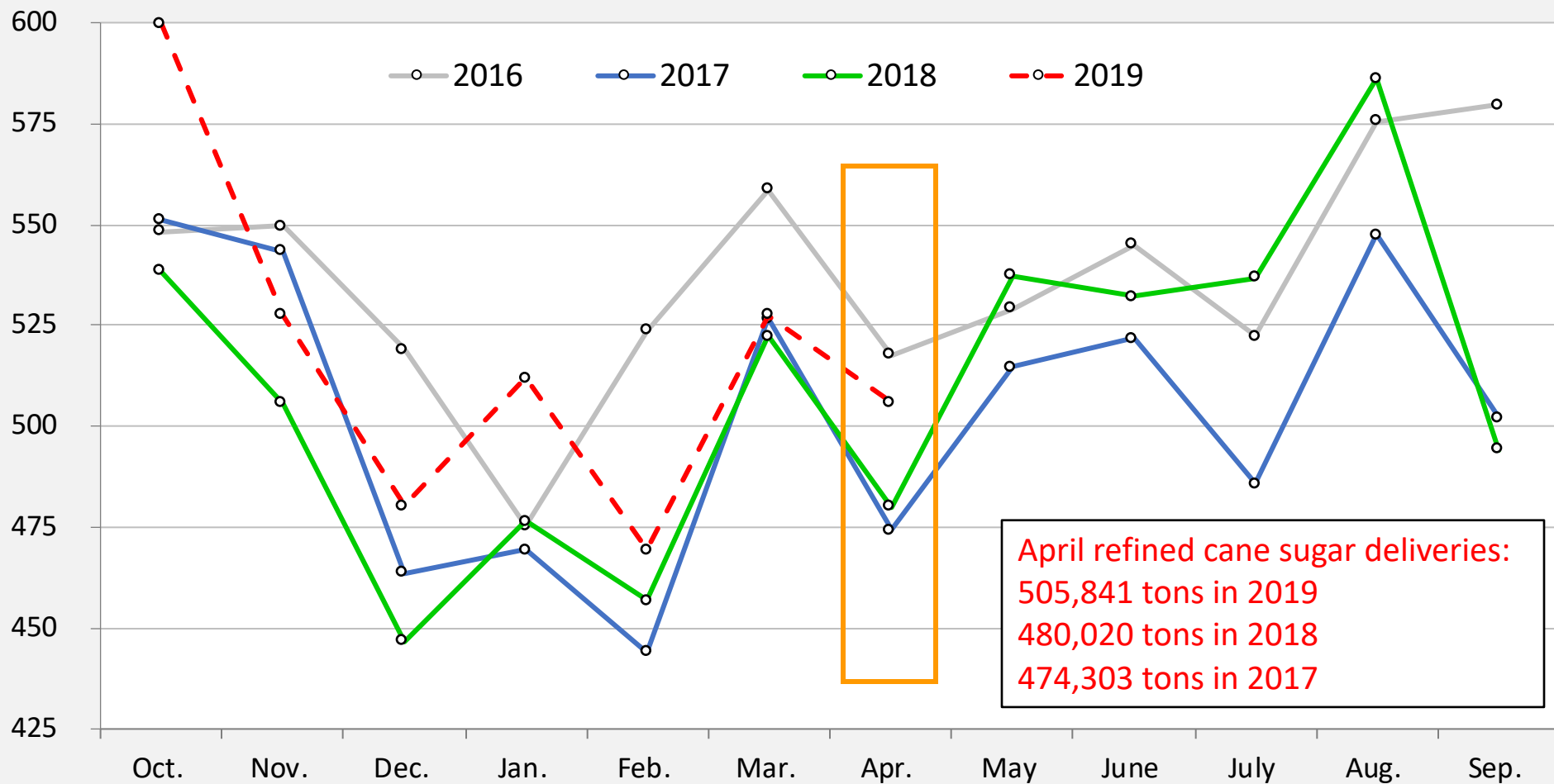
Monthly beet sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Beet sugar deliveries eased seasonally in April but were up 4% from a year ago. October-April deliveries averaged 412,000 tons per month, down 25,000 tons, or 5.7%, from the same period a year ago but were slowly catching up as the year progresses.

# SUA June 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 declined seasonally in April but were up 5% from a year ago. October-April deliveries averaged 517,000 tons per month, up 28,000 tons, or 5.7%, from same period a year ago.

