

# **Sweetener Users Association Conference Call Update**

August 16, 2019

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# SUA August 2019: Presentation Overview

## ■ Domestic Sugar Market

- Supply/Imports (slight boosts to ending stocks and S-T-U ratios)
- Beet crops still catching up; cane crops looking good
- Demand/Deliveries (trends intact, deliveries raised)
- Cash and Futures Prices (cash prices firming for 2019-20)

## ■ Global Sugar Market

- Brazil harvest advancing with focus on ethanol (Have prices bottomed?)
- India still with heavy stocks (2019-20 crop prospects improve)
- Global raw sugar prices (nearby gains limited by ample nearby stocks)

## ■ Corn Sweetener Market

- U.S. production/demand (U.S.D.A. August corn crop forecast shocks market)
- Mexico HFCS consumption continues to lag year ago
- Uncertainty in 2020 pricing

## ■ Other Issues with Impact on Sweeteners

## ■ Conclusions

## ■ Questions

# SUA August 2019: U.S. Market Overview

## ■ 2018-19

- S-T-U ratio raised to 14.4% from 14.3%
- U.S.D.A. raises delivery forecast on “direct consumption”
- Deliveries in June suggest beet, cane trends intact
- Spot prices steady
- Imports to date are on track to meet projections

## ■ 2019-20

- S-T-U ratio adjusted to 13.7% from 13.5%
- Beet crop looking good with a few trouble spots; cane also good
- Beet acreage/production forecast higher; cane production lower
- Beet sugar prices are firming as sales advance

## ■ HFCS supply/demand

- Corn use for sweeteners unchanged from July.
- Mexican HFCS consumption down 3.3% Oct.-June

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

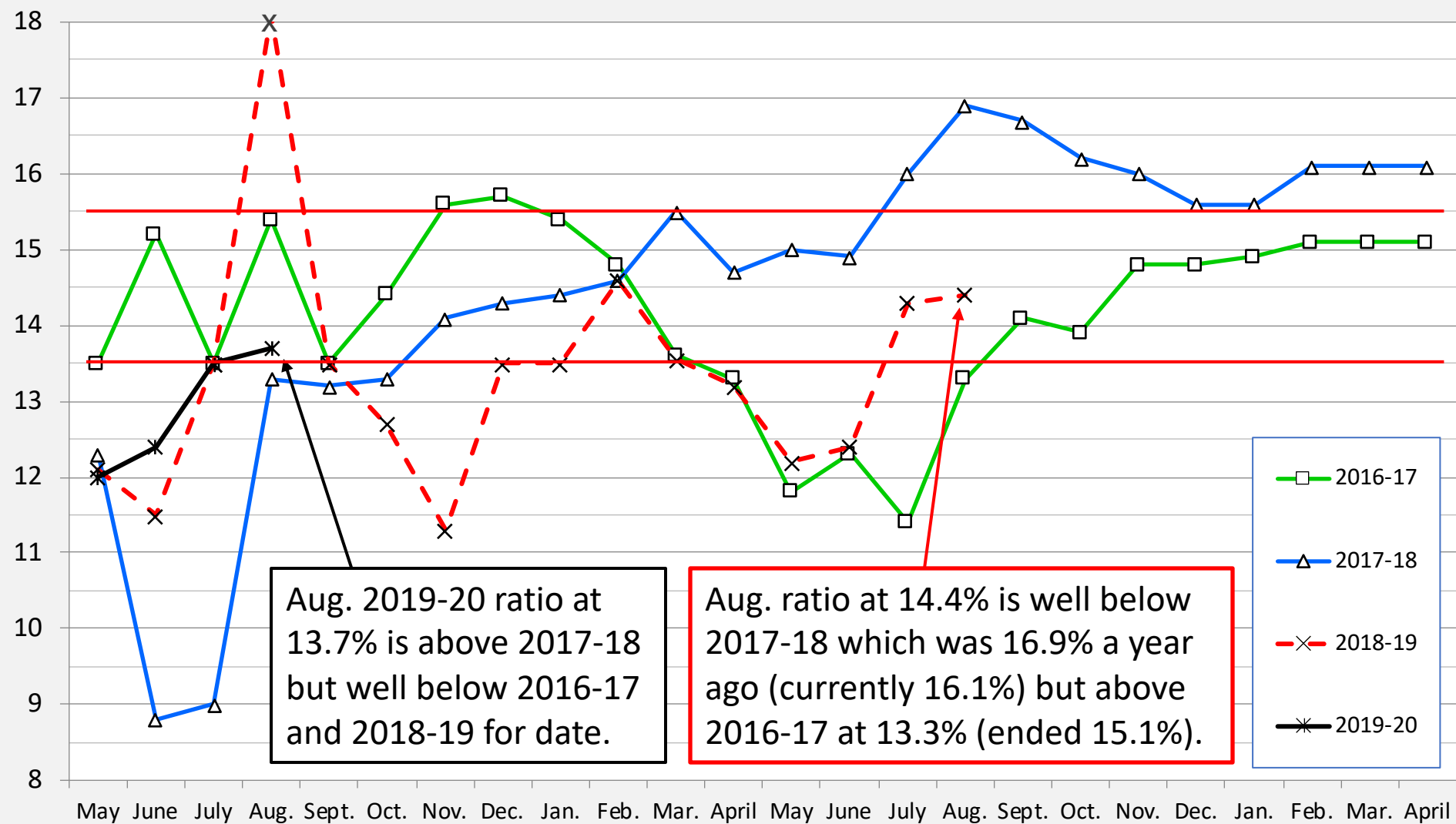
<i>1,000 short tons</i>	<b>Aug.</b>	<b>Change from July</b>		<b>Change from 17-18</b>		<b>RS-SPC</b>
<i>raw value</i>	<b>18-19</b>	<b>Tons</b>	<b>%</b>	<b>Tons</b>	<b>%</b>	<b>18-19</b>
Begin. Stocks	2,008	-	0%	132	7.0%	2,008
Production	9,036	89	1%	(257)	-2.8%	9,030
Beet	5,008	88	1.8%	(271)	-5.1%	5,000
Cane	4,028	-	0%	14	0.3%	4,030
Imports	3,091	-	0%	(186)	-5.7%	3,055
T.R.Q.	1,604	-	0%	(59)	-3.5%	1,600
Other Prog.	400	-	0%	74	22.7%	375
Mexico	997	-	0%	(226)	-18.5%	990
High Tier	90	-	0%	26	40.6%	90
Ttl Supply	14,135	89	0.6%	(310)	-2.1%	14,093
Exports	35	-	0%	(135)	-79.4%	35
Deliveries	12,325	75	0.6%	140	1.1%	12,270
<b>Food</b>	12,200	75	0.6%	152	1.3%	12,150
Other	125	-	0%	(12)	-8.8%	120
Misc.	-	-	-	(82)	-100.0%	-
Total Use	12,360	75	0.6%	(78)	-0.6%	12,305
Ending Stocks	1,775	14	0.8%	(233)	-11.6%	1,788
<b>Stocks-to-use</b>	14.4%	+0.1		-1.7		14.5%

USDA raised beet sugar production slightly more than deliveries, which nudged endings stocks up and boosted S-T-U up to 14.4% from 14.3%.

