

Sweetener Users Association Board Meeting Update

July 24, 2019

Ron Sterk
Sosland Publishing Company
rsterk@sosland.com

SUA July 2019: Presentation Overview

- **Domestic Sugar Market**
 - Supply/Imports (loosened up with import boost)
 - Beet crops still catching up; Louisiana cane dodges Barry bullet
 - Demand/Deliveries (coming into focus)
 - Cash and Futures Prices (lower nearby after increase in supply)
- **Global Sugar Market**
 - Brazil harvest gaining momentum
 - India still with heavy stocks (possible exports loom)
 - Global raw sugar prices (lower on heavy futures deliveries, weak demand)
- **Corn Sweetener Market**
 - U.S. production and demand (USDA trims corn used to make sweeteners)
 - Mexico HFCS consumption still lagging year ago
 - More uncertainty in 2020 pricing
- **Other Issues with Impact on Sweeteners**
- **Conclusions**
- **Questions**

U.S. Market Overview

- USTR reallocation; DOC raised Mexico export limit
- **2018-19: WASDE**
 - S-T-U ratio raised to 14.3% from 12.4%
 - Deliveries in May suggest possible weakness
 - Spot prices holding steady
 - Imports to date are on track with projections
- **2019-20: WASDE**
 - S-T-U ratio adjusted to 13.5% as usual in July
 - Focus on summer weather for beet crop
 - Beet sugar prices for next year have steadied
- **HFCS supply/demand.**
 - USDA lowers corn use for sweeteners, starch
 - Mexican HFCS consumption down 3.4%

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

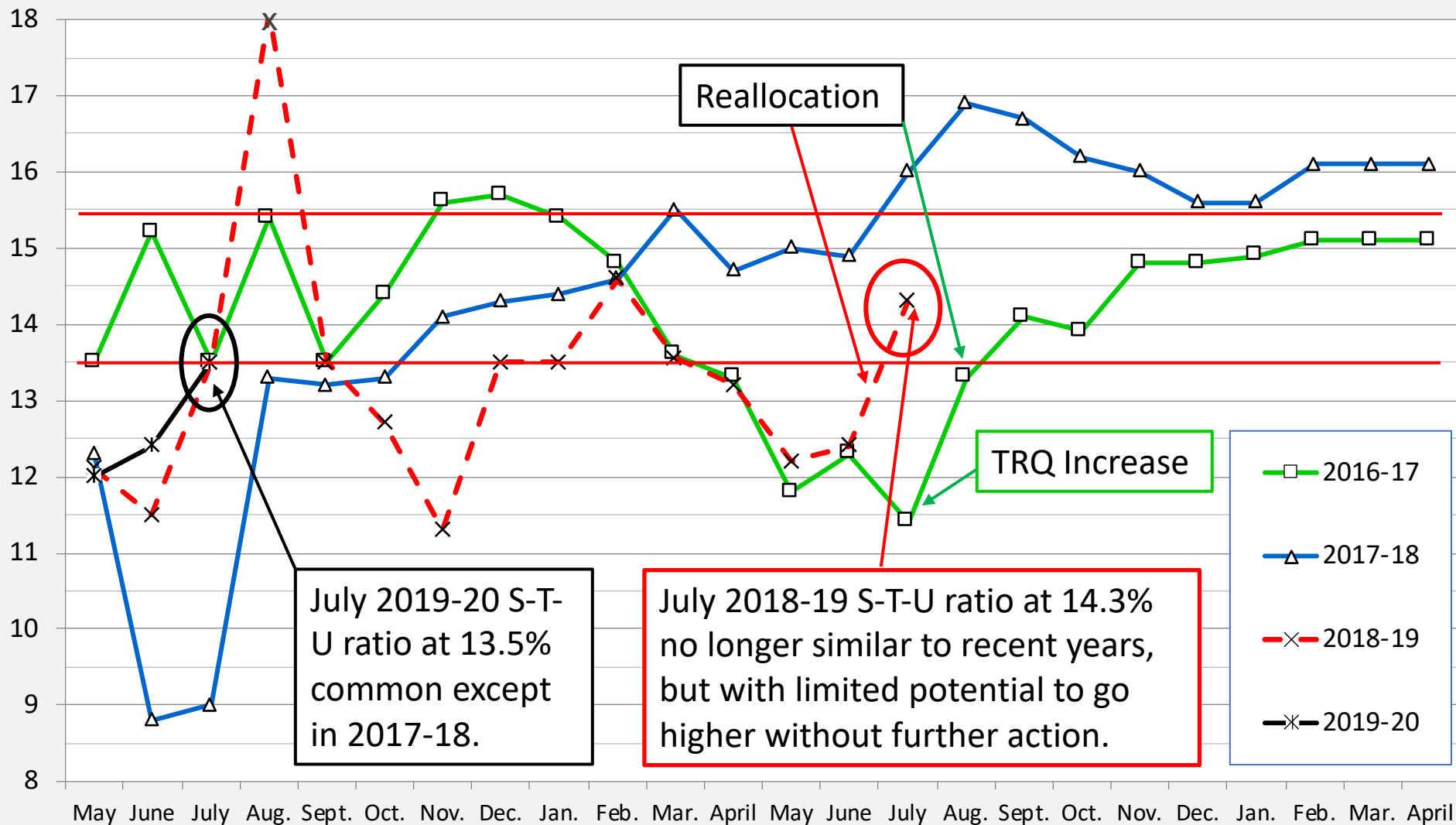
<i>1,000 short tons</i>	July	Change from June		Change from 17-18		RS-SPC
<i>raw value</i>	18-19	Tons	%	Tons	%	18-19
Begin. Stocks	2,008	-	0%	132	7.0%	2,008
Production	8,947	(1)	0%	(346)	-3.7%	8,945
Beet	4,920	-	0%	(359)	-6.8%	4,915
Cane	4,028	-	0%	14	0.3%	4,030
Imports	3,091	216	7.5%	(186)	-5.7%	3,055
T.R.Q.	1,604	66	4.3%	(59)	-3.5%	1,600
Other Prog.	400	50	14%	74	22.7%	375
Mexico	997	100	11%	(226)	-18.5%	990
High Tier	90	-	0%	26	40.6%	90
Ttl Supply	14,046	215	1.6%	(399)	-2.8%	14,008
Exports	35	-	0%	(135)	-79.4%	35
Deliveries	12,250	(20)	0%	65	0.5%	12,220
Food	12,125	-	0%	77	0.6%	12,100
Other	125	(20)	-14%	(12)	-8.8%	120
Misc.	-	-	-	(82)	-100.0%	-
Total Use	12,285	(20)	0%	(153)	-1.2%	12,255
Ending Stocks	1,761	235	15.4%	(247)	-12.3%	1,753
Stocks-to-use	14.3%	+1.9		-1.8		14.3%

USDA boosted T.R.Q., other program and Mexico imports with minor change to use, raising S-T-U to 14.3%.

I also went to 14.3% but get there with lower supply and lower food use, as numbers come into better focus. I still think 14% is possible, but will need drop in T.R.Q. or Mexico, or lower Aug.-Sept. beet supply from new crop.

SUA July 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.