# SUA June 2019: Deliveries for Human Use

| <u>PRODUCT OR BUSINESS OF BUYER</u>               | FY 2019           | FY 2018           | Per Cent      |
|---|-------------------|-------------------|---------------|
|   | <u>Oct.-April</u> | <u>Oct.-April</u> | <u>Change</u> |
| <b>Total Deliveries/1</b> (actual weight)         | 6,134,149         | 6,130,005         | 0.1           |
| 1-Bakery, cereal, and related products            | 1,416,860         | 1,417,434         | 0.0           |
| 4-Confectionery and related products              | 696,819           | 685,115           | 1.7           |
| 6-Ice cream and dairy products                    | 428,031           | 453,064           | -5.5          |
| 7-Beverages                                       | 405,713           | 390,478           | 3.9           |
| 8-Canned, bottled and frozen foods                | 237,064           | 212,283           | 11.7          |
| 5-Multiple and all other food uses                | 648,924           | 698,404           | -7.1          |
| 10-Non-food uses                                  | 90,153            | 71,815            | 25.5          |
| 11-Hotels, restaurants, institutions              | 48,891            | 55,075            | -11.2         |
| 2-Wholesale grocers, jobbers, dealers             | 1,292,301         | 1,231,698         | 4.9           |
| 3-Retail grocers, chain stores                    | 694,888           | 713,357           | -2.6          |
| 12-Government agencies                            | 7,534             | 7,317             | 3.0           |
| 9-All other deliveries                            | 166,972           | 193,965           | -13.9         |
| <b>Total Deliveries/1</b> (short tons, raw value) | 6,563,540         | 6,559,105         | 0.1           |
| Crystalline:                                      | 5,709,977         | 5,708,090         | 0.0           |
| Consumer-size packages                            | 1,278,152         | 1,308,883         | -2.3          |
| Packages 50 lbs and greater                       | 1,694,483         | 1,663,416         | 1.9           |
| Unpackaged (bulk)                                 | 2,737,342         | 2,735,791         | 0.1           |
| Non-crystalline/2                                 | 853,563           | 851,015           | 0.3           |

Only five sectors were negative with top-using bakery up to unchanged.

Total deliveries moved into the positive category, up 0.1% from down 0.3% in March.

USDA still forecasting 0.6% increase.

All categories now positive except consumer. Bulk slipped from up 0.2% to up 0.1%

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 June 2019: Mexico WASDE

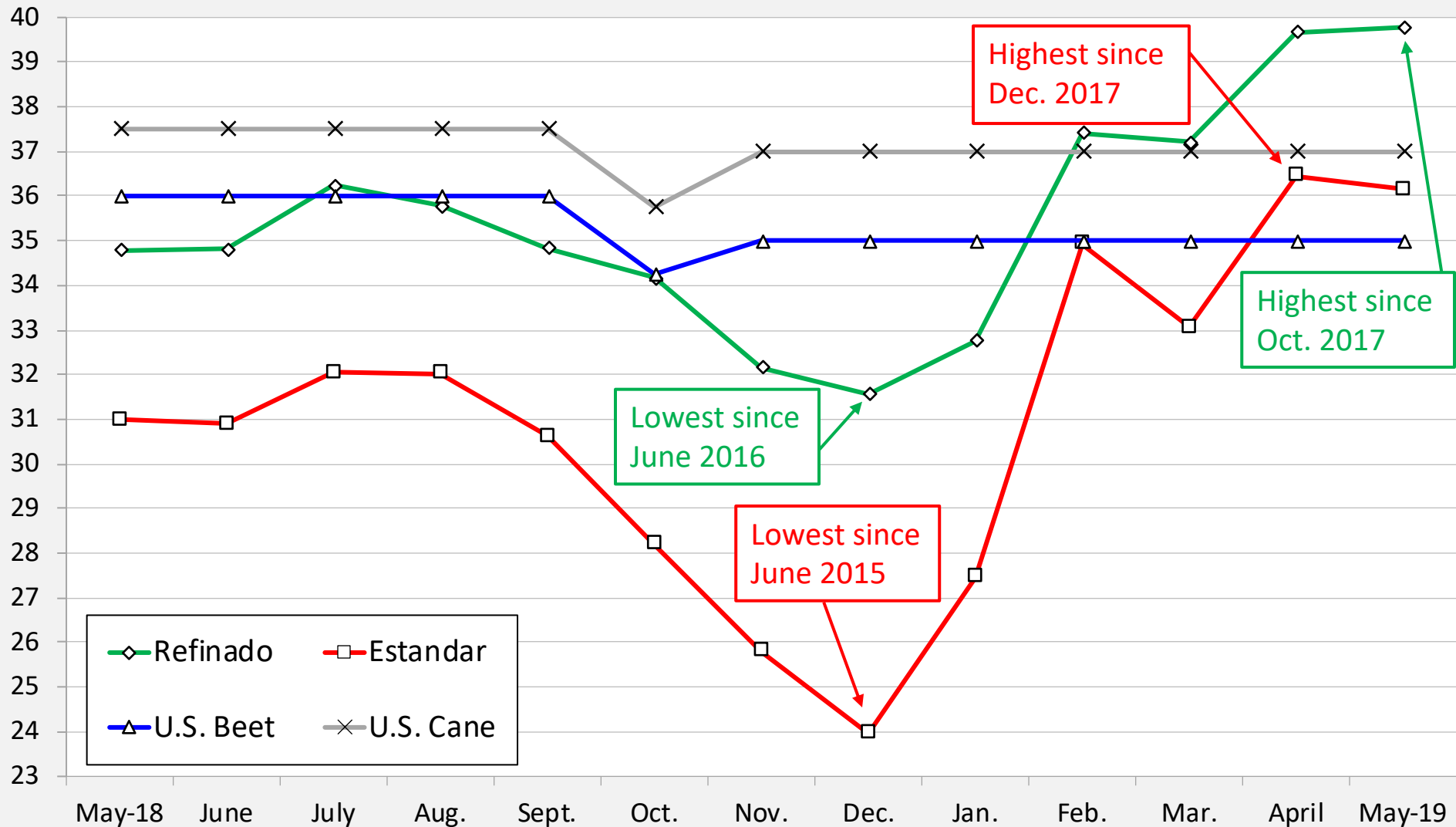
Source: U.S.D.A. June 11, 2019, WASDE.