Hard to argue with production numbers this late in the season, so I'm basically at USDA's level. I'm still slightly lower on deliveries, with possible declines in non-reporter in final quarter, but also concern about beet deliveries, although early harvest may change that. My final S-T-U ratio is 14.5%

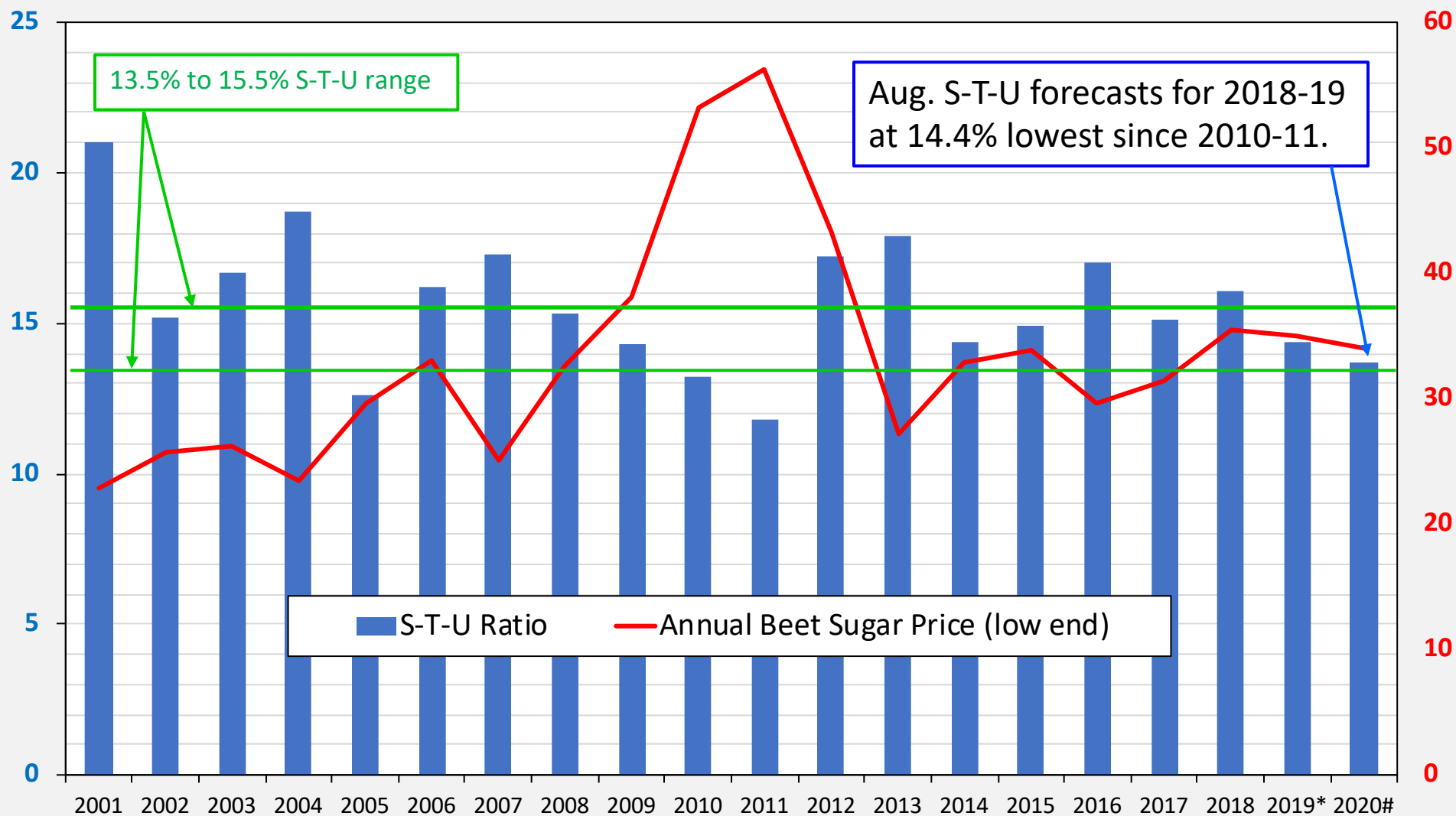
# SUA August 2019: Monthly Stocks-to-Use Ratios

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



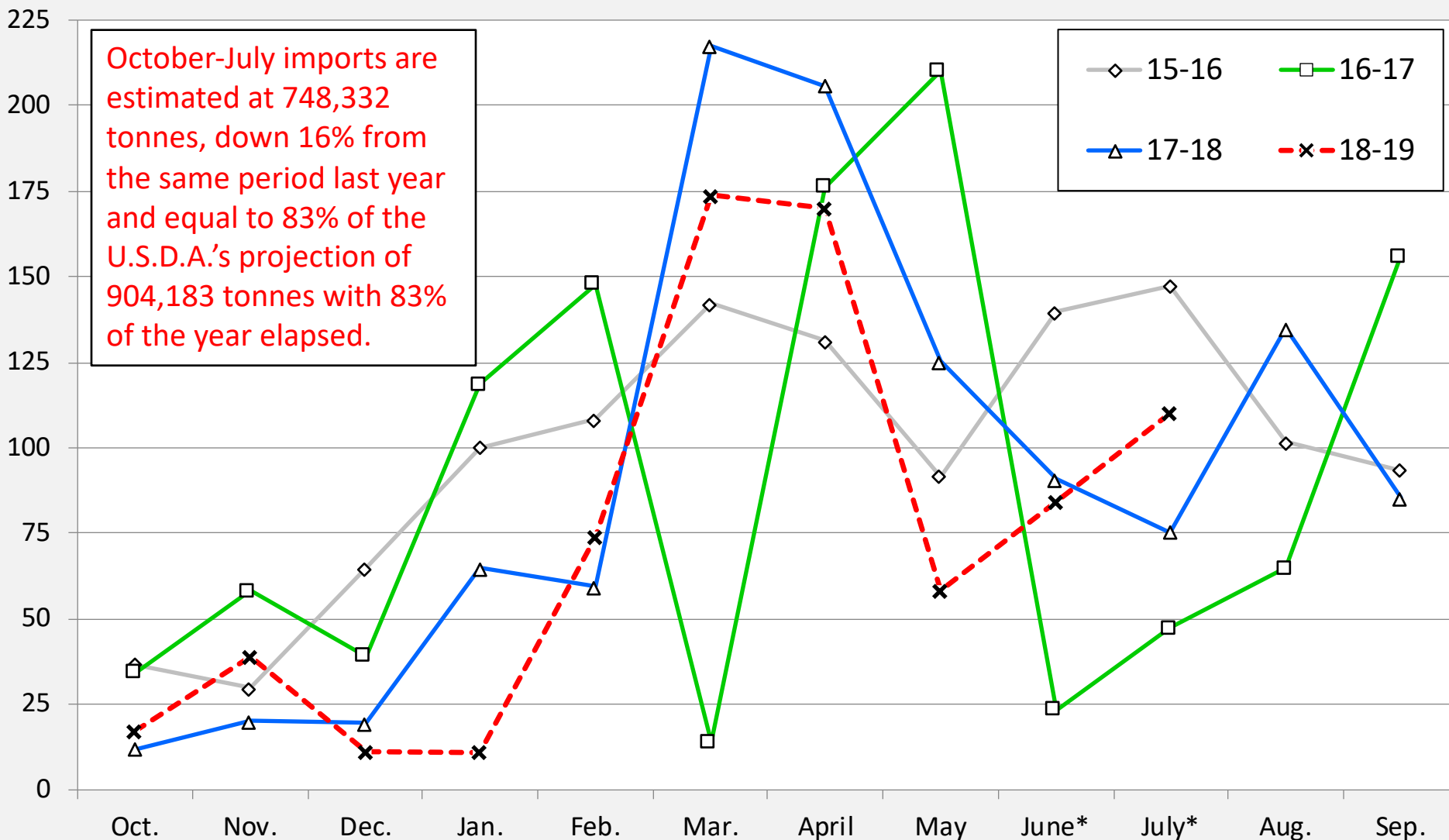
# SUA August 2019: Annual S-T-U Ratios

S-T-U in per cent, beet price in cents/lb, as Aug. 12. \*Forecast; #Projected. Source: U.S.D.A.



