

Sweetener Users Association Board Meeting Update

October 16, 2019

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SUA October 2019: Presentation Overview

- **Domestic Sugar Market**
 - Shift to 2019-20 marketing year with beet processors very well sold
 - Beet harvest is slow; sucrose content a concern; cane harvest early
 - Demand/Deliveries weak in August with one month left in 2018-19
 - Cash prices firm for 2019-20
- **Global Sugar Market**
 - Brazil harvest picked up momentum in second-half September
 - India still has large stocks and excess supply to export
 - Global raw sugar prices have firmed amid short covering in NY raws
- **Corn Sweetener Market**
 - Annual contracting advancing at mixed pace
 - Pricing for 2020 coming in higher from 2019
 - Mexican consumption continues to slip
- **Other Issues with Impact on Sweeteners**
- **Conclusions**
- **Questions**

SUA October 2019: U.S. Market Overview

- **2019-20**
 - S-T-U ratio temporarily raised to 14.5%
 - U.S.D.A. carries lower deliveries into new year
 - Beet sugar supply (?) and imports raised
 - Spot prices firm as beet processors pull back amid slow harvest
- **2018-19**
 - S-T-U ratio adjusted to 14% due to slow early beet harvest
 - Refined beet and cane deliveries weak in August
 - Non-reporter deliveries remain strong
 - Deliveries lowered for second month on slow pace to date
 - Imports shuffled at year end (some allowed in October)
- **Corn sweetener supply/demand**
 - U.S. prices for 2020 up \$1 to \$2 a cwt from 2019
 - HFCS deliveries in U.S. down from year ago; human consumption of HFCS in Mexico continues to slide