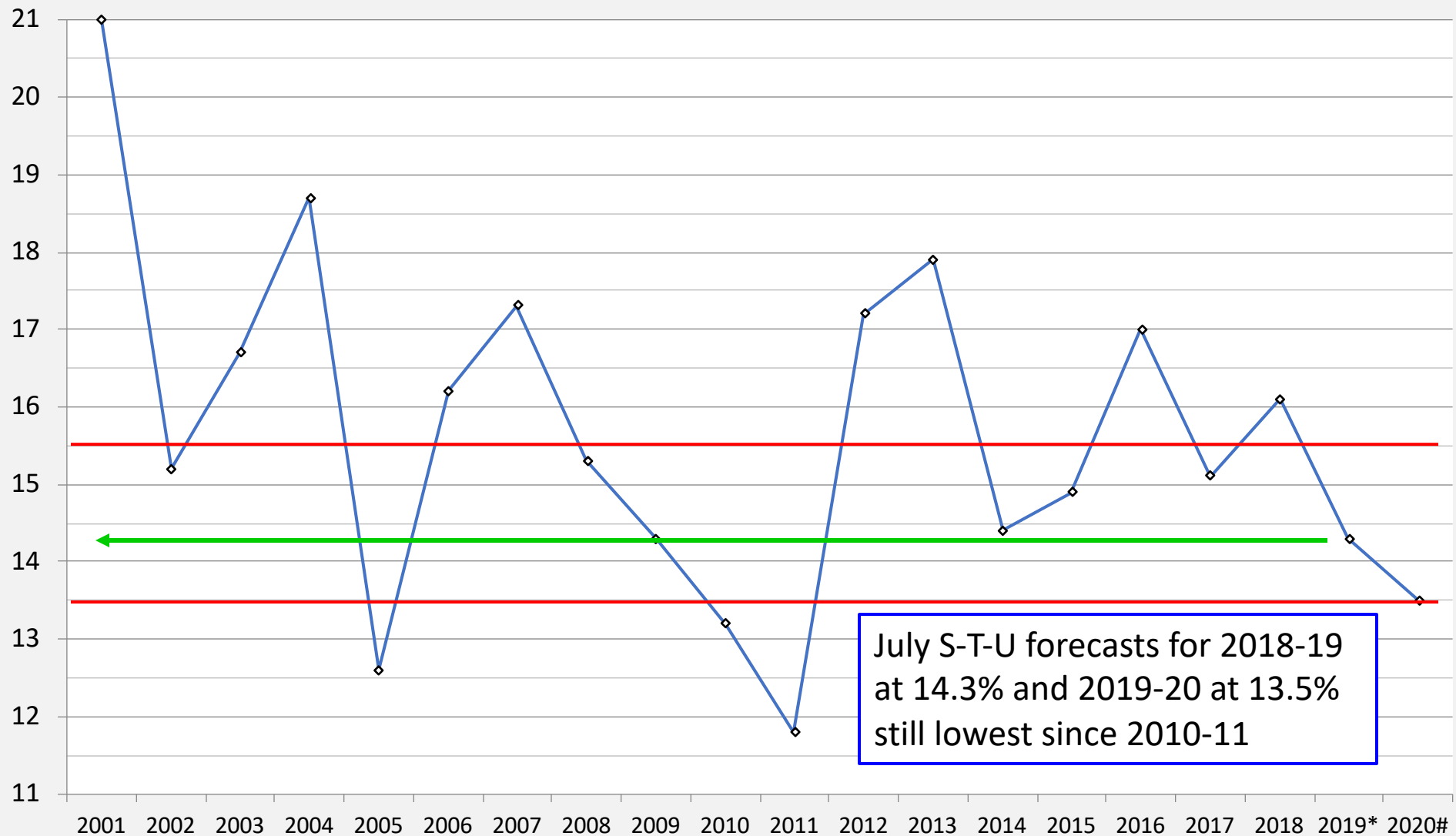
July 2019-20 S-T-U ratio at 13.5% common except in 2017-18.

July 2018-19 S-T-U ratio at 14.3% no longer similar to recent years, but with limited potential to go higher without further action.

Source: U.S.D.A.

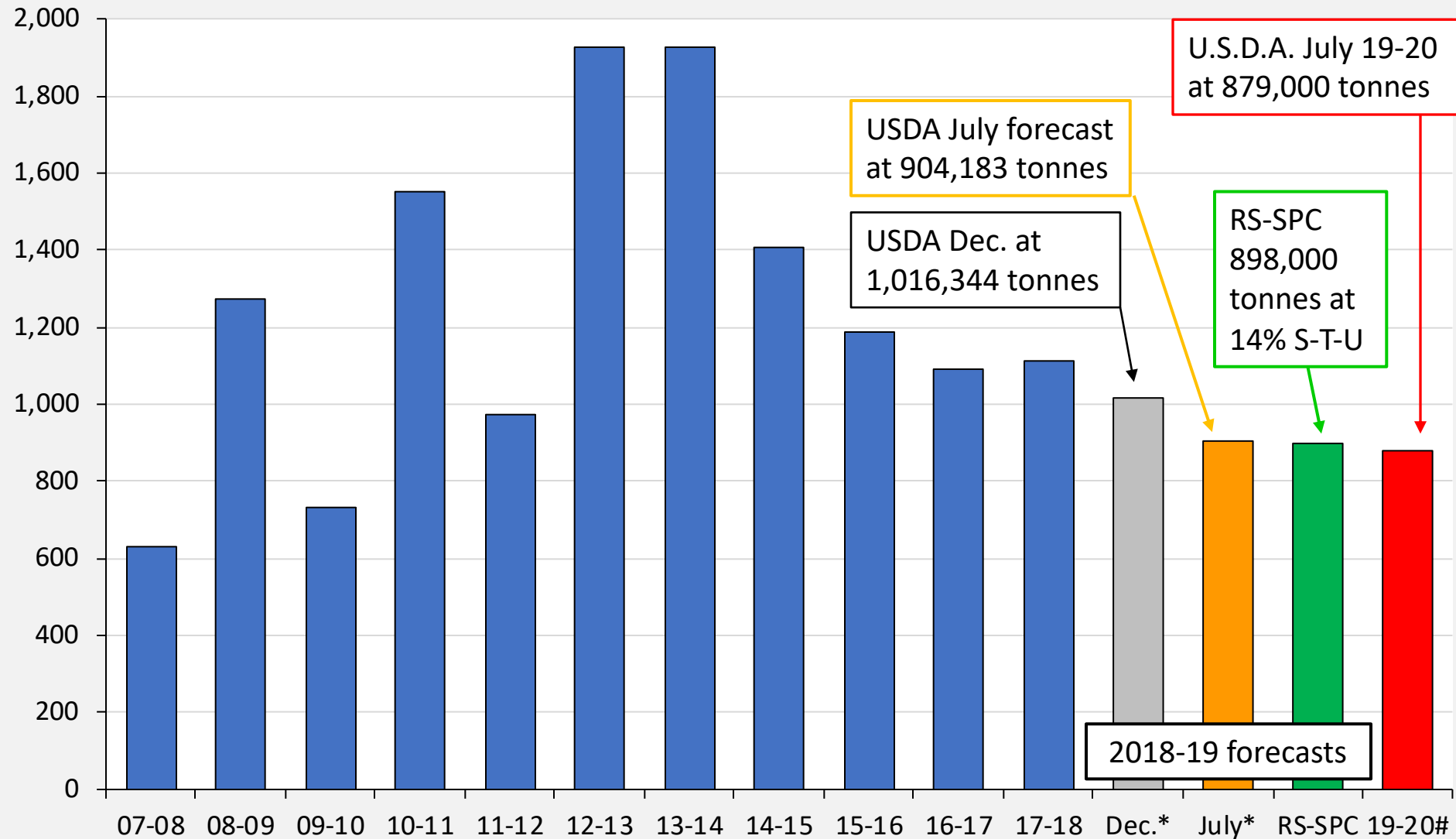
SUA July 2019: Annual S-T-U Ratios

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



SUA July 2019: U.S. Imports from Mexico

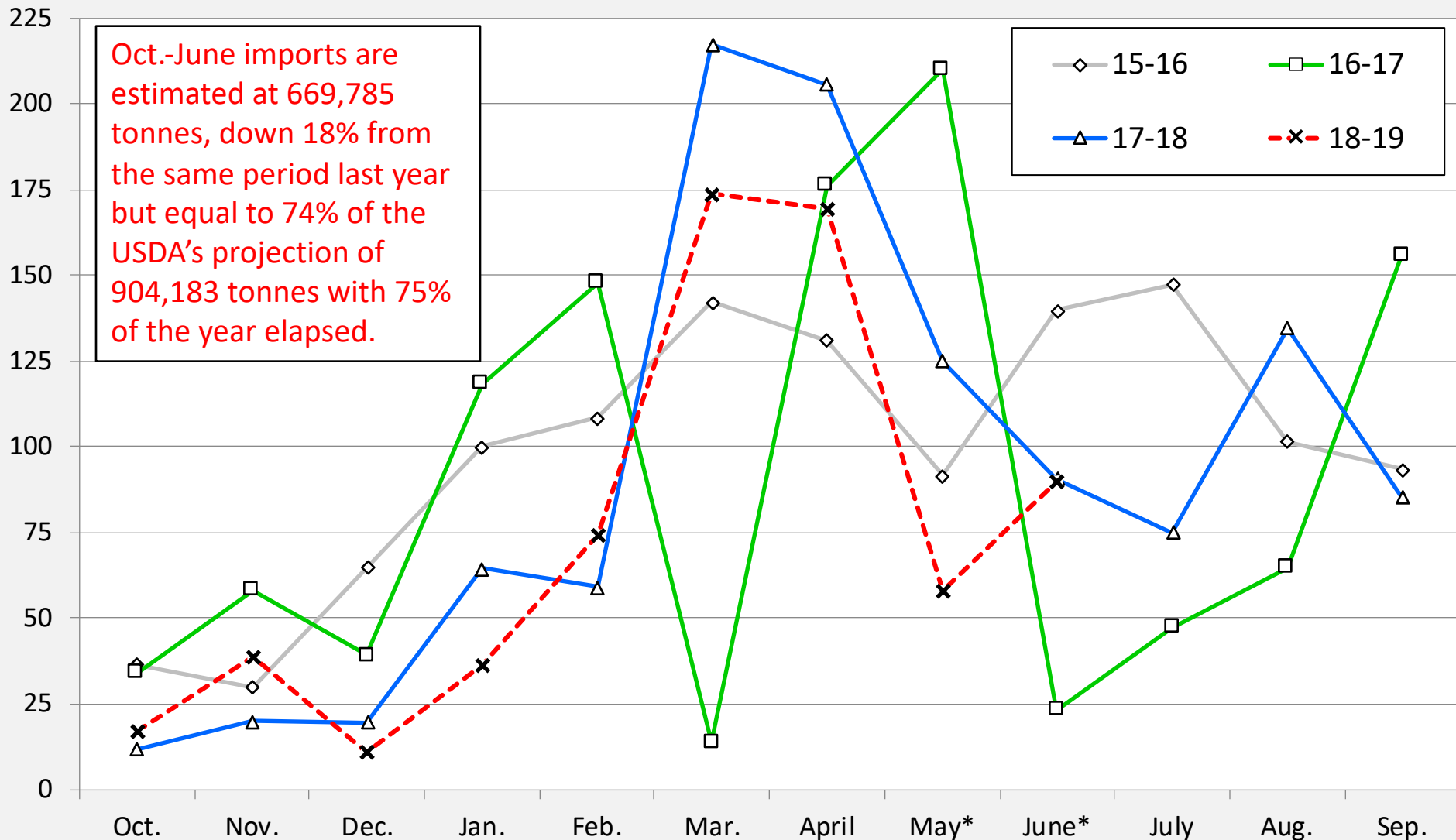
Annual, in 1,000 tonnes, raw value, as of July 11, 2019. *Forecast, #Projected.