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

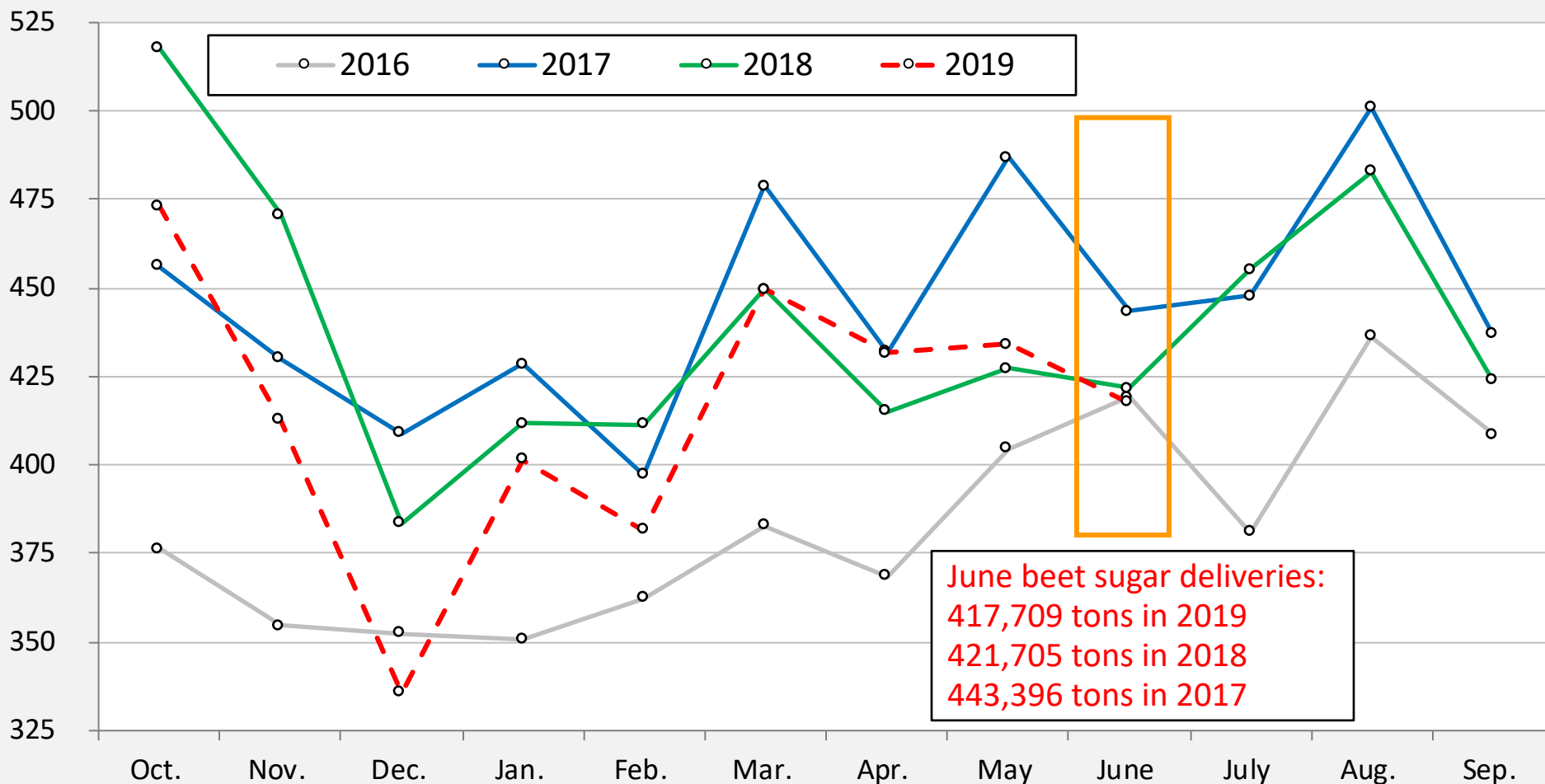
Monthly, in 1,000 tonnes, raw value. \*June and July 2018-19 are U.S.D.A. forecasts.