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

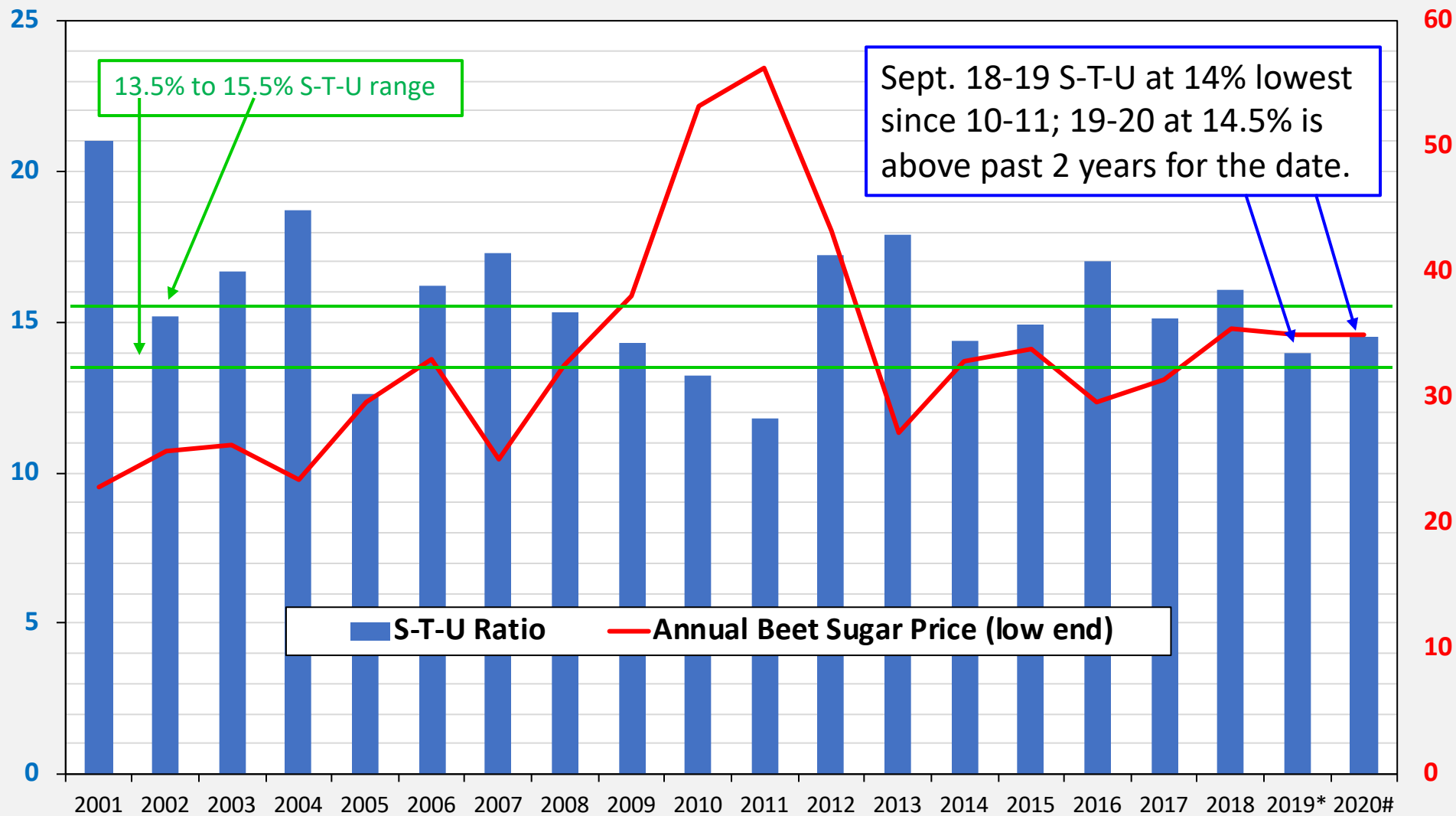
<i>1,000 short tons</i>	Oct.	Change from Sept.		Change from 18-19		RS-SPC
<i>raw value</i>	<u>19-20</u>	<u>Tons</u>	<u>%</u>	<u>Tons</u>	<u>%</u>	<u>19-20</u>
Begin. Stocks	1,725	(22)	-1.3%	(283)	-14.1%	1,723
Production	9,184	50	0.5%	249	2.8%	9,150
Beet	5,055	50	1.0%	148	3.0%	5,025
Cane	4,129	-	0.0%	101	2.5%	4,130
Imports	3,165	40	1.3%	98	3.2%	3,075
T.R.Q.	1,627	40	2.5%	87	5.6%	1,600
Other Prog.	350	-	0.0%	(88)	-20.1%	350
Mexico	1,118	-	0.0%	121	12.1%	1,055
High Tier	70	-	0.0%	(22)	-23.9%	70
Ttl Supply	14,074	68	0.5%	64	0.5%	13,948
Exports	35	-	0.0%	-	0.0%	35
Deliveries	12,255	(50)	-0.4%	5	0.0%	12,200
Food	12,150	(50)	-0.4%	25	0.2%	12,100
Other	105	-	0.0%	(20)	-16.0%	100
Misc.	-	-	-	-	-	-
Total Use	12,290	(50)	-0.4%	5	0.0%	12,235
Ending Stocks	1,784	118	7.1%	59	3.4%	1,713
Stocks-to-use	14.5%	1.0		0.5		14.0%

USDA pushed 50,000 tons of beet sugar into 2019-20, which some question due to lower sucrose. Imports are “messy” due to year-end shuffling. Lower deliveries carried over from 2018-19. S-T-U ratio will be adjusted down in December.

My S-T-U ratio is at 14% with lower production, imports and deliveries. Biggest concern is beet and cane deliveries, and beet sugar production.

SUA October 2019: Annual S-T-U Ratios

S-T-U in per cent, beet price in cents/lb, as Oct. 10. *Estimated; #Forecast.