| <i>1,000 tonnes</i>  | <b>June</b>         | <b>From</b>       | <b>June</b>         | <b>From</b>       | <b>From</b>         |
|----------------------|---------------------|-------------------|---------------------|-------------------|---------------------|
| <i>Actual weight</i> | <b><u>18-19</u></b> | <b><u>May</u></b> | <b><u>19-20</u></b> | <b><u>May</u></b> | <b><u>18-19</u></b> |
| <b>Begin. Stocks</b> | 1,395               | -                 | 995                 | -                 | (400)               |
| <b>Production</b>    | 6,400               | 200               | 6,183               | 83                | (217)               |
| <b>Imports</b>       | 70                  | -                 | 70                  | -                 | -                   |
| <b>Total Supply</b>  | 7,865               | 200               | 7,248               | 83                | (617)               |
| <b>Exports</b>       | 2,153               | 199               | 1,476               | 82                | (677)               |
| <b>Domestic Use</b>  | 4,716               | -                 | 4,776               | -                 | 60                  |
| <b>Total Use</b>     | 6,869               | 199               | 6,252               | 82                | (617)               |
| <b>Ending Stocks</b> | 995                 | -                 | 995                 | -                 | -                   |
| <b>S-T-U (total)</b> | 14.5%               | -0.4              | 15.9%               | -0.2              | +1.4                |
| <b>S-T-U (dom.)</b>  | 21.1%               | -                 | 20.8%               | -                 | -0.3                |

Only changes from May included production and exports for both years. Production and exports raised 200,000 tonnes for current year and 83,000 tonnes for next year. All additional exports going to CEDES program, unless USDA increases export limit. Ending stocks maintained at 995,000 tonnes for both years.

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

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



# SUA June 2019: U.S.D.A. 2019-20 WASDE

| 1,000 short tons<br>raw value | June         | Change from May |             | Change from 18-19 |             | RS-SPC       |
|-------------------------------|--------------|-----------------|-------------|-------------------|-------------|--------------|
|                               | 19-20        | Tons            | %           | Tons              | %           | 19-20        |
| Begin. Stocks                 | 1,526        | 21              | 1.4%        | (482)             | -24.0%      | 1,718        |
| <b>Production</b>             | <b>9,138</b> | <b>23</b>       | <b>0.3%</b> | <b>190</b>        | <b>2.1%</b> | <b>9,150</b> |
| Beet                          | 5,154        | 40              | 0.8%        | 234               | 4.8%        | 5,100        |
| Cane                          | 3,985        | (16)            | -0.4%       | (43)              | -1.1%       | 4,050        |
| Imports                       | 3,219        | -               | 0.0%        | 344               | 12.0%       | 3,185        |
| T.R.Q.                        | 1,381        | -               | 0.0%        | (157)             | -10.2%      | 1,575        |
| Other Prog.                   | 350          | -               | 0.0%        | -                 | 0.0%        | 350          |
| Mexico                        | 1,418        | -               | 0.0%        | 521               | 58.1%       | 1,210        |
| High Tier                     | 70           | -               | 0.0%        | (20)              | -22.2%      | 50           |
| Ttl Supply                    | 13,883       | 44              | 0.3%        | 52                | 0.4%        | 14,053       |
| Exports                       | 35           | -               | 0.0%        | -                 | 0.0%        | 35           |
| Deliveries                    | 12,320       | -               | 0.0%        | 50                | 0.4%        | 12,295       |
| Food                          | 12,175       | -               | 0.0%        | 50                | 0.4%        | 12,150       |
| Other                         | 145          | -               | 0.0%        | -                 | 0.0%        | 145          |
| Misc.                         | -            | -               | -           | -                 | -           | -            |
| Total Use                     | 12,355       | -               | 0.0%        | 50                | 0.4%        | 12,330       |
| <b>Ending Stocks</b>          | <b>1,528</b> | <b>44</b>       | <b>3.0%</b> | <b>2</b>          | <b>0.1%</b> | <b>1,723</b> |
| <b>Stocks-to-use</b>          | <b>12.4%</b> | <b>+0.4</b>     |             | <b>-</b>          |             | <b>14.0%</b> |