Source: U.S.D.A.

SUA July 2019: U.S. Imports from Mexico

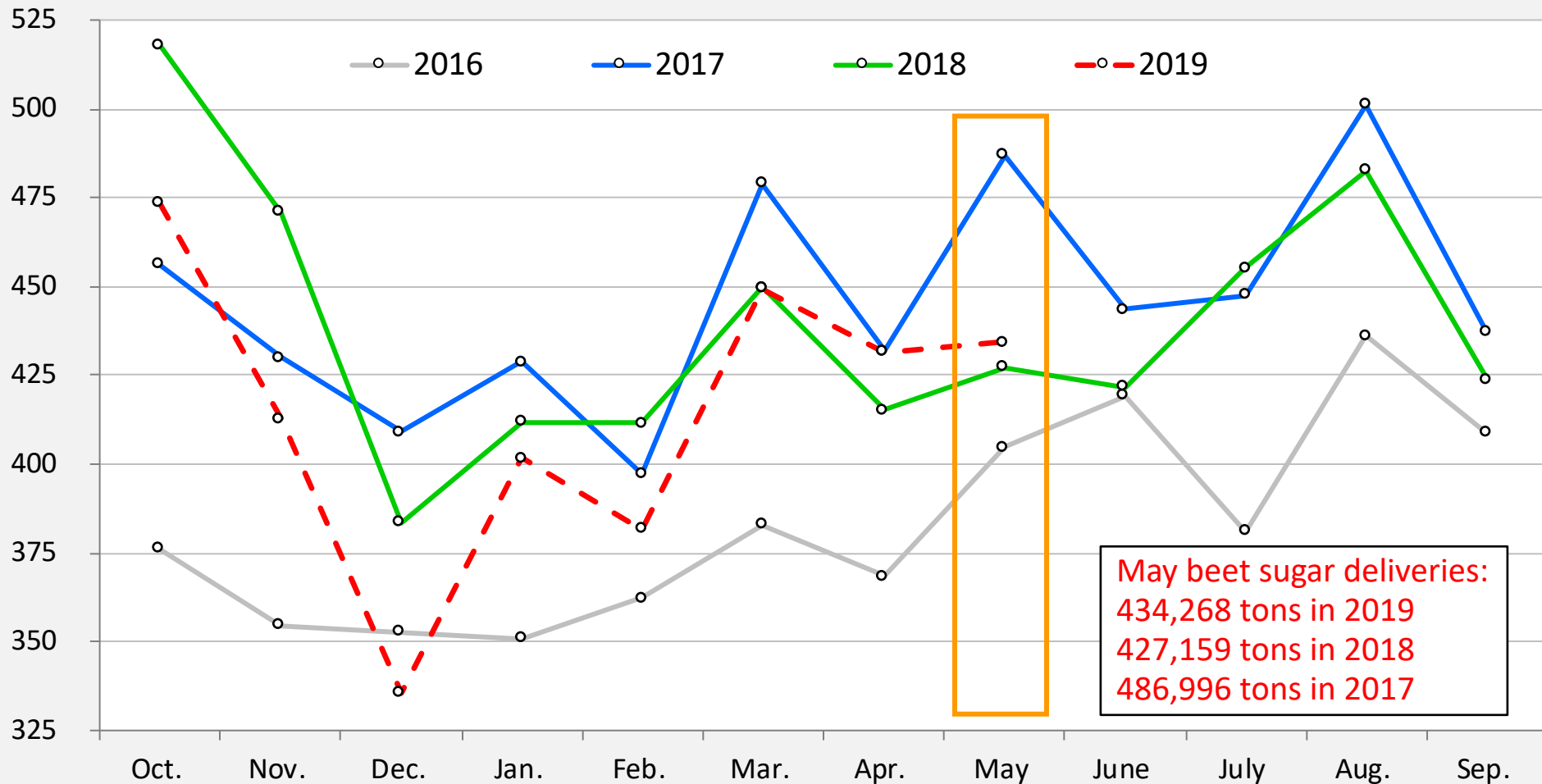
Monthly, in 1,000 tonnes, raw value. *May and June are U.S.D.A. forecasts for 2018-19.



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

SUA July 2019: Beet Sugar Deliveries

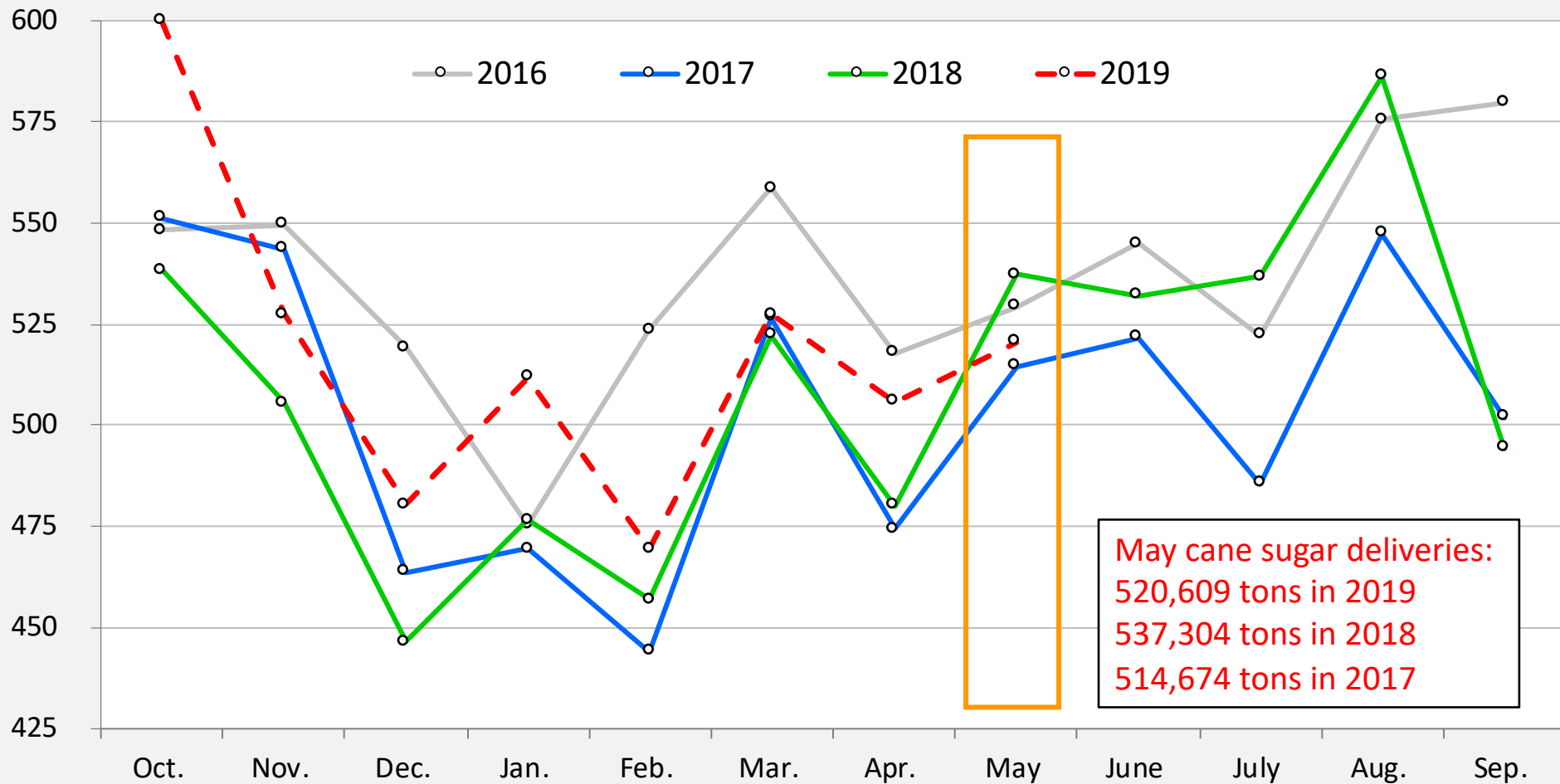
Monthly beet sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Beet sugar deliveries in May were up 0.6% from April and were up 1.7% from May 2018. Oct.-May deliveries averaged 415,000 tons per month, down 21,000 tons, or 4.8%, from the same period a year ago but continued to catch up as the year progresses and are compared with record levels the prior two years.