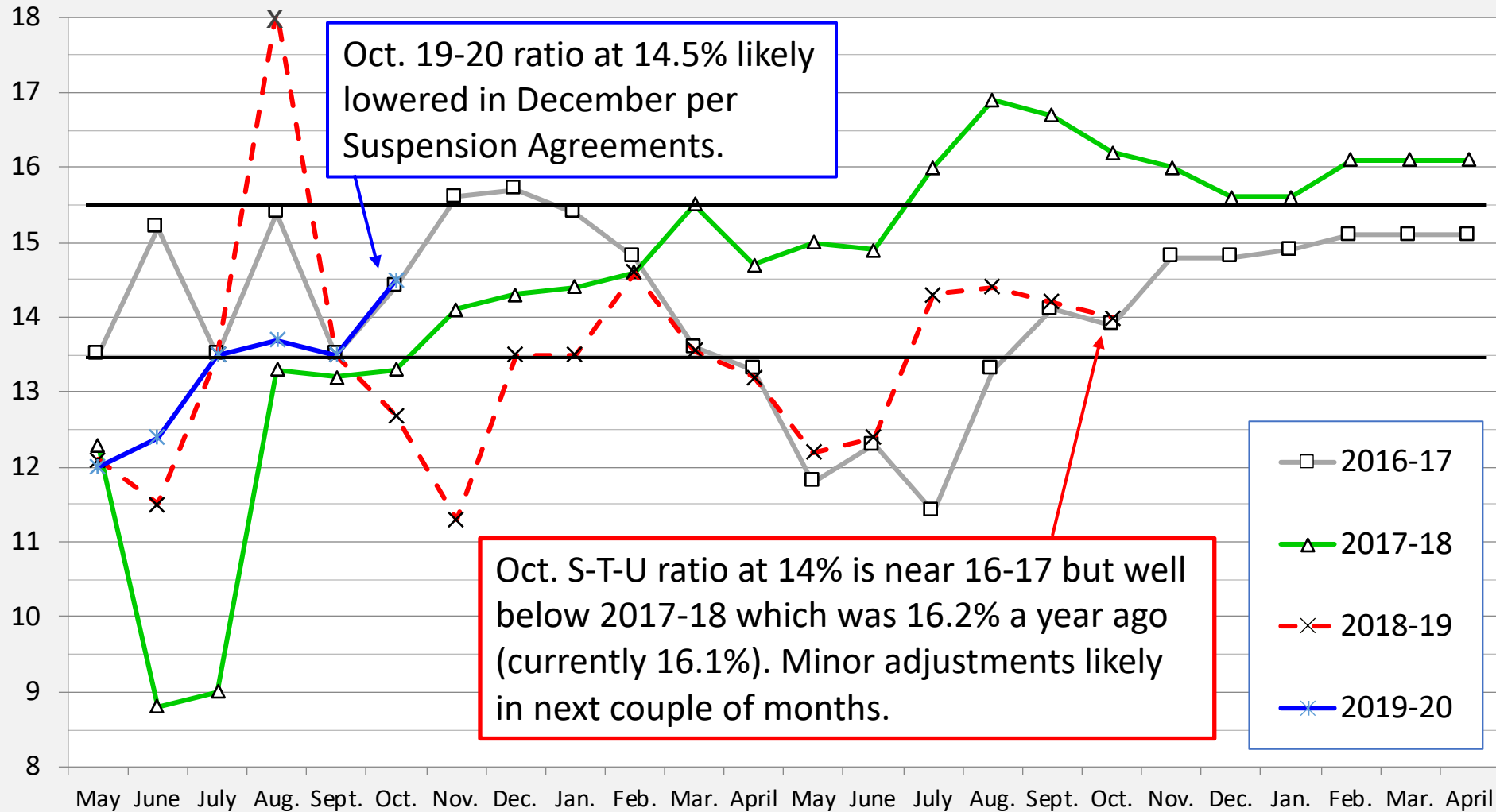


Sources: U.S.D.A. and Sosland Publishing Company



SUA October 2019: Monthly S-T-U Ratios

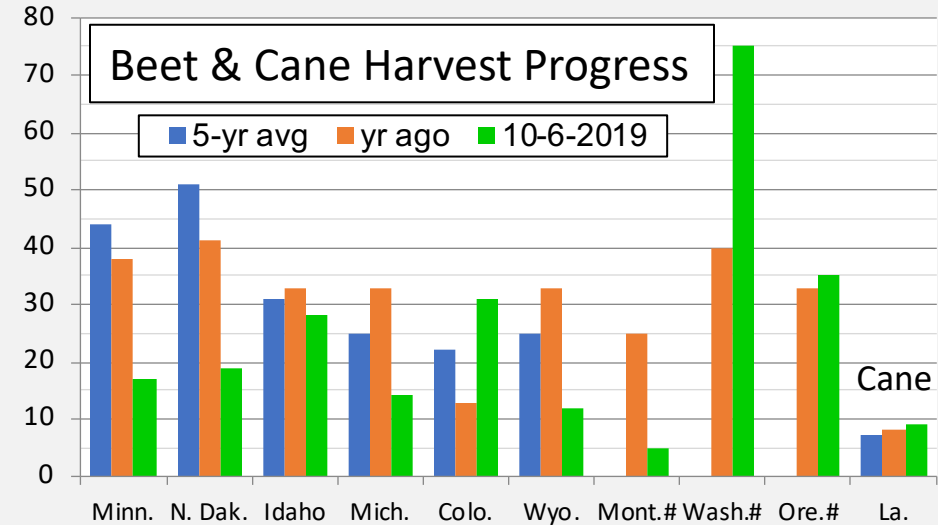