All changes were on the supply side for 2019-20 with higher beginning stocks and a bump in beet sugar production the main changes from May.

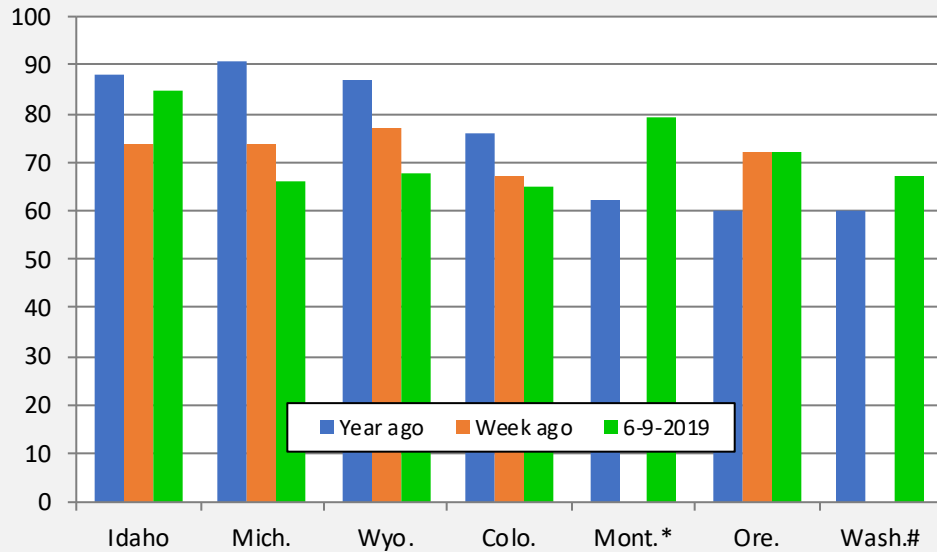
Still not overly concerned about next year. Beet production strong in part due to less new crop sugar pulled into this year.

I'll maintain a 14% S-T-U ratio with higher beginning stocks and production but lower imports.

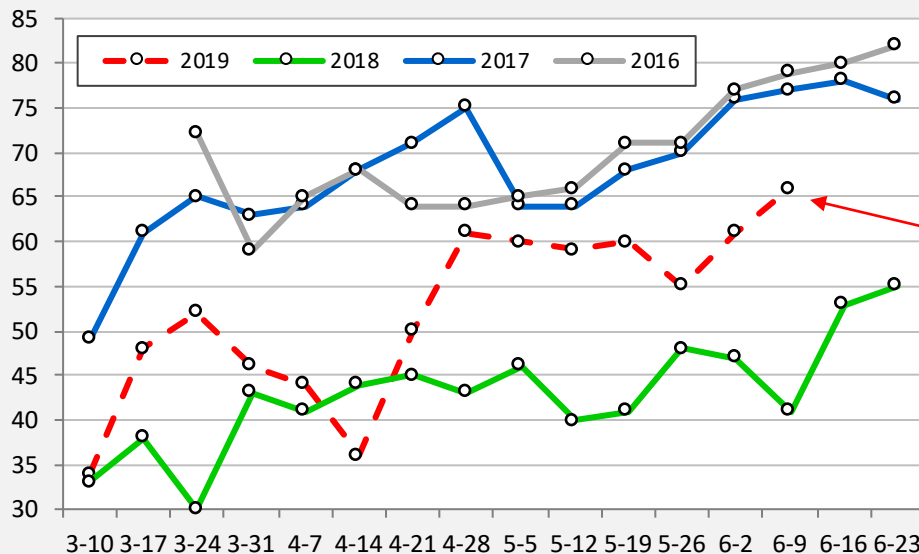
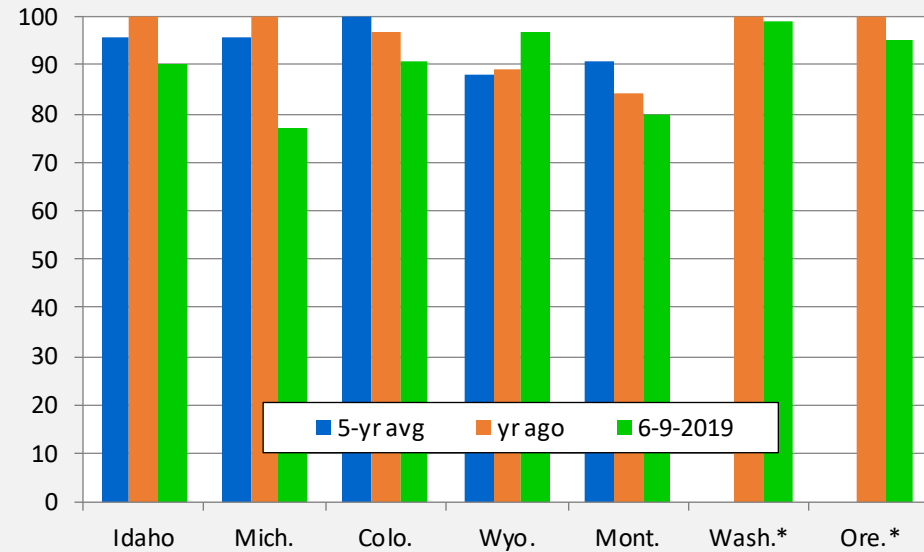
# SUA June 2019: U.S. Beet and Cane Progress