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

# SUA August 2019: Beet Sugar Deliveries

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

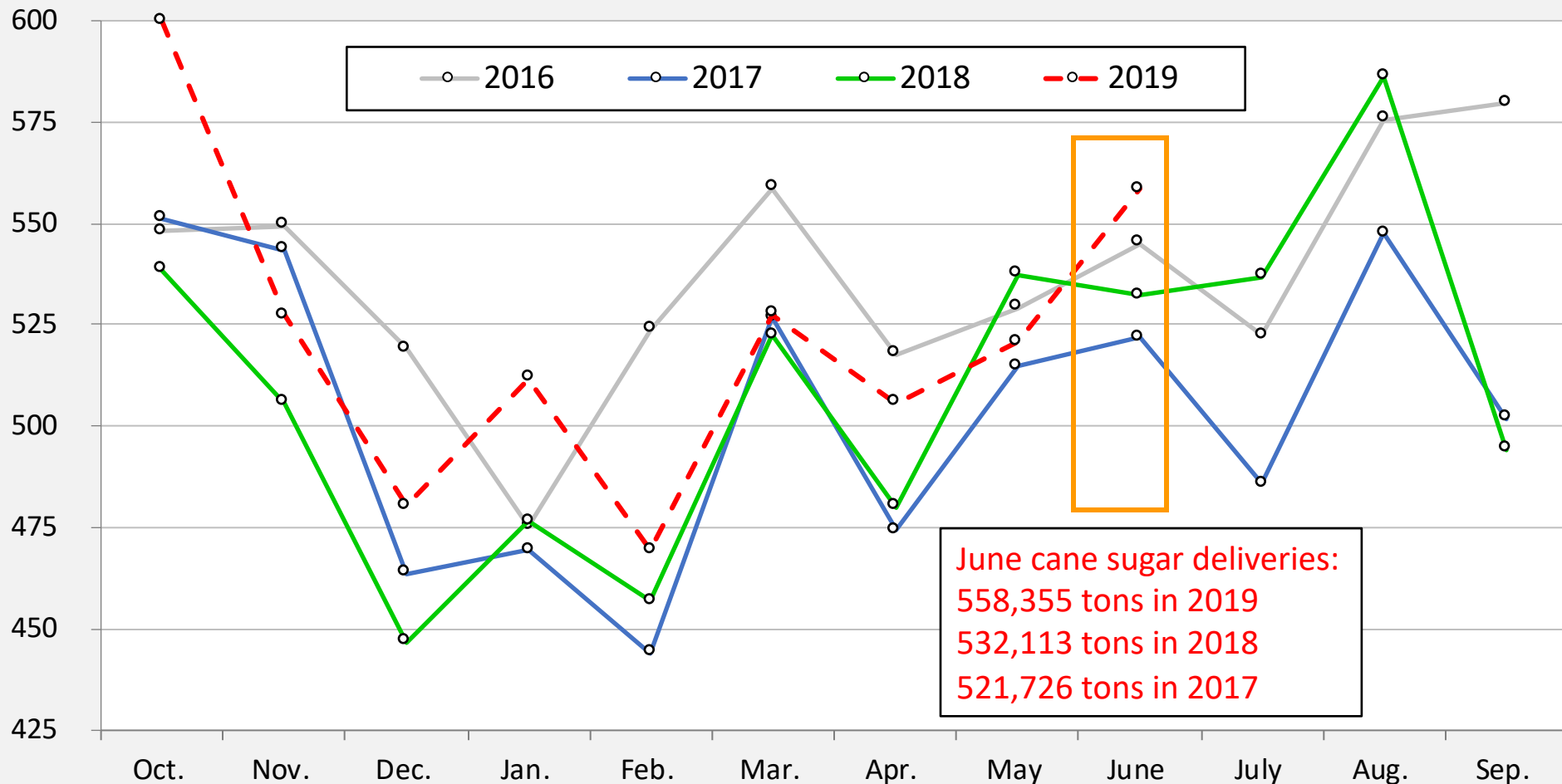


Beet sugar deliveries in June were down 3.7% from May and down 1.0% from June 2018. Oct.-June deliveries continued to average 415,000 tons per month, down 19,000 tons, or 4.4%, from the same period a year ago and are slowly catching up as the year progresses but are compared with record levels the prior two years.



# SUA August 2019: Refined Cane Deliveries

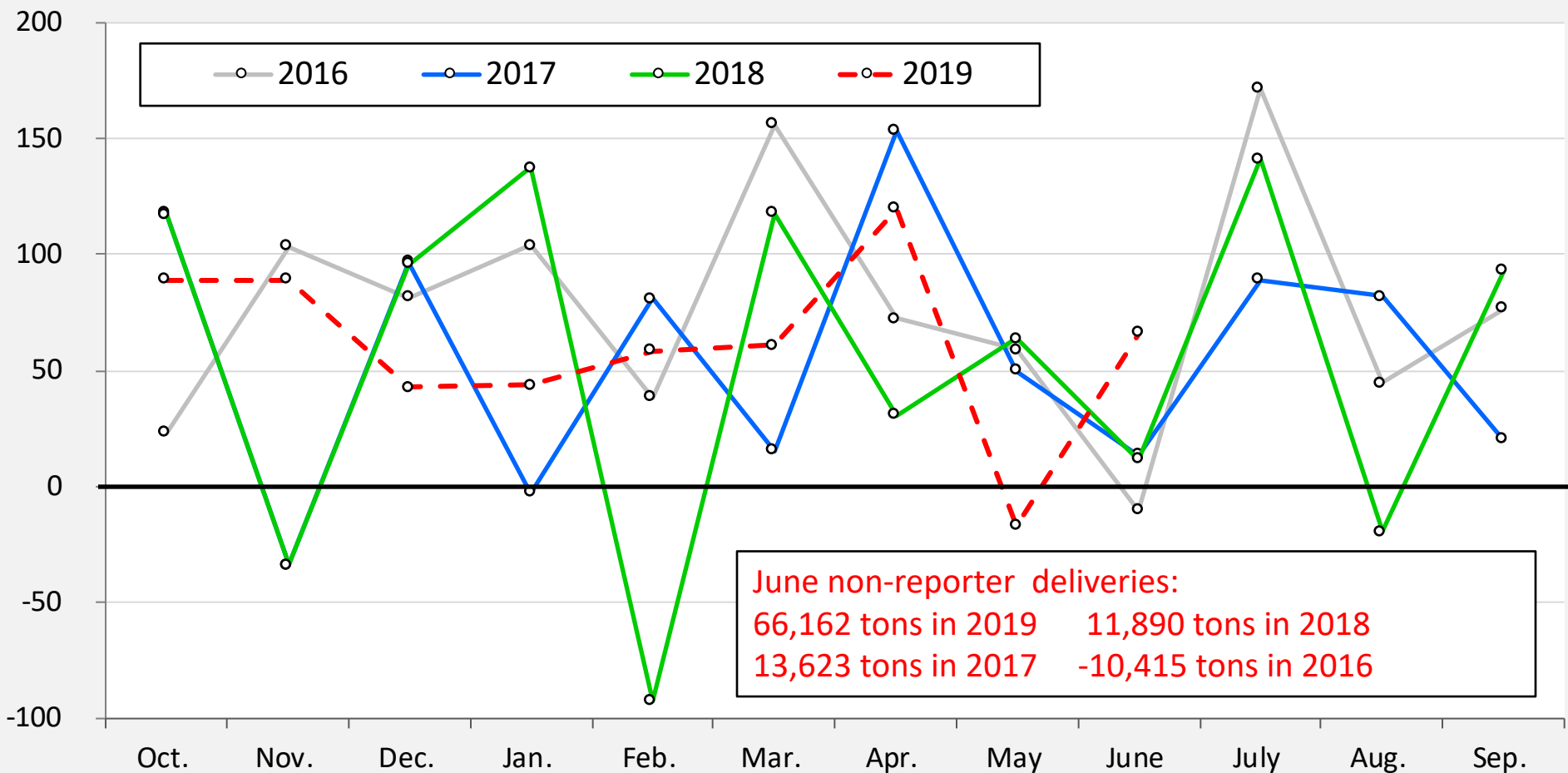
Monthly refined cane sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Refined cane sugar deliveries in June appear to have been record high, up 7% from May and up 4.9% from a year ago. Oct.-June deliveries averaged 522,000 tons per month, up 23,000 tons, or 4.6%, from same period a year ago (compared with relatively weak levels the prior two years) and may be strengthening as the year progresses.

# SUA August 2019: Deliveries by Non-Reporters

Monthly non-reporter deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Deliveries by non-reporters totaled 553,000 tons from Oct.-June, up 104,000 tons, or 23%, from the same period a year ago and the highest since 628,000 tons in 2016. May was the only month with “negative” non-reporter deliveries so far this year compared with two or three negative months most years.