SUA July 2019: Refined Cane Deliveries

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



Refined cane sugar deliveries in May were up 2.9% from April but were down 3.1% from a year ago. Oct.-May deliveries averaged 518,000 tons per month, up about 23,000 tons, or 4.5%, from same period a year ago and are compared with relatively weak levels the prior two years.

SUA July 2019: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	FY 2019	FY 2018	Per Cent
	<u>Oct.-May</u>	<u>Oct.-May</u>	<u>Change</u>
Total Deliveries /1 (actual weight)	7,036,068	7,039,744	-0.1
1-Bakery, cereal, and related products	1,630,081	1,624,933	0.3
4-Confectionery and related products	791,516	792,224	-0.1
6-Ice cream and dairy products	491,203	527,130	-6.8
7-Beverages	470,701	452,337	4.1
8-Canned, bottled and frozen foods	275,032	243,227	13.1
5-Multiple and all other food uses	749,285	798,162	-6.1
10-Non-food uses	101,617	81,803	24.2
11-Hotels, restaurants, institutions	56,069	63,181	-11.3
2-Wholesale grocers, jobbers, dealers	1,475,374	1,413,719	4.4
3-Retail grocers, chain stores	787,849	815,898	-3.4
12-Government agencies	8,585	8,456	1.5
9-All other deliveries	198,757	218,674	-9.1
Total Deliveries /1 (short tons, raw value)	7,528,593	7,532,526	-0.1
Crystalline:	6,548,805	6,544,197	0.1
Consumer-size packages	1,450,541	1,504,077	-3.6
Packages 50 lbs and greater	1,943,199	1,917,377	1.3
Unpackaged (bulk)	3,155,066	3,122,743	1.0
Non-crystalline/2	979,787	988,329	-0.9

Six sectors negative, but deliveries to bakery up 0.3% from flat in June. Positive sectors were mixed from April.

Total deliveries moved back into the negative category, down 0.1% from up 0.1% in April.

USDA still forecasting 0.6% increase.

Consumer packages slipped further. Bulk improved from up 0.1% to up 1.0%.

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 July 2019: Mexico WASDE

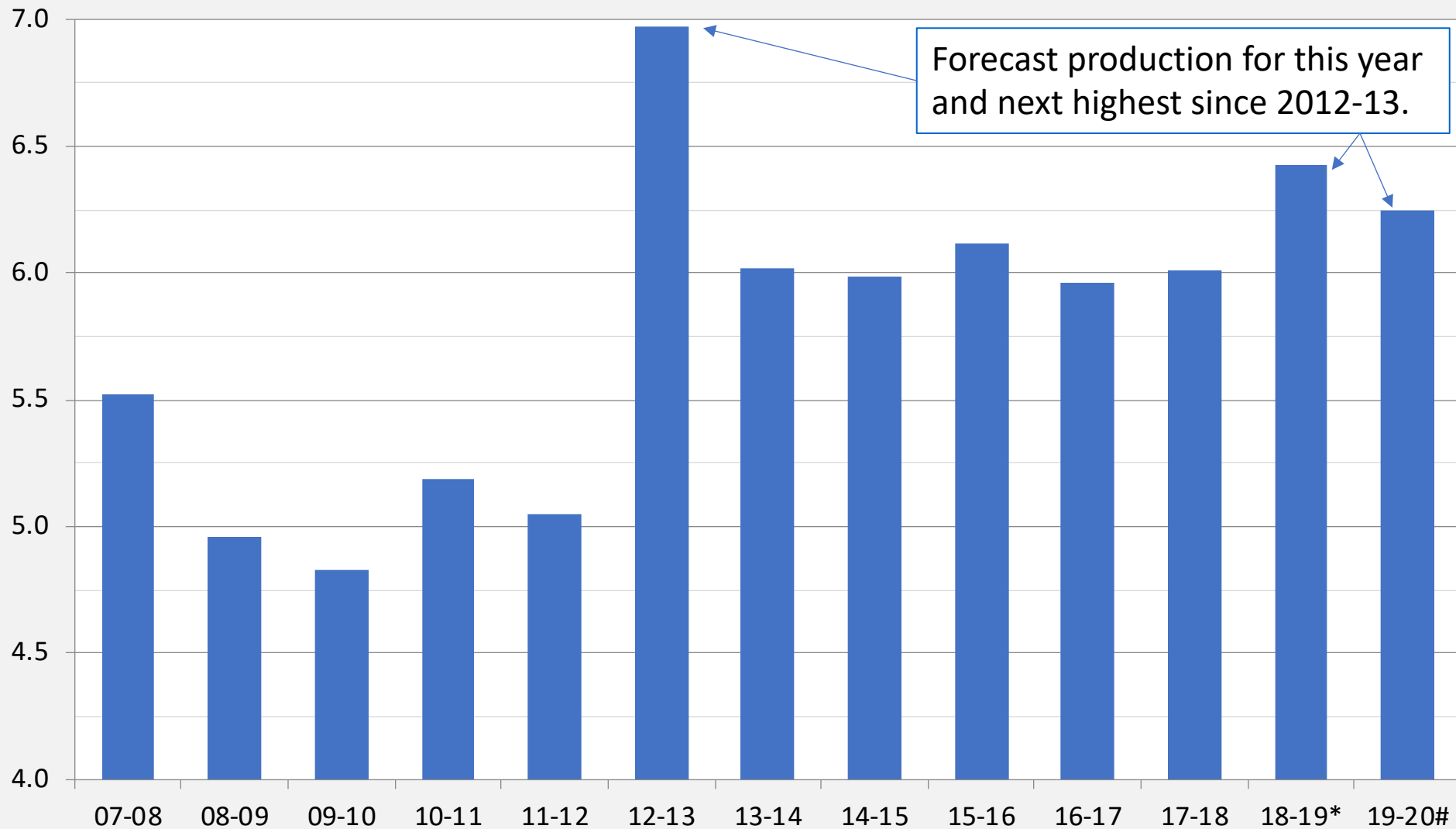
Source: U.S.D.A. July 11, 2019, WASDE.

<i>1,000 tonnes</i>	July	From	July	From	From
<i>Actual weight</i>	<u>18-19</u>	<u>June</u>	<u>19-20</u>	<u>June</u>	<u>18-19</u>
Begin. Stocks	1,395	-	995	-	(400)
Production	6,425	25	6,248	65	(177)
Imports	70	-	70	-	-
Total Supply	7,890	25	7,313	65	(577)
Exports	2,179	26	1,542	66	(637)
Domestic Use	4,716	-	4,776	-	60
Total Use	6,895	26	6,318	66	(577)
Ending Stocks	995	-	995	-	-
S-T-U (total)	14.4%	-0.1	15.8%	-0.1	+1.4
S-T-U (dom.)	21.1%	-	20.8%	-	-0.3

USDA raised production forecasts for this year and next year, requiring offsetting higher export forecasts for both years to maintain ending stocks at 995,000 tonnes. Sugar production in 2018-19 is up 7% from 2017-18 on record-high harvested area. Sugar consumption through May was down 0.4% from a year ago, but projected up 1.4% in 2019-20.