In per cent, as of June 9. \*Some data not available. #Washington week ago was 100% fair.

### Good-to-excellent ratings



### Emerged



Emergence lagged last year and average in most states (except Wyoming), with Minn. and N.D. not providing data.

Louisiana good-to-excellent cane rating was 66% as of June 9 vs 41% at same time last year but well below 2016 and 2017.

Source: U.S.D.A.



# SUA June 2019: Cash Sugar Price Outlook

|                           |  |
|---------------------------|--|
| <b>Beet sugar 2018-19</b> | Spot prices holding at 35c f.o.b. Midwest<br>39c f.o.b. West Coast (41c to 43c delivered)  |
| <b>Cane sugar 2018-19</b> | 37c to 38c f.o.b. Northeast<br>36c to 37c f.o.b. South/Southeast<br>Mostly 36c f.o.b. Gulf<br>41c to 42c delivered West Coast      |
| <b>Beet sugar 2019-20</b> | Offers lowered to 34c Midwest and 35c Michigan, with sales noted mostly between at 33.5c and 34c Midwest.<br>38c f.o.b. West Coast |
| <b>Cane sugar 2019-20</b> | Gulf and Southeast holding at 36c f.o.b.<br>Northeast cane holding at 37c f.o.b.<br>West Coast holding at 41c to 42c delivered     |

## Recent Developments and Factors to Watch

- Request for additional supply has softened the market for 2019-20, but if no action, processors likely to move prices back up to previous levels.
- Cane refiners maintaining disciplined pricing.
- Beet processors will seek to hold values within 2c of cane.
- Delivery data offers mixed signals.



# SUA June 2019: New York #16 Raw Futures

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

| Contract     | Last    | Net Change | High  | Low   | Settlement | Open Interest | Volume | Time                      |
|--------------|---------|------------|-------|-------|------------|---------------|--------|---------------------------|
| ESFU19 (D10) | 26.51 S | -0.09      | 26.60 | 26.51 | 26.51 S    | 3428          | 9      | 1:30:47 PM EDT - 06/12/19 |
| ESFX19 (D10) | 26.46 S | 0.10       | 26.50 | 26.25 | 26.46 S    | 1959          | 83     | 1:30:47 PM EDT - 06/12/19 |
| ESFF20 (D10) | 26.20 P |            |       |       | 26.20 P    | 873           | 0      | 1:30:15 PM EDT - 06/12/19 |
| ESFH20 (D10) | 26.15 P |            |       |       | 26.15 P    | 781           | 0      | 1:30:15 PM EDT - 06/12/19 |
| ESFK20 (D10) | 26.30 P |            |       |       | 26.30 P    | 503           | 0      | 1:30:15 PM EDT - 06/12/19 |
| ESFN20 (D10) | 26.30 P |            |       |       | 26.30 P    | 246           | 0      | 1:30:15 PM EDT - 06/12/19 |
| ESFU20 (D10) | 26.30 P |            |       |       | 26.30 P    | 229           | 0      | 1:30:15 PM EDT - 06/12/19 |
| ESFX20 (D10) | 26.30 P |            |       |       | 26.30 P    |               | 0      | 1:30:15 PM EDT - 06/12/19 |
| ESFF21 (D10) | 26.30 P |            |       |       | 26.30 P    |               | 0      | 1:30:15 PM EDT - 06/12/19 |
| ESFH21 (D10) | 26.30 P |            |       |       | 26.30 P    |               | 0      | 1:30:15 PM EDT - 06/12/19 |
| ESFK21 (D10) | 26.30 P |            |       |       | 26.30 P    |               | 0      | 1:30:15 PM EDT - 06/12/19 |

Domestic raw sugar futures continue to trade mostly between 26c and 26.50c a lb, having pulled back slightly from a month ago but still within their long-running range. A trading range of 26c to 27c is expected given the reference prices in the U.S.-Mexico Suspension Agreements. Deferred raws are somewhat inverted to the nearby, reflecting, in part, slightly larger supply expected in 2019-20.