# SUA August 2019: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	<u>FY 2019 Oct.-June</u>	<u>FY 2018 Oct.-June</u>	<u>Per Cent Change</u>	
<b>Total Deliveries/1</b> (actual weight)	7,955,866	7,938,926	0.2	Total deliveries up from -0.1% in May to +0.2% in June. Top five segments improved even if couple still negative. Next three segments slipped, led by dairy.
1-Bakery, cereal, and related products	1,844,688	1,833,476	0.6	
4-Confectionery and related products	899,237	896,796	0.3	
6-Ice cream and dairy products	554,431	599,085	-7.5	
7-Beverages	535,597	517,057	3.6	
8-Canned, bottled and frozen foods	308,911	273,441	13.0	
5-Multiple and all other food uses	845,632	895,865	-5.6	
10-Non-food uses	111,585	91,346	22.2	
11-Hotels, restaurants, institutions	64,004	71,017	-9.9	
2-Wholesale grocers, jobbers, dealers	1,667,933	1,592,520	4.7	
3-Retail grocers, chain stores	890,452	919,290	-3.1	USDA forecast up 1.3% from 2017-18 (up 0.6% in July) based on higher direct-consumption.
12-Government agencies	9,912	9,626	3.0	
9-All other deliveries	223,483	239,406	-6.7	
<b>Total Deliveries/1</b> (short tons, raw value)	8,512,777	8,494,651	0.2	
Crystalline:	7,359,931	7,373,736	-0.2	
Consumer-size packages	1,643,925	1,697,036	-3.1	
Packages 50 lbs and greater	2,200,656	2,170,992	1.4	
Unpackaged (bulk)	3,515,350	3,505,707	0.3	
Non-crystalline/2	1,152,846	1,120,915	2.8	

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

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

Source: U.S.D.A.

# SUA August 2019: Mexico WASDE

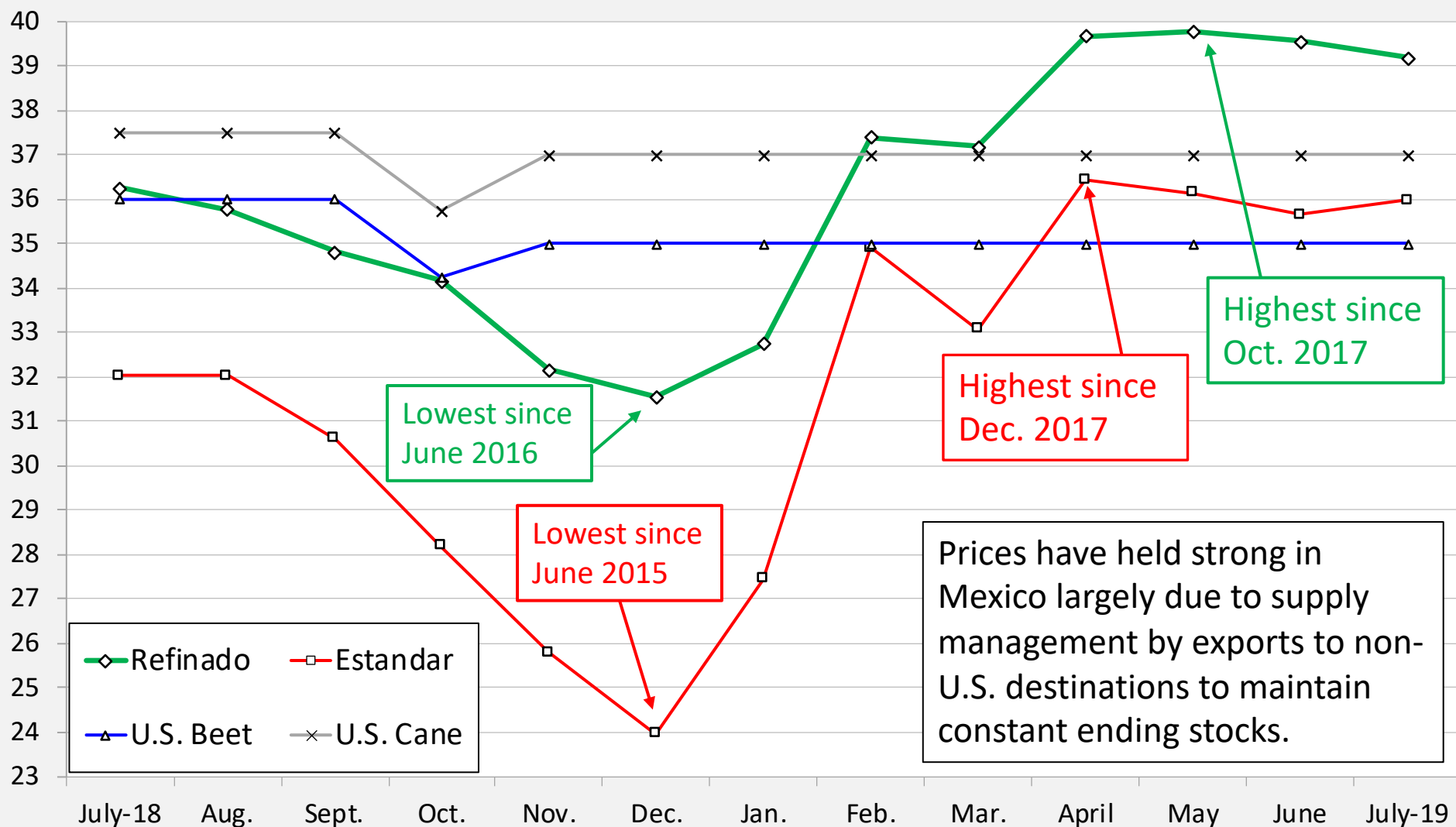
Source: U.S.D.A. August 12, 2019, WASDE.

<i>1,000 tonnes</i>	<b>Aug.</b>	<b>From</b>	<b>Aug.</b>	<b>From</b>	<b>From</b>
<i>Actual weight</i>	<b><u>18-19</u></b>	<b><u>July</u></b>	<b><u>19-20</u></b>	<b><u>July</u></b>	<b><u>18-19</u></b>
<b>Begin. Stocks</b>	1,395	-	995	-	(400)
<b>Production</b>	6,426	1	6,248	-	(178)
<b>Imports</b>	70	-	70	-	-
<b>Total Supply</b>	7,891	1	7,313	-	(578)
<b>Exports</b>	2,179	-	1,542	-	(637)
<b>Domestic Use</b>	4,716	-	4,776	-	60
<b>Total Use</b>	6,895	-	6,318	-	(577)
<b>Ending Stocks</b>	995	-	995	-	-
<b>S-T-U (total)</b>	14.4%	-	15.8%	-	+1.4
<b>S-T-U (dom.)</b>	21.1%	-	20.8%	-	-0.3

U.S.D.A. made no substantive changes from July in the August WASDE for Mexico. Production this year was the second highest on record, while consumption appears to be sagging. Mexico has figured out how to manage supply with exports to non-U.S. destinations and appears pleased with domestic prices and with the suspension agreements, which are not affected by U.S.M.C.A.