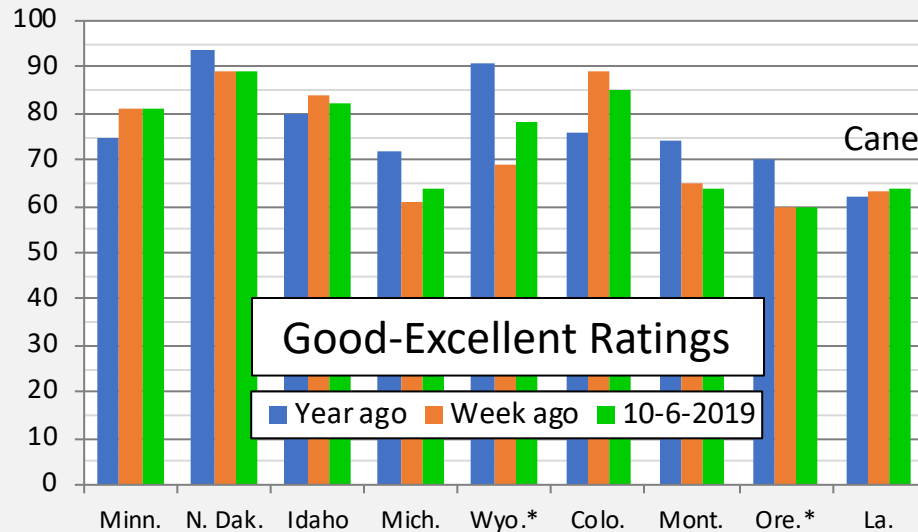
Two-year S-T-U ratios in per cent, beginning with first forecast in May for each marketing year.



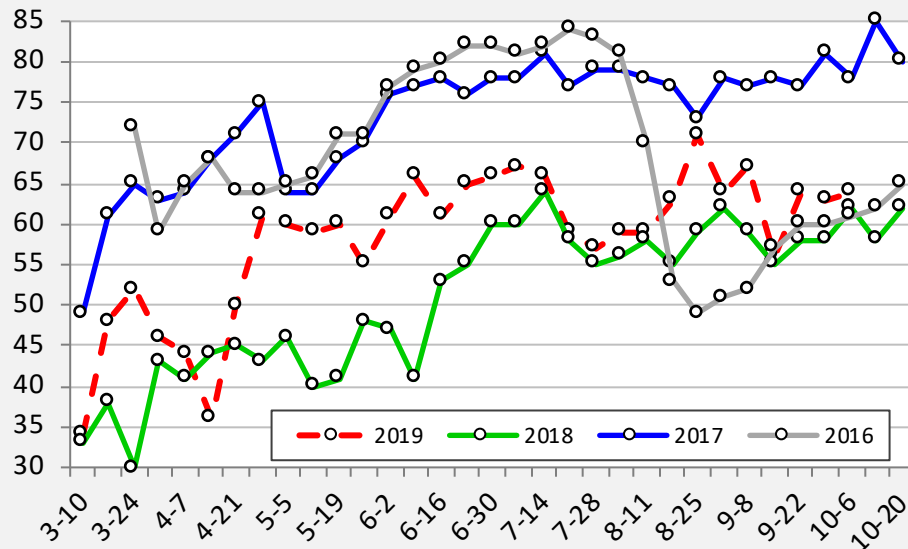
Source: U.S.D.A.