# SUA June 2019: Global Sugar Overview

- **Global supply/demand**
  - Some analysts have slightly raised 2018-19 global surplus forecasts; still consensus on small to modest deficit for 2019-20.
- **Brazil**
  - Cane harvest is gaining momentum after slow start. Several have lowered sugar in sugar/ethanol mix with ethanol more favored.
- **India still critical**
  - Production expected record high this year, sending carryover stocks to record levels and keeping lid on world prices. Production for 2019-20 curbed by early dryness and low prices; average monsoon is coming.
- **European processors continue to struggle**
- **Pricing**
  - World raws have pushed above recent resistance at 12c and 12.5c, with 2c carry over next two years.

# SUA June 2019: New York #11 Raw Futures

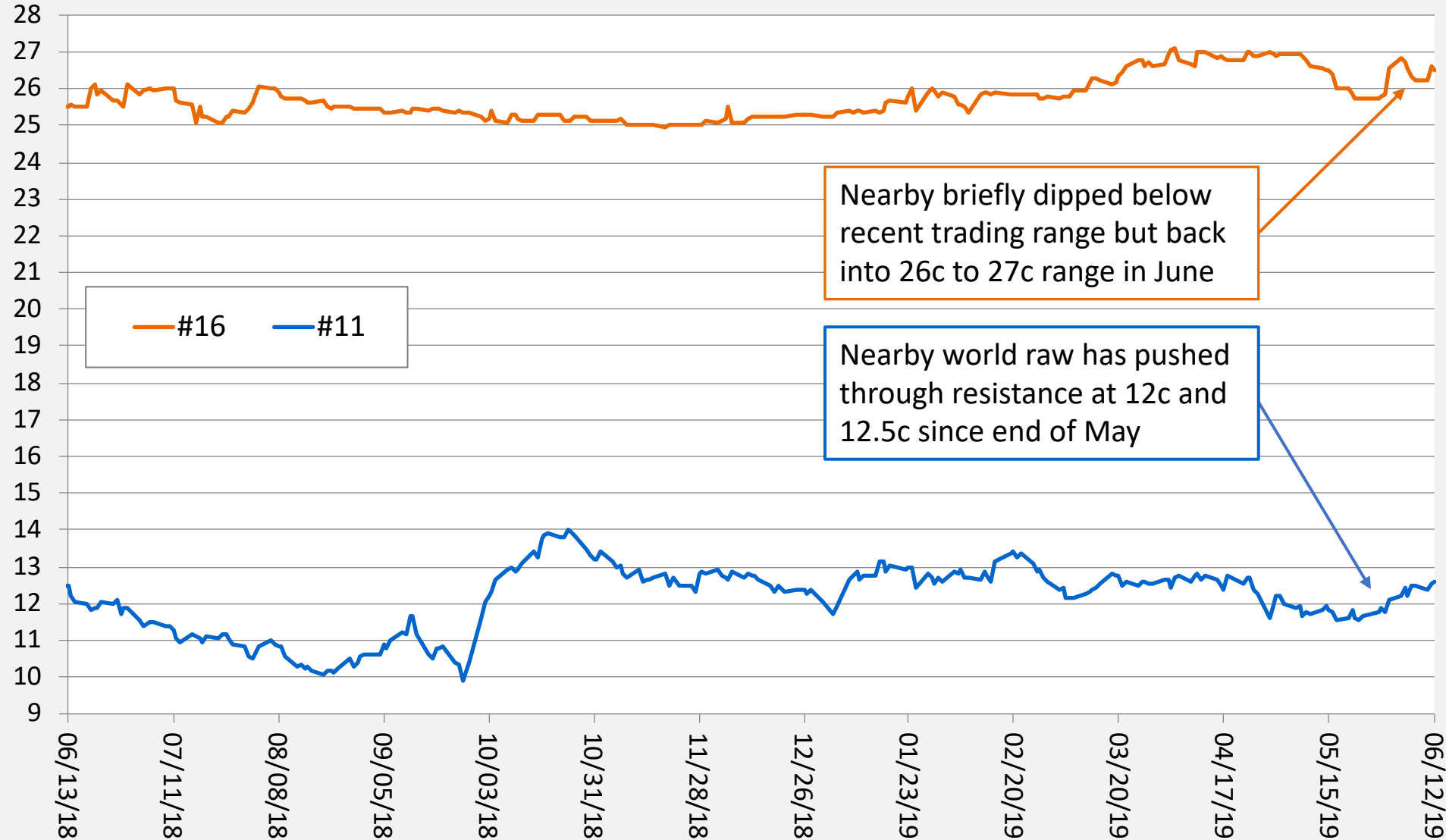
ICE world raw sugar futures as of June 12, in cents per lb. Source: Tech Nova