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

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



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

1,000 short tons raw value	August 19-20	Change from July Tons	%	Change from 18-19 Tons	%	RS-SPC 19-20
Begin. Stocks	1,775	14	0.8%	(233)	-11.6%	1,788
<b>Production</b>	9,308	48	0.5%	272	3.0%	<b>9,250</b>
<b>Beet</b>	5,179	4	0.1%	171	3.4%	<b>5,150</b>
<b>Cane</b>	4,129	44	1.1%	101	2.5%	<b>4,100</b>
Imports	2,981	24	0.8%	(110)	-3.6%	3,000
<b>T.R.Q.</b>	1,593	25	1.6%	(11)	-0.7%	1,600
Other Prog.	350	-	0.0%	(50)	-12.5%	350
<b>Mexico</b>	969	-	0%	(28)	-2.8%	<b>1,000</b>
High Tier	70	-	0%	(20)	-22.2%	50
Ttl Supply	14,064	86	0.6%	(71)	-0.5%	14,038
Exports	35	-	0%	-	0%	35
Deliveries	12,330	50	0.4%	5	0%	12,300
Food	12,225	50	0.4%	25	0.2%	<b>12,200</b>
Other	105	-	0%	(20)	-16.0%	100
Misc.	-	-	-	-	-	-
Total Use	12,365	50	0.4%	5	0%	12,335
<b>Ending Stocks</b>	1,699	36	2.2%	(76)	-4.3%	1,703
<b>Stocks-to-use</b>	13.7%	+0.2		-0.7		13.8%

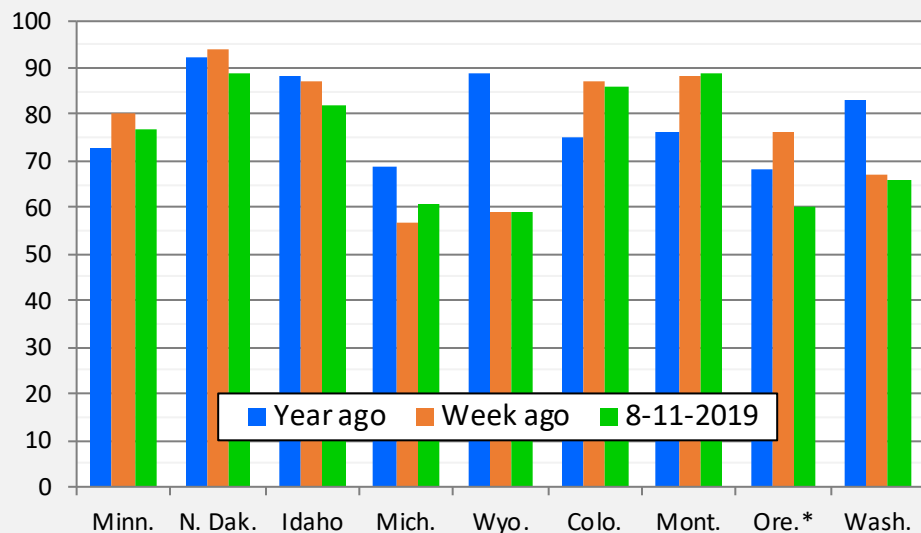
USDA raised beginning stocks, production and T.R.Q. imports more than 50,000-ton boost in deliveries, which raised S-T-U to 13.7%.

I stayed with my 13.8% S-T-U ratio from July with slightly lower production (beet may be overstated), slightly higher imports and lower deliveries for food use (all compared with August USDA).

I think deliveries for food are key to watch going forward.

# SUA August 2019: U.S. Beet and Cane Ratings

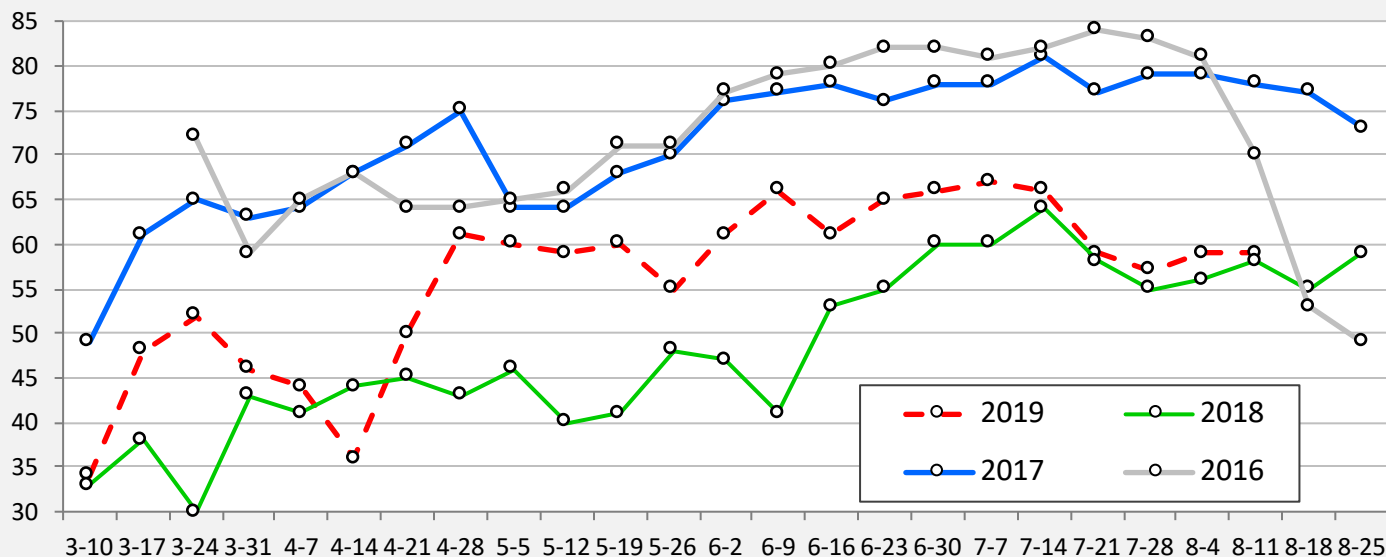
Sugar beets, good-to-excellent ratings, in per cent; \*Oregon was all good, none excellent.



Beet crop condition ratings varied widely as of Aug. 11, with several states falling slightly from a week earlier due to need of rain. Most crops are about two weeks behind average, but growers expect average crops, with greatest concerns in Michigan, Wyoming and southern Minnesota.

Source: U.S.D.A.

Louisiana sugar cane, good-to-excellent ratings, in per cent, as of Aug. 11.



Louisiana good-to-excellent cane rating was 59% as of Aug. 11, about steady with past four weeks and similar to 2018, but well below 2017.

# SUA August 2019: Cash Sugar Price Outlook

## Beet sugar 2018-19

Spot prices holding at 35c f.o.b. Midwest

Spot prices at 39c f.o.b. West Coast (41c delivered)

## Cane sugar 2018-19

Spot prices holding at 37c to 38c f.o.b. Northeast

Spot mostly at 36c f.o.b. South/Southeast and Gulf

Spot mostly 41c delivered West Coast

## Beet sugar 2019-20

Prices are firming as sales advance

Offers holding at 34c f.o.b. Midwest and 35c Michigan

Offers likely to be raised by end of August

38c f.o.b. West Coast (40c delivered)

## Cane sugar 2019-20

Southeast offers mostly near 36c f.o.b.

Gulf prices have risen to 35c f.o.b. or above

Northeast cane holding near 37c f.o.b.

West Coast near 40c delivered

## Recent Developments and Factors to Watch

- Spot prices unchanged as beet processors are mostly sold out.
- Cane refiners maintaining disciplined pricing for 2019-20.
- Beet processors will raise offers as 2019-20 sales climb to 70% or above.