SUA October 2019: 2019 Beet & Cane Progress

Ratings and harvest progress in % as of Oct. 6. *Ratings all good. #Five-year not available. Source: U.S.D.A.



Louisiana sugar cane good-to-excellent ratings



Focus is on beet harvest progress, which is lagging. New data this week. Louisiana cane harvest is slightly ahead of average.

Louisiana cane condition ratings are similar to those of 2018 and 2016, but well below 2017. Beet condition ratings less significant as harvest progresses.

SUA October 2019: 2019 Beet & Cane Production

Sugar beet and cane production as of Oct 1, in 1,000 tons. Source: U.S.D.A.

Beet	October		From 2018		From Sept.	
	2018	2019	Tons	%	Tons	%
Minnesota	10,486	11,367	881	8.4%	126	1.1%
N. Dakota	5,731	5,886	155	2.7%	34	0.6%
Idaho	6,602	6,673	71	1.1%	-	0.0%
Michigan	4,278	3,988	(290)	-6.8%	(87)	-2.1%
Nebraska	1,407	1,203	(204)	-14.5%	(11)	-0.9%
Montana	1,319	1,302	(17)	-1.3%	(5)	-0.4%
California	1,092	1,062	(30)	-2.7%	-	0.0%
Colorado	831	809	(22)	-2.6%	-	0.0%
Wyoming	946	838	(108)	-11.4%	-	0.0%
Oregon	366	381	15	4.1%	1	0.3%
Washington	87	97	10	11.5%	1	1.0%
U.S.	33,145	33,606	461	1.4%	59	0.2%

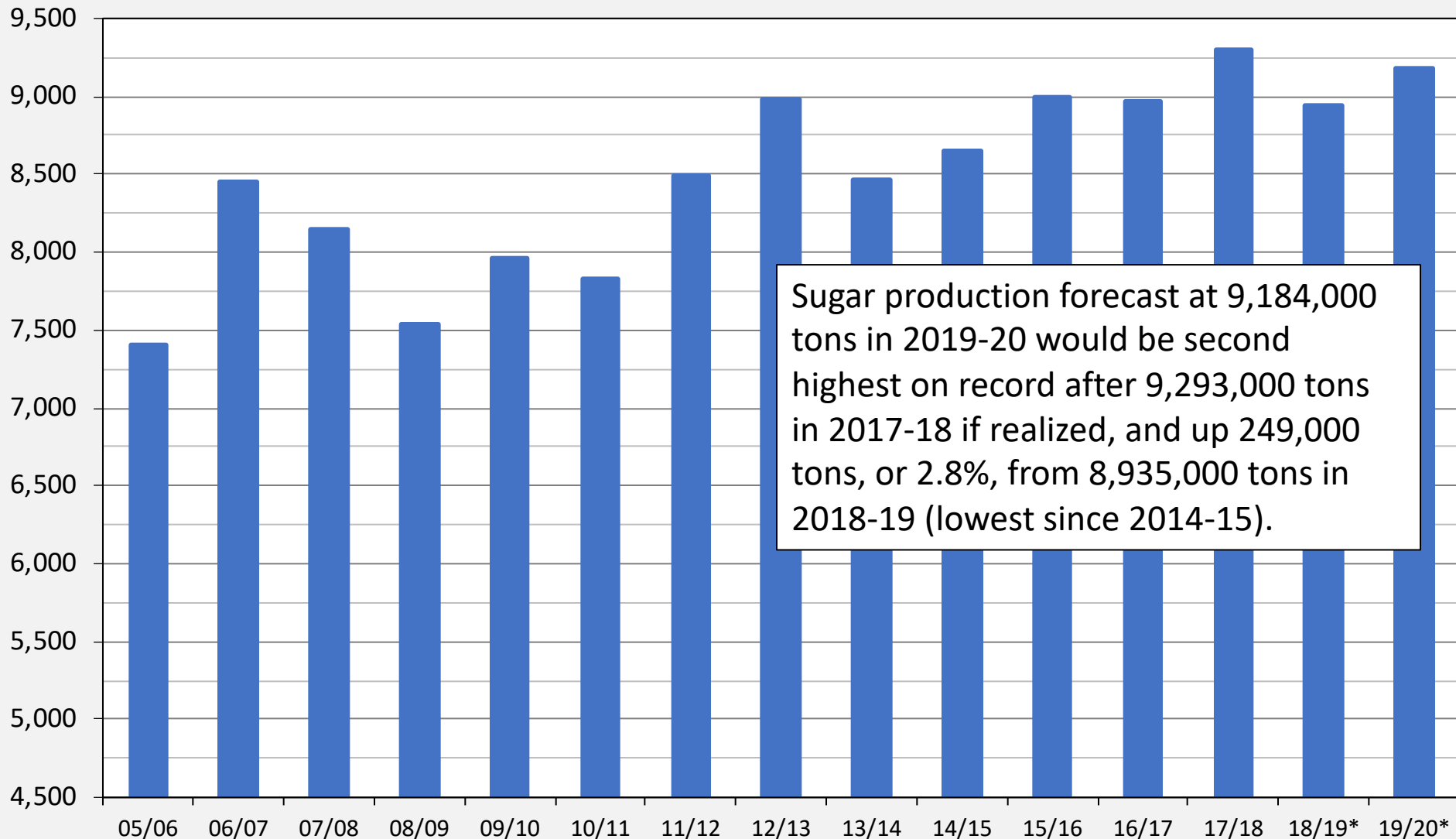
USDA raised forecast 2019 sugar beet production by 59,000 tons, or 0.2%, from September. Crop is up 461,000 tons, or 1.4%, from 2018. Increases in Red River Valley from month ago and year ago more than offset lower production in several other states.