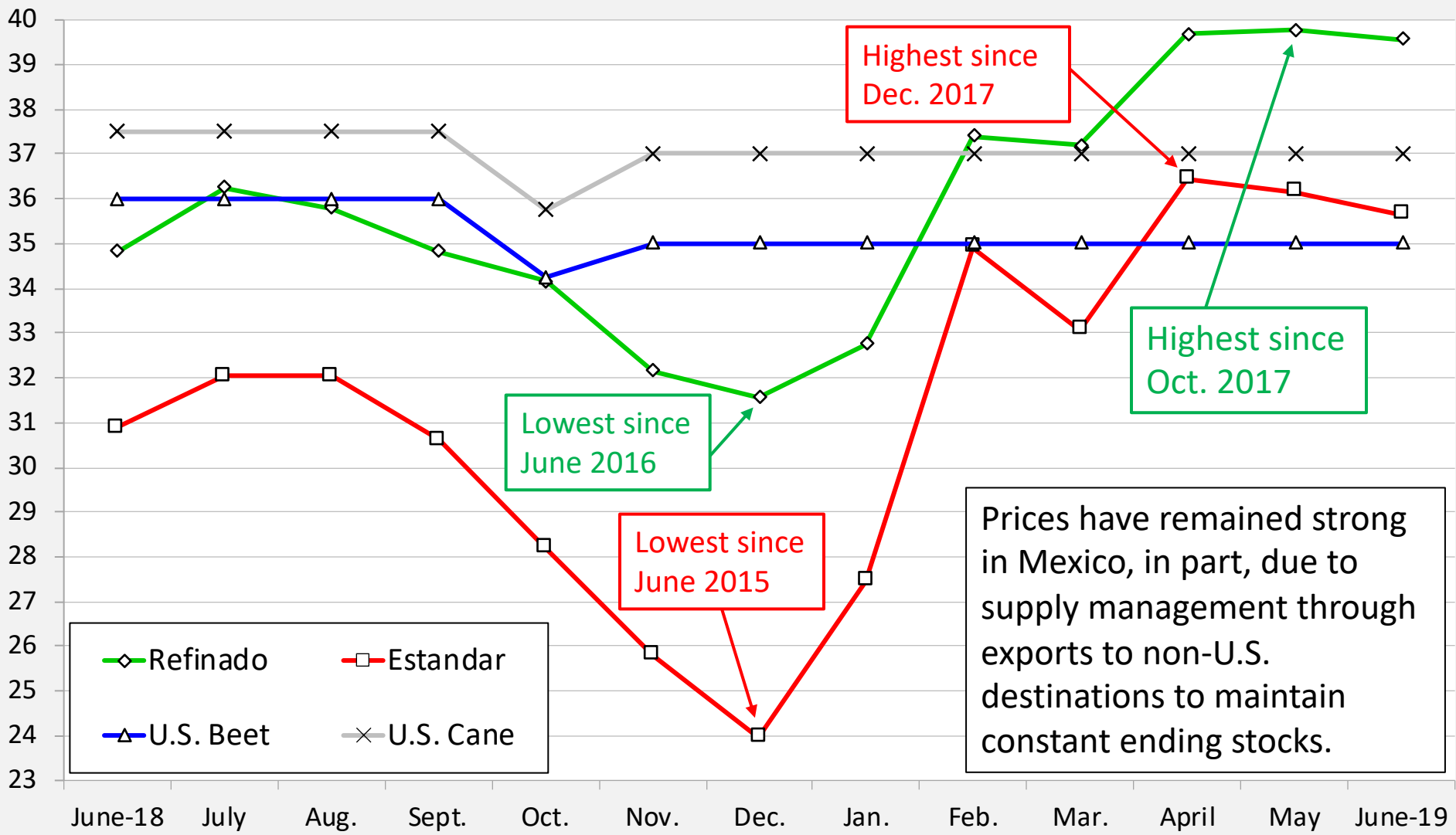
SUA July 2019: Mexico Sugar Production

In million tonnes, actual weight. *Forecast; #Projected. Source: U.S.D.A.



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

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



Prices have remained strong in Mexico, in part, due to supply management through exports to non-U.S. destinations to maintain constant ending stocks.

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

<i>1,000 short tons</i>	July	Change from June		Change from 18-19		RS-SPC
<i>raw value</i>	19-20	Tons	%	Tons	%	19-20
Begin. Stocks	1,761	235	15.4%	(247)	-12.3%	1,753
Production	9,260	122	1.3%	313	3.5%	9,225
Beet	5,175	21	0.4%	255	5.2%	5,150
Cane	4,085	100	2.5%	57	1.4%	4,075
Imports	2,957	(262)	-8.1%	(134)	-4.3%	3,000
T.R.Q.	1,568	187	13.5%	(36)	-2.2%	1,600
Other Prog.	350	-	0%	(50)	-12.5%	350
Mexico	969	(449)	-31.7%	(28)	-2.8%	1,000
High Tier	70	-	0%	(20)	-22.2%	50
Ttl Supply	13,978	95	0.7%	(68)	-0.5%	13,978
Exports	35	-	0%	-	0%	35
Deliveries	12,280	(40)	-0.3%	30	0.2%	12,250
Food	12,175	-	0%	50	0.4%	12,150
Other	105	(40)	-27.6%	(20)	-16.0%	100
Misc.	-	-	-	-	-	-
Total Use	12,315	(40)	-0.3%	30	0.2%	12,285
Ending Stocks	1,663	135	8.8%	(98)	-5.6%	1,693
Stocks-to-use	13.5%	+1.1		-0.8		13.8%

USDA made changes to supply with higher carry-in and domestic production, partly offset by sharply lower imports from Mexico.

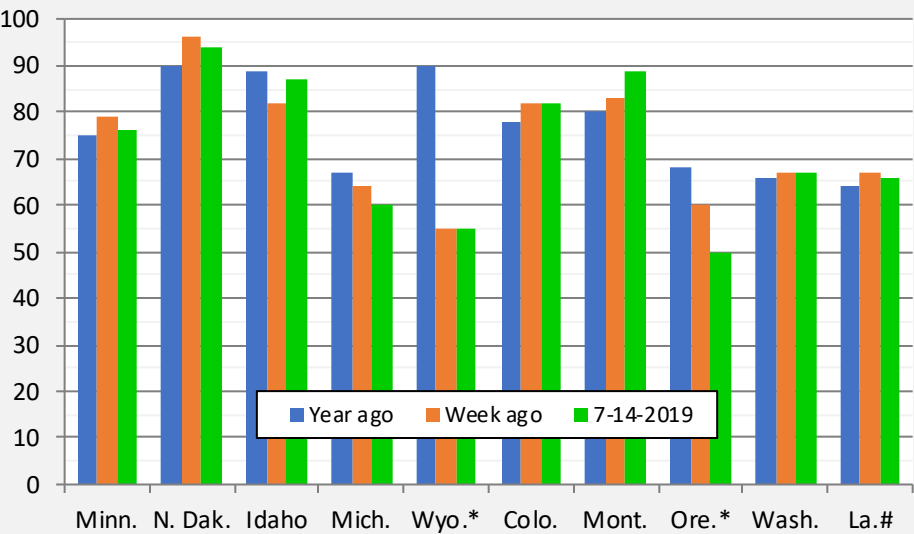
Still not overly concerned about next year. Beet production may be overstated unless crop improves.

I went to 13.8% S-T-U ratio with lower carry-in and production, higher imports and lower use.

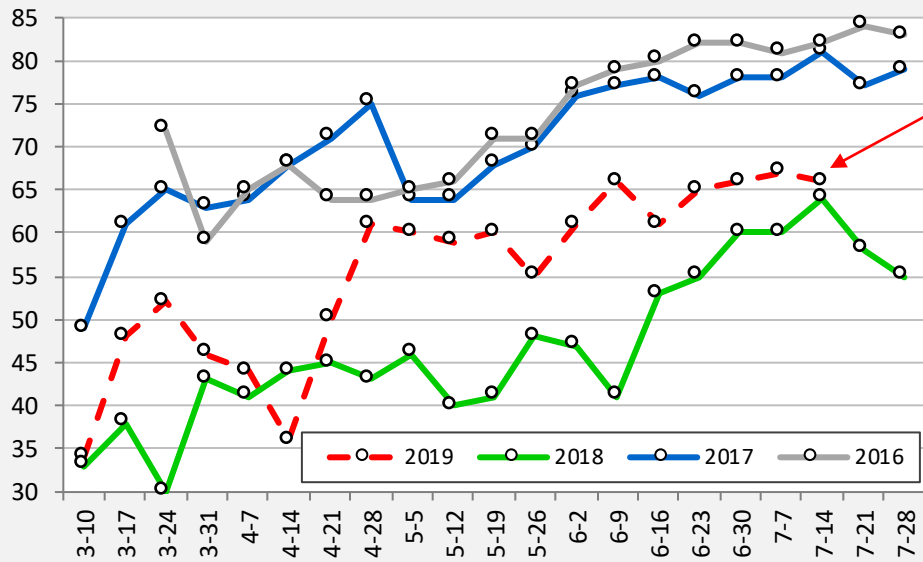
SUA July 2019: U.S. Beet and Cane Progress

In per cent, as of July 14. *Wyoming and Oregon all good, none excellent. #Louisiana cane.

Sugar beet, cane good-to-excellent ratings



Beet crop condition ratings varied widely, with Michigan, Wyoming and Oregon crops struggling, as are sections of Minnesota, although overall rating close to average. N. Dakota, Idaho, Colorado and Montana crops doing very well.



Louisiana good-to-excellent cane rating was 66% as of July 14, similar to 64% a year ago when crop was improving. Still well below 2016 and 2017.

Cane production has increase in Louisiana as area has moved north. Third record year of production forecast, despite crop ratings below 2016 and 2017.

Source: U.S.D.A.