# SUA August 2019: New York #16 Raw Futures

ICE domestic raw sugar futures as of August 14, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFX19 (D10)	25.77 S	-0.11	25.77	25.76	25.77 S	3002	3	1:09:30 PM EDT - 08/14/19
ESFF20 (D10)	26.10 S	0.10	26.10	26.10	26.10 S	1245	100	1:09:30 PM EDT - 08/14/19
ESFH20 (D10)	26.00 S	0.00	26.10	26.10	26.00 S	906	95	1:09:30 PM EDT - 08/14/19
ESFK20 (D10)	26.30 S	0.05	26.30	26.28	26.30 S	474	89	1:09:30 PM EDT - 08/14/19
ESFN20 (D10)	26.50 S	0.00			26.50 S	495	0	1:09:30 PM EDT - 08/14/19
ESFU20 (D10)	26.35 S	0.00			26.35 S	439	0	1:09:30 PM EDT - 08/14/19
ESFX20 (D10)	26.35 S	0.00			26.35 S		0	1:09:30 PM EDT - 08/14/19
ESFF21 (D10)	26.35 S	0.00			26.35 S		0	1:09:30 PM EDT - 08/14/19
ESFH21 (D10)	26.35 S	0.00			26.35 S		0	1:09:30 PM EDT - 08/14/19
ESFK21 (D10)	26.35 S	0.00			26.35 S		0	1:09:30 PM EDT - 08/14/19
ESFN21 (D10)	26.35 S	0.00			26.35 S		0	1:09:30 PM EDT - 08/14/19

There has been little change in domestic raw sugar futures from a month ago. The nearby month has firmed slightly in the transition from September to November, with the trading range mostly from 25.5c to 26c a lb in spot with a modest carry going forward. There has been virtually no trading and very little price change from July 2020 forward since late June. Expect more of the same.

# SUA August 2019: Global Sugar Overview

- **Global supply/demand**
  - Ample nearby supply continues to limit nearby raw sugar futures
  - Carry still seen going forward with small/modest deficit in 2019-20
- **Brazil harvest advancing**
  - Cane harvest advancing with strong emphasis on ethanol
  - Hedging is behind a year ago due to low prices
- **India nearby stocks remain heavy**
  - Still huge (record) ending stocks expected this year
  - Monsoon rainfall “caught up,” improving cane prospects for 2019-20
  - W.T.O. panel reviewing subsidy complains
- **European processors continue to struggle**
- **Concerns about global sugar demand/consumption**
- **Pricing**
  - Nearby raw sugar futures below 12c a lb due to India stocks and heavy white sugar deliveries; more expected in September

# SUA August 2019: New York #11 Raw Futures

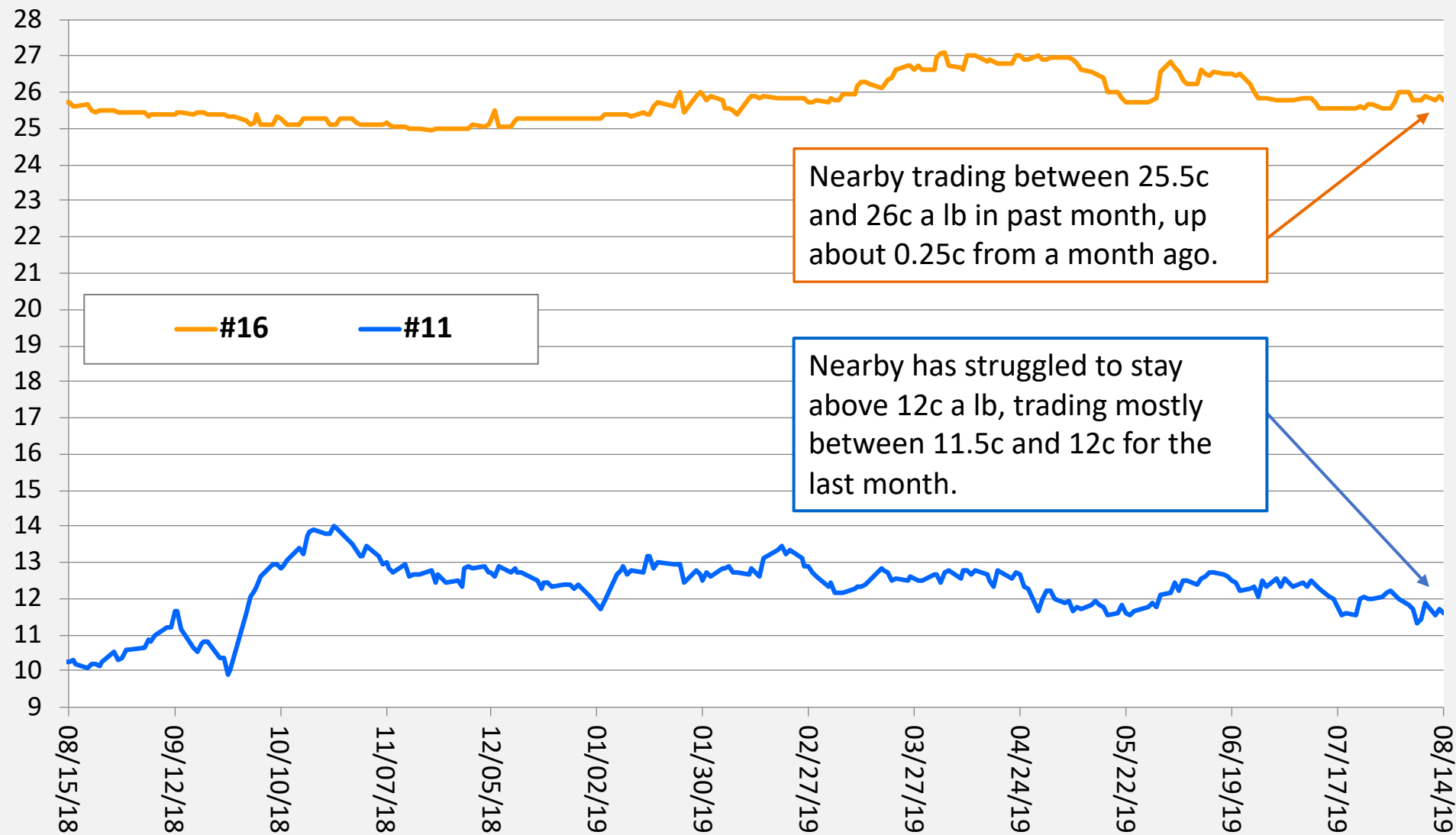
ICE world raw sugar futures as of August 14, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBV19 (D10)	11.61 S	-0.11	11.81	11.57	11.61 S	533343	40894	1:00:05 PM EDT - 08/14/19
ESBH20 (D10)	12.64 S	-0.13	12.85	12.62	12.64 S	282611	25361	1:00:05 PM EDT - 08/14/19
ESBK20 (D10)	12.80 S	-0.13	13.01	12.78	12.80 S	93822	5871	1:00:05 PM EDT - 08/14/19
ESBN20 (D10)	12.93 S	-0.12	13.14	12.90	12.93 S	57758	4383	1:00:05 PM EDT - 08/14/19
ESBV20 (D10)	13.12 S	-0.12	13.35	13.09	13.12 S	43295	1656	1:00:05 PM EDT - 08/14/19
ESBH21 (D10)	13.64 S	-0.12	13.84	13.64	13.64 S	26421	246	1:00:05 PM EDT - 08/14/19
ESBK21 (D10)	13.66 S	-0.11	13.84	13.71	13.66 S	4377	38	1:00:05 PM EDT - 08/14/19
ESBN21 (D10)	13.68 S	-0.10	13.87	13.77	13.68 S	3823	16	1:00:05 PM EDT - 08/14/19
ESBV21 (D10)	13.81 S	-0.10	13.97	13.87	13.81 S	1560	5	1:00:05 PM EDT - 08/14/19
ESBH22 (D10)	14.17 S	-0.10	14.29	14.29	14.17 S	509	1	1:00:05 PM EDT - 08/14/19
ESBK22 (D10)	14.12 S	-0.10			14.12 S	29	0	1:00:05 PM EDT - 08/14/19
ESBN22 (D10)	14.10 S	-0.10			14.10 S		0	1:00:05 PM EDT - 08/14/19