Cane	October		From 2018		From Sept.	
	2018	2019	Tons	%	Tons	%
Florida	17,256	18,166	910	5.3%	41	0.2%
Louisiana	15,861	15,360	-501	-3.2%	-30	-0.2%
Texas	1,425	1,249	-176	-12.4%	9	0.7%
U.S.	34,542	34,775	233	0.7%	20	0.1%

USDA raised forecast 2019 sugar cane production in Florida and Texas from September, offsetting lower production in Louisiana. Higher outturn in Florida from year ago offsets lower production in both Louisiana and Texas.

SUA October 2019: U.S. Sugar Production

U.S. sugar production, in 1,000 short tons, raw value. *Estimated/forecast. Source: U.S.D.A.



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

<i>1,000 short tons</i>	Oct.	Change from Sept.		Change from 17-18		RS-SPC
<i>raw value</i>	<u>18-19</u>	<u>Tons</u>	<u>%</u>	<u>Tons</u>	<u>%</u>	<u>18-19</u>
Begin. Stocks	2,008	-	0%	132	7.0%	2,008
Production	8,935	(50)	-1%	(358)	-3.9%	8,925
Beet	4,907	(50)	-1%	(372)	-7.0%	4,895
Cane	4,028	-	0%	14	0.3%	4,030
Imports	3,067	(22)	-0.7%	(210)	-6.4%	3,065
T.R.Q.	1,540	(42)	-2.7%	(123)	-7.4%	1,550
Other Prog.	438	18	4%	112	34.4%	435
Mexico	997	-	0%	(226)	-18.5%	990
High Tier	92	2	2%	28	43.8%	90
Ttl Supply	14,010	(72)	-0.5%	(435)	-3.0%	13,998
Exports	35	-	0%	(135)	-79.4%	35
Deliveries	12,250	(50)	0%	65	0.5%	12,240
Food	12,125	(50)	0%	77	0.6%	12,115
Other	125	-	0%	(12)	-8.8%	125
Misc.	-	-	-	(82)	-100.0%	-
Total Use	12,285	(50)	0%	(153)	-1.2%	12,275
Ending Stocks	1,725	(22)	-1.3%	(283)	-14.1%	1,723
Stocks-to-use	14.0%	-0.2		-2.1		14.0%

USDA's lower beet sugar production offset lower deliveries, with lower imports accounting for drop in ending stocks. S-T-U ratio lowered to 14% from September.