SUA July 2019: Cash Sugar Price Outlook

Beet sugar 2018-19

Spot prices holding at 35c 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 42c delivered West Coast

Beet sugar 2019-20

Prices have steadied in the past month.
Offers holding at 34c f.o.b. Midwest and 35c Michigan
Most sales near 33.5c Midwest and some below
38c f.o.b. West Coast (40c delivered)

Cane sugar 2019-20

Southeast offers holding (and selling) at 36c f.o.b.
Gulf prices have fallen to 34.25c f.o.b.
Northeast cane holding at 37c f.o.b.
West Coast near 40c delivered

Recent Developments and Factors to Watch

- Spot prices unchanged due mostly to processors mostly sold out.
- Cane refiners maintaining disciplined pricing for 2019-20.
- Beet processors will seek to hold values within 2c of cane.
- Prices may firm as beet sales near 70%.

SUA July 2019: New York #16 Raw Futures

ICE domestic raw sugar futures as of July 19, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFU19 (D10)	25.55 S	0.00	25.55	25.55	25.55 S	3591	2	1:08:37 PM EDT - 07/19/19
ESFX19 (D10)	25.85 S	0.00	25.80	25.80	25.85 S	2988	1	1:08:37 PM EDT - 07/19/19
ESFF20 (D10)	26.05 S	0.00			26.05 S	912	0	1:08:37 PM EDT - 07/19/19
ESFH20 (D10)	26.05 S	0.00			26.05 S	886	0	1:08:37 PM EDT - 07/19/19
ESFK20 (D10)	26.30 S	0.00			26.30 S	574	0	1:08:37 PM EDT - 07/19/19
ESFN20 (D10)	26.35 S	0.00			26.35 S	246	0	1:08:37 PM EDT - 07/19/19
ESFU20 (D10)	26.35 S	0.00			26.35 S	229	0	1:08:37 PM EDT - 07/19/19
ESFX20 (D10)	26.35 S	0.00			26.35 S		0	1:08:37 PM EDT - 07/19/19
ESFF21 (D10)	26.35 S	0.00			26.35 S		0	1:08:37 PM EDT - 07/19/19
ESFH21 (D10)	26.35 S	0.00			26.35 S		0	1:08:37 PM EDT - 07/19/19
ESFK21 (D10)	26.35 S	0.00			26.35 S		0	1:08:37 PM EDT - 07/19/19

Spot September is down about 1c a lb from a month ago, with smaller declines through May 2020 and July 2020 and forward up slightly. The bottom of the trading range has dropped about 0.50c a lb, now from 25.50c to 26.50 a lb, slightly below the expected trading range given reference prices in the U.S.-Mexico Suspension Agreements. Nearby pressure has been the result of increased cane supply expected from U.S.D.A. and other government agency actions in June.

SUA July 2019: Global Sugar Overview

- **Global supply/demand**
 - Ample nearby supply has pressured near-term prices.
 - Carry still seen going forward, but slightly smaller; 2019-20 deficit
- **Brazil harvest advancing**
 - Cane harvest is gaining momentum after slow start. Ethanol continues to pull in a high percentage of the cane crush.
- **India supplies limit gains**
 - Forecast record ending stocks and potential exports (with subsidies) so far have offset forecasts of lower production in 2019-20.
- **European processors continue to struggle**
- **Pricing**
 - After pushing through 12c and 12.5c resistance in June, nearby prices have fallen below 12c due to heavy deliveries against both raw and white sugar (Thailand) futures, indicating weak nearby demand.

SUA July 2019: New York #11 Raw Futures

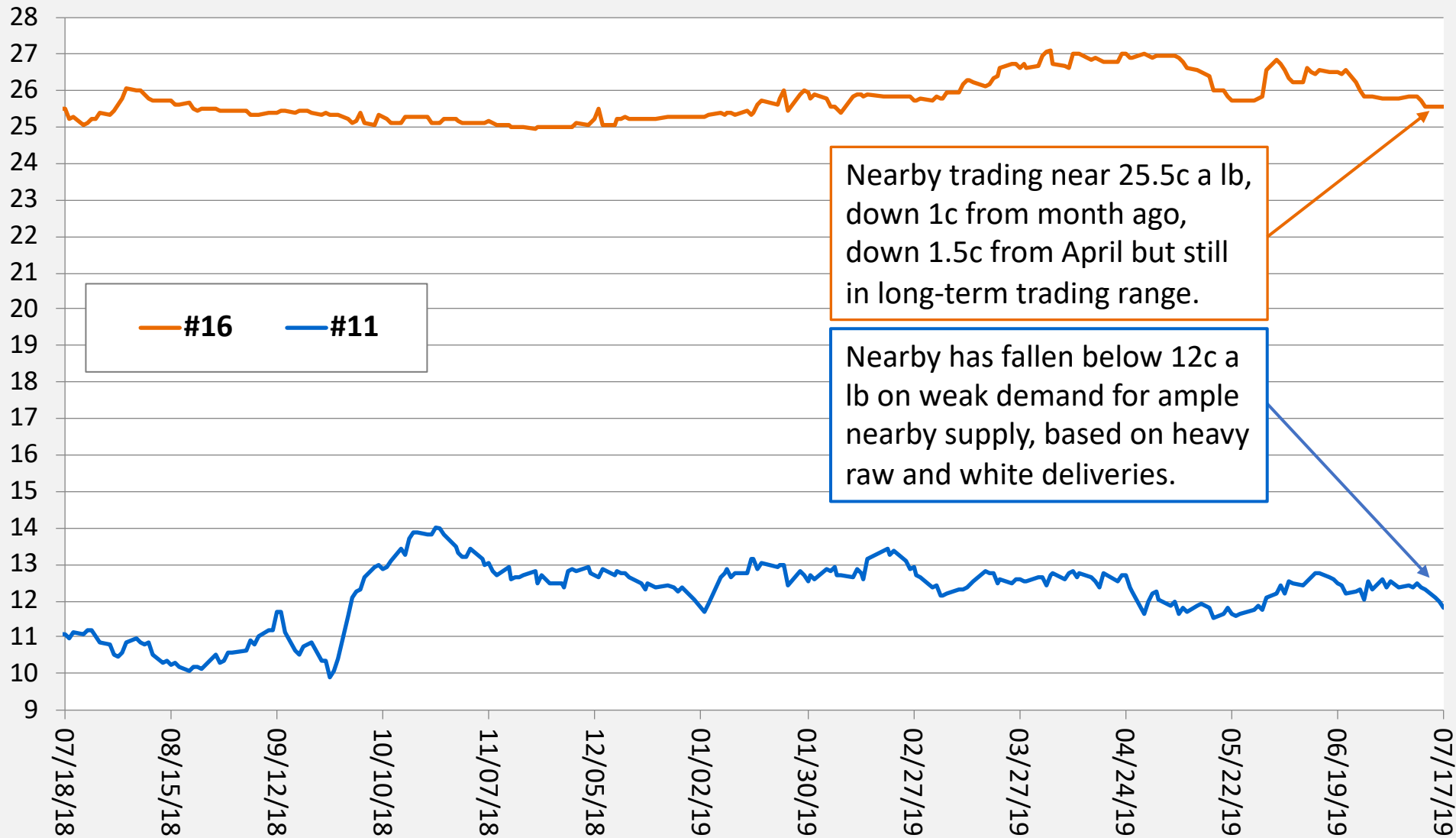
ICE world raw sugar futures as of July 19, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBV19 (D10)	11.59 S	0.04	11.70	11.56	11.59 S	484897	63963	1:04:58 PM EDT - 07/19/19
ESBH20 (D10)	12.62 S	0.00	12.72	12.61	12.62 S	253635	23107	1:04:58 PM EDT - 07/19/19
ESBK20 (D10)	12.74 S	-0.01	12.84	12.73	12.74 S	58300	6434	1:04:58 PM EDT - 07/19/19
ESBN20 (D10)	12.89 S	-0.02	12.98	12.88	12.89 S	49074	3158	1:04:58 PM EDT - 07/19/19
ESBV20 (D10)	13.10 S	-0.02	13.18	13.09	13.10 S	37564	1404	1:04:58 PM EDT - 07/19/19
ESBH21 (D10)	13.63 S	-0.03	13.71	13.63	13.63 S	22570	332	1:04:58 PM EDT - 07/19/19
ESBK21 (D10)	13.64 S	-0.04	13.69	13.64	13.64 S	3763	166	1:04:58 PM EDT - 07/19/19
ESBN21 (D10)	13.65 S	-0.03	13.69	13.65	13.65 S	3239	101	1:04:58 PM EDT - 07/19/19
ESBV21 (D10)	13.79 S	-0.01	13.82	13.79	13.79 S	1547	25	1:04:58 PM EDT - 07/19/19
ESBH22 (D10)	14.13 S	-0.01	14.13	14.13	14.13 S	441	5	1:04:58 PM EDT - 07/19/19
ESBK22 (D10)	14.08 S	0.00			14.08 S	20	0	1:04:58 PM EDT - 07/19/19

World raw sugar futures also have declined from a month ago, with nearby October through May 2020 down about 1c a lb and later months showing smaller declines. Short covering supported nearby raws in late June, but record deliveries against the July NY raw contract and large deliveries against the August London white contract, indicating ample nearby supply and lackluster spot demand, brought considerable pressure in July. Potential India exports also weighed.