World raw sugar futures are little changed from a month ago, up just slightly. The spot month has had trouble holding above 12c a lb due to concerns about ample nearby global supply after record deliveries of London whites when July expired. Some expect heavy deliveries against London October in September. While some see prices as having bottomed, others point toward improved weather in India as adding to 2019-20 production and stocks, although a deficit still is forecast for next year. Slightly firmer going forward but no runaway.

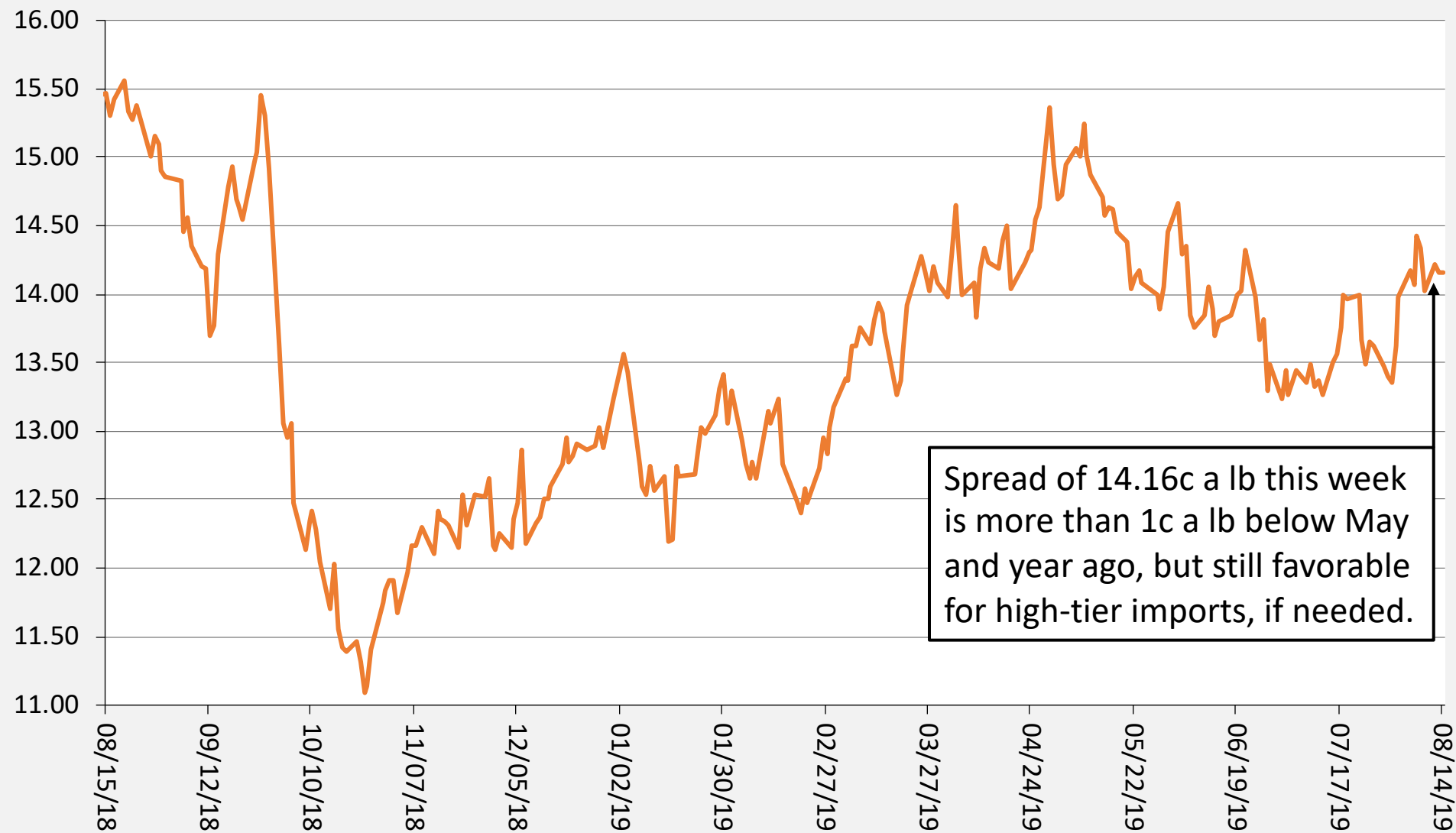
# SUA August 2019: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of August 14, 2019.



# SUA August 2019: World/Domestic Futures

Nearby ICE New York world and domestic raw sugar futures spread, in cents per lb.



# SUA August 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.

U.S.D.A. forecast use of corn for HFCS, dextrose/glucose and starch unchanged from July in August Feed Outlook after lowering forecasts in July.

Oct.-June HFCS consumption in Mexico was 3.3% below year-ago with full-year use unchanged at down 4.6%.

Little discussion on 2020 corn sweetener pricing after corn market whipsawed by U.S.D.A. data in June, July & August. Most expect more activity in September. Flat?

## 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 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

Corn futures fell to multi-month lows this week as U.S.D.A. forecast production well above expectations. Also lowered use for ethanol.

# SUA August 2019: Other Issues & Trends

- **Weather** – Beet crops remain about two weeks behind average, but some harvest starting due to need for sugar. Early frost concern. Cane crops doing well despite T.S. Barry in Louisiana.
- **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. Diet/moderation losing favor as consumers want wellness/balance.
- **New Pressure to tax sugar** – Californians for Less Soda.
- **Sugar Imports** – No T.R.Q. increase apparent.



# SUA August 2019: Conclusions

## ■ Domestic Sugar Market

- The USDA appears done with sugar import adjustments.
- Spot beet and cane prices unchanged; beet processors sold out.
- Deliveries remain slow for beet sugar, strong for cane sugar.
- Strong direct consumption prompted USDA to raise food use delivery forecasts for this and next year in August WASDE, but per capita consumption remains flat to lower.
- Mexico can meet higher export limit.
- Beet sugar offers for 2019-20 have firmed as beet processors have sold 60% to 80% of prospective 2019-20 production; awaiting final reports from agronomists; price increases coming.
- Sugar beet crops about average, but more acres.

## ■ Global Sugar Market

- Nearby prices limited by ample stocks; small 2019-20 deficit.
- Questions growing about global consumption.