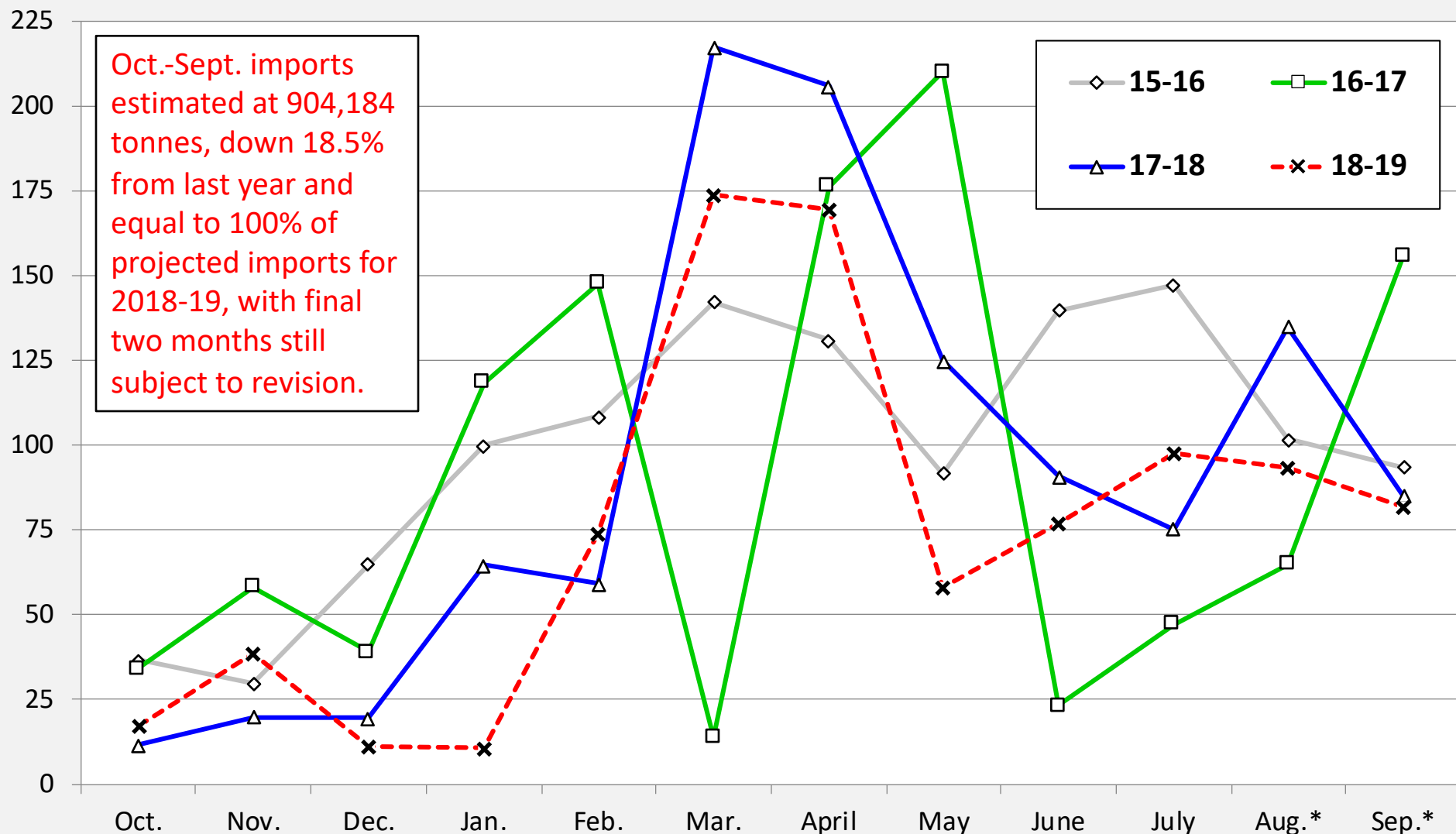
This late in year, USDA's numbers are near final; My S-T-U ratio also is 14% with differences (from USDA) mainly in beet sugar production and deliveries.

USDA's S-T-U ratio may tick down slightly in next couple of months.

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

SUA October 2019: U.S. Imports from Mexico