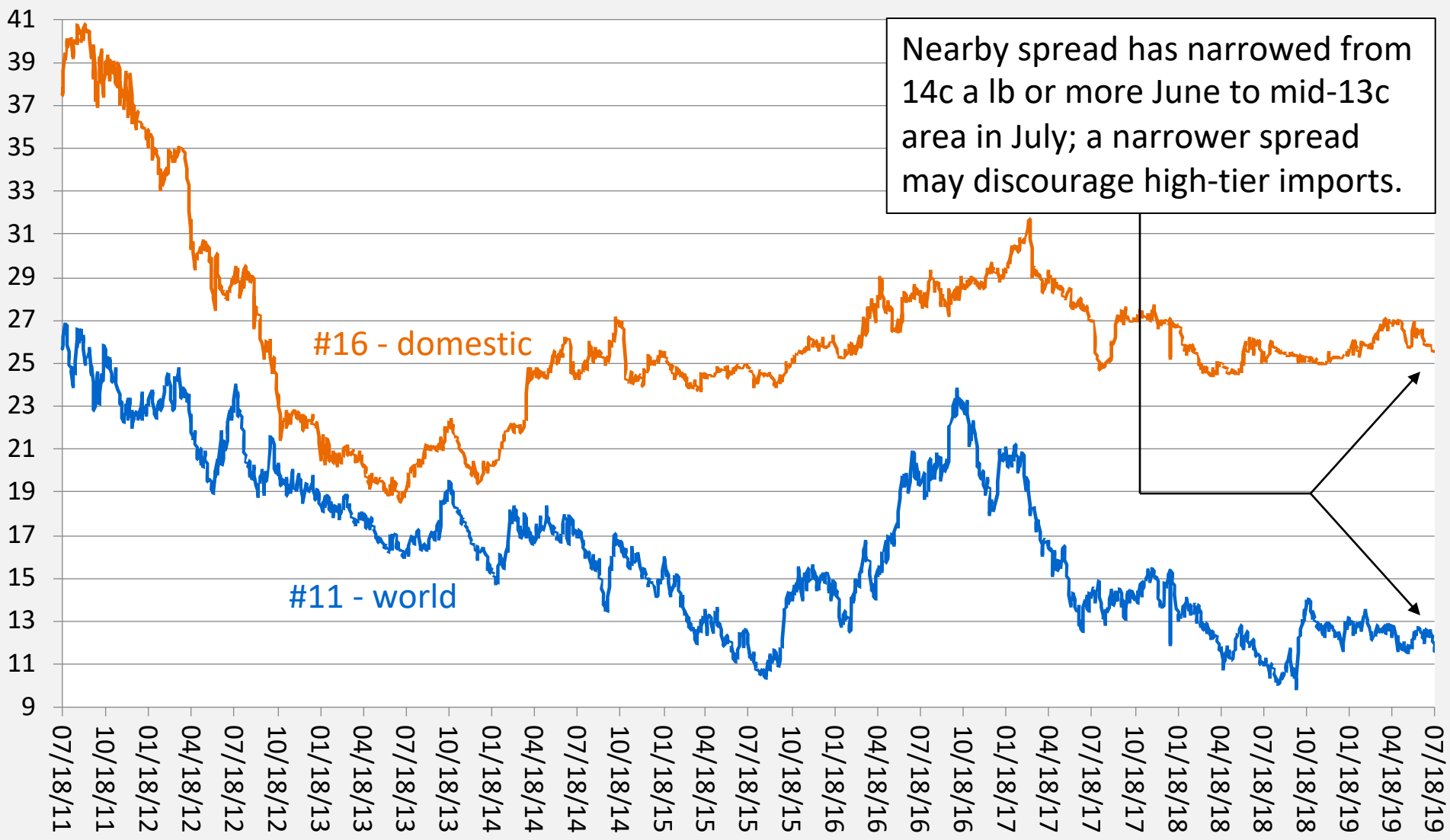
SUA July 2019: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of July 17, 2019.



SUA July 2019: World/Domestic Futures

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



SUA July 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. HFCS deliveries tumbled 7% in 2018.

U.S.D.A. reduced forecast use of corn for HFCS, dextrose/glucose and starch in latest Feed Outlook.

Oct.-May HFCS consumption in Mexico was 3.4% below year-ago level with full-year use unchanged at down 4.6%.

Talk of \$1 to \$2 a cwt increase in corn sweetener prices for 2020 has cooled since “shock” from high corn acreage forecast on June 28. August crop report will be key.

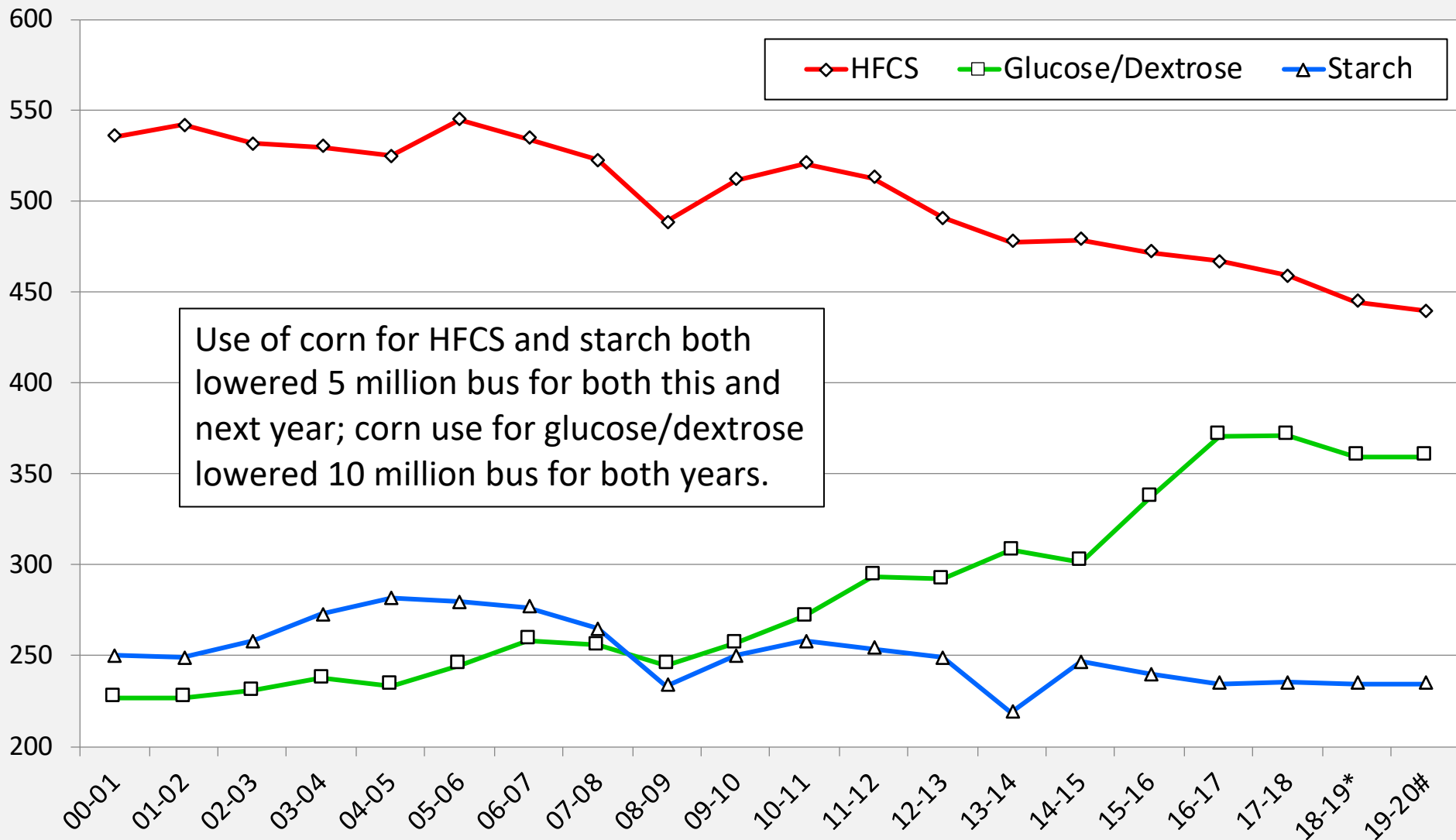
Ongoing good demand for dextrose and glucose on a functional basis versus as sweetener use, but production possibly trimmed for 2020. Pricing still likely firmer.