| Contract     | Last    | Net Change | High  | Low   | Settlement | Open Interest | Volume | Time                      |
|--------------|---------|------------|-------|-------|------------|---------------|--------|---------------------------|
| ESBN19 (D10) | 12.62 S | 0.08       | 12.63 | 12.46 | 12.62 S    | 274089        | 121259 | 1:09:52 PM EDT - 06/12/19 |
| ESBV19 (D10) | 12.86 S | 0.03       | 12.87 | 12.74 | 12.86 S    | 387688        | 107322 | 1:09:52 PM EDT - 06/12/19 |
| ESBH20 (D10) | 13.66 S | -0.01      | 13.68 | 13.58 | 13.66 S    | 196730        | 27663  | 1:09:52 PM EDT - 06/12/19 |
| ESBK20 (D10) | 13.70 S | -0.02      | 13.71 | 13.62 | 13.70 S    | 44801         | 6120   | 1:09:52 PM EDT - 06/12/19 |
| ESBN20 (D10) | 13.75 S | -0.02      | 13.77 | 13.69 | 13.75 S    | 33760         | 2003   | 1:09:52 PM EDT - 06/12/19 |
| ESBV20 (D10) | 13.90 S | -0.02      | 13.91 | 13.83 | 13.90 S    | 31773         | 853    | 1:09:52 PM EDT - 06/12/19 |
| ESBH21 (D10) | 14.37 S | -0.02      | 14.36 | 14.33 | 14.37 S    | 16590         | 55     | 1:09:52 PM EDT - 06/12/19 |
| ESBK21 (D10) | 14.33 S | -0.02      | 14.31 | 14.30 | 14.33 S    | 3392          | 10     | 1:09:52 PM EDT - 06/12/19 |
| ESBN21 (D10) | 14.29 S | -0.02      |       |       | 14.29 S    | 2944          | 1      | 1:09:52 PM EDT - 06/12/19 |
| ESBV21 (D10) | 14.39 S | -0.02      |       |       | 14.39 S    | 1200          | 0      | 1:09:52 PM EDT - 06/12/19 |
| ESBH22 (D10) | 14.72 S | -0.02      |       |       | 14.72 S    | 310           | 0      | 1:09:52 PM EDT - 06/12/19 |
| ESBK22 (D10) | 14.58 P |            |       |       | 14.58 P    | 1             | 0      | 1:30:15 PM EDT - 06/12/19 |

Nearby world raw futures have risen 0.50c to 0.75c, or 4% to 7%, in the past month with smaller gains in deferred periods. The increases, in part, can be attributed to speculative short covering, but also concerns about dryness in India and cuts in production in some other countries due to low world sugar prices. Producer selling has been seen above 12.50c in nearby July, with near-record stocks in India still limiting gains. World raws have maintained about a 2c carry in 2022.

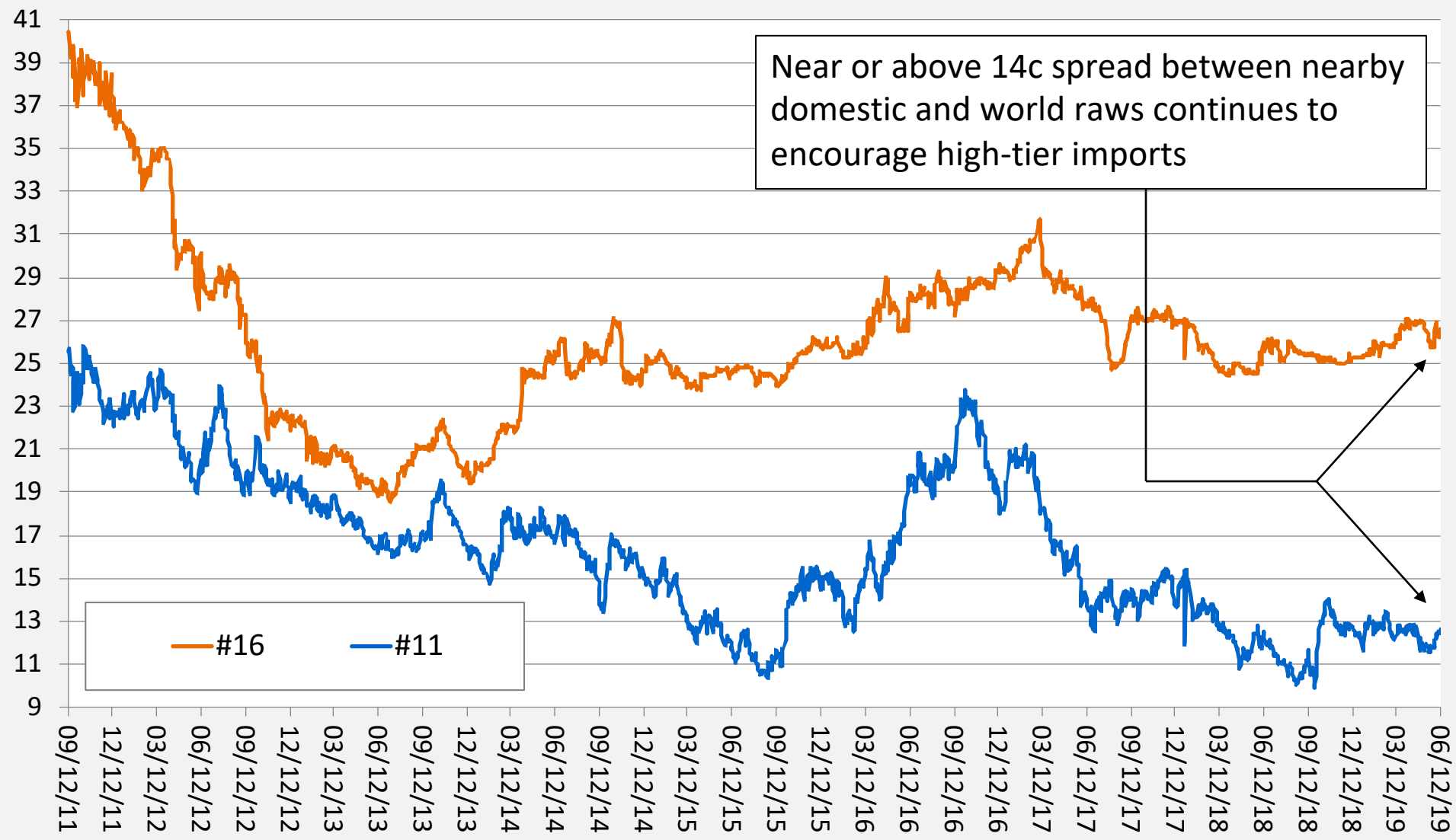
# SUA June 2019: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of June 12, 2019.



# SUA June 2019: World/Domestic Futures

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



# SUA June 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     |

Continued indications of declining HFCS production/use.

Oct.-April HFCS consumption in Mexico was 4.8% below year-ago level, but USDA maintained 2018-19 and 2019-20 forecasts at 1,520,000 tonnes, dry basis.

Spot market mostly quiet with some flooding disruptions.

Sharply lower forecast 2019 corn production and 2019-20 ending stocks, and sharply higher corn prices have created buzz about a \$2 a cwt increase in corn syrup and a \$1 a cwt increase in HFCS prices for 2020.

## 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     |

Ongoing good demand for dextrose and glucose on a functional basis rather than as sweeteners. Pricing also likely firmer in 2020.

## 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 June 2019: Other Issues & Trends

- **Weather** – Most beet crops 5 to 10 days behind average. Need lots of summer heating degree days to catch up if strong early harvest is possible. Weather forecasts not necessarily favorable.
- **Trade** –USMCA ratification? Talks with China have taken step back with some forecasting no resolution until after 2020 elections.
- **G.M.O. and Added Sugars Labeling** – Consumer reaction remains primary unknown as deadlines approach.
- **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.
- **S.U.A. Import Request** – Something expected, but when.

# SUA June 2019: Conclusions

## ■ Domestic Sugar Market

- What will U.S.D.A. do on 2018-19 sugar supply?
- Spot beet and cane prices unchanged.
- 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 12.4%; most beet processors have some sugar to sell.
- Mexico has sugar to export; would rather sell to U.S. than to other countries. Production forecasts keep going up.
- Offers for 2019-20 have weakened for beet but are steady for cane. Beet sales mostly in 33.5c to 34c area. Cane at 36c Southeast and 37c Northeast. Beet processors about 40% sold.
- Summer weather is key factor for early harvest.

## ■ Global Sugar Market

- The market is shifting from surplus to deficit; harvest gaining momentum in Brazil; large India stocks persist.