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

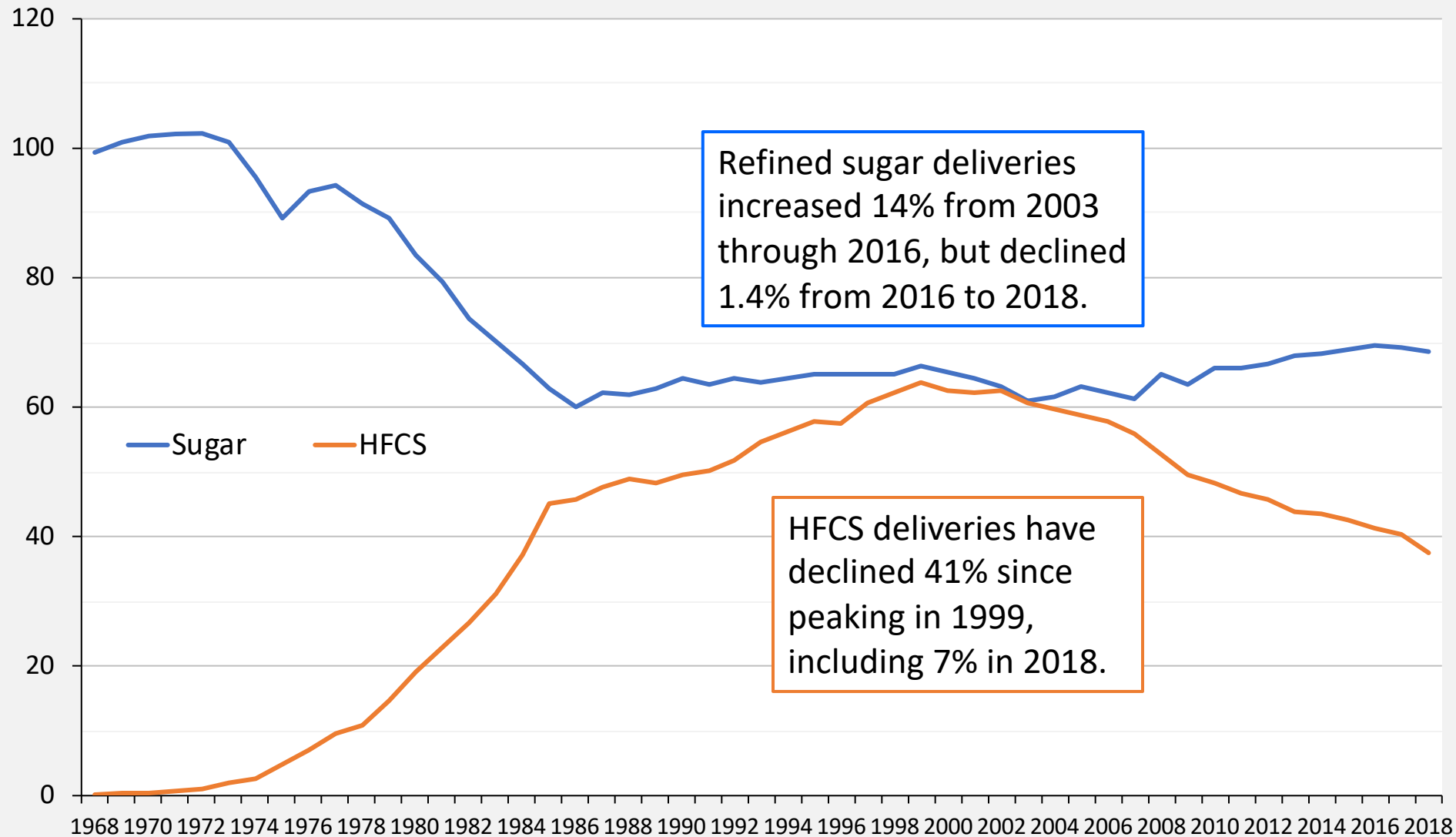
SUA July 2019: Corn Used for Sweeteners, Starch

In million bus. Source: U.S.D.A. July Feed Outlook.



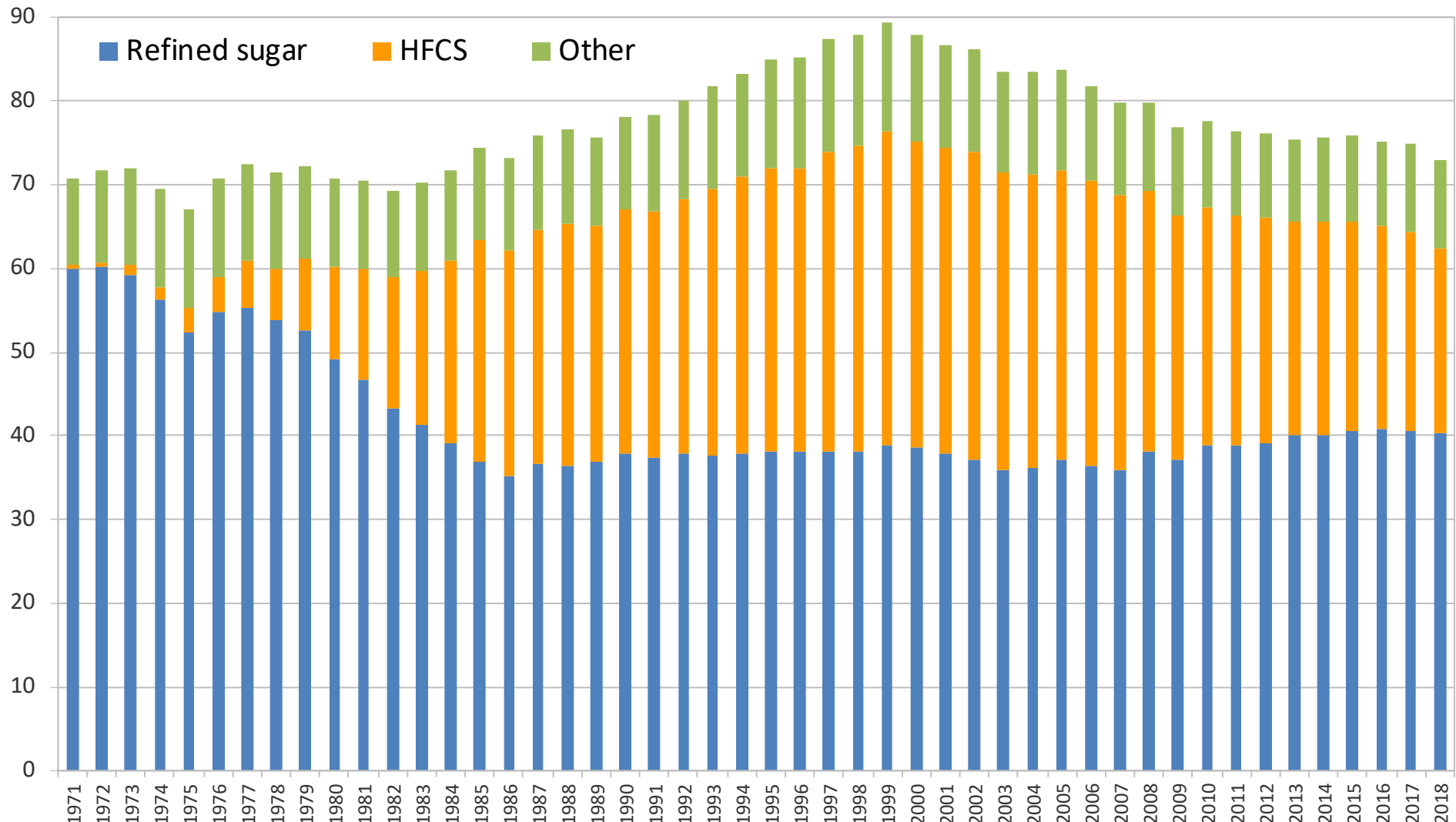
SUA July 2019: Per Capita deliveries

Per capita deliveries of refined sugar and HFCS, dry basis, food and beverage. Source: U.S.D.A.



SUA July 2019: Per Capita Sweetener Consumption

Refined sugar, HFCS and other caloric sweeteners, in lbs, adjusted for loss. Source: U.S.D.A.



SUA July 2019: Other Issues & Trends

- **Weather** – Sugar beets are planted with condition ratings still a concern in some states. Summer weather still key for Aug.-Sept. new-crop beet sugar supply. Louisiana cane rating holding steady.
- **Trade** –USMCA? China? E.U.? Japan?
- **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.
- **New Pressure to tax sugar** – Californians for Less Soda.
- **Sugar Imports** – Will there be a T.R.Q. increase?

SUA July 2019: Conclusions

■ Domestic Sugar Market

- Is the USDA done with sugar import adjustments?
- Spot beet and cane prices unchanged.
- Deliveries remain slow for beet sugar, strong for cane sugar.
- Jump in S-T-U ratio to 14.3% from 12.4% suggests nearby sugar supply is more available; most beet processors sold out.
- Mexico can meet higher export limit. Higher production.
- Offers for 2019-20 have steadied after weakness in late-May, early-June. Beet sales mostly near 33.5c. Cane at 36c Southeast and 37c Northeast. Beet processors 50% to 60% or more sold.
- Summer weather is key factor for early harvest.

■ Global Sugar Market

- Nearby market has weakened due to heavy raw and white sugar deliveries against expiring futures and potential India exports. Questions about nearby demand persist.
- Small deficit still expected in 2019-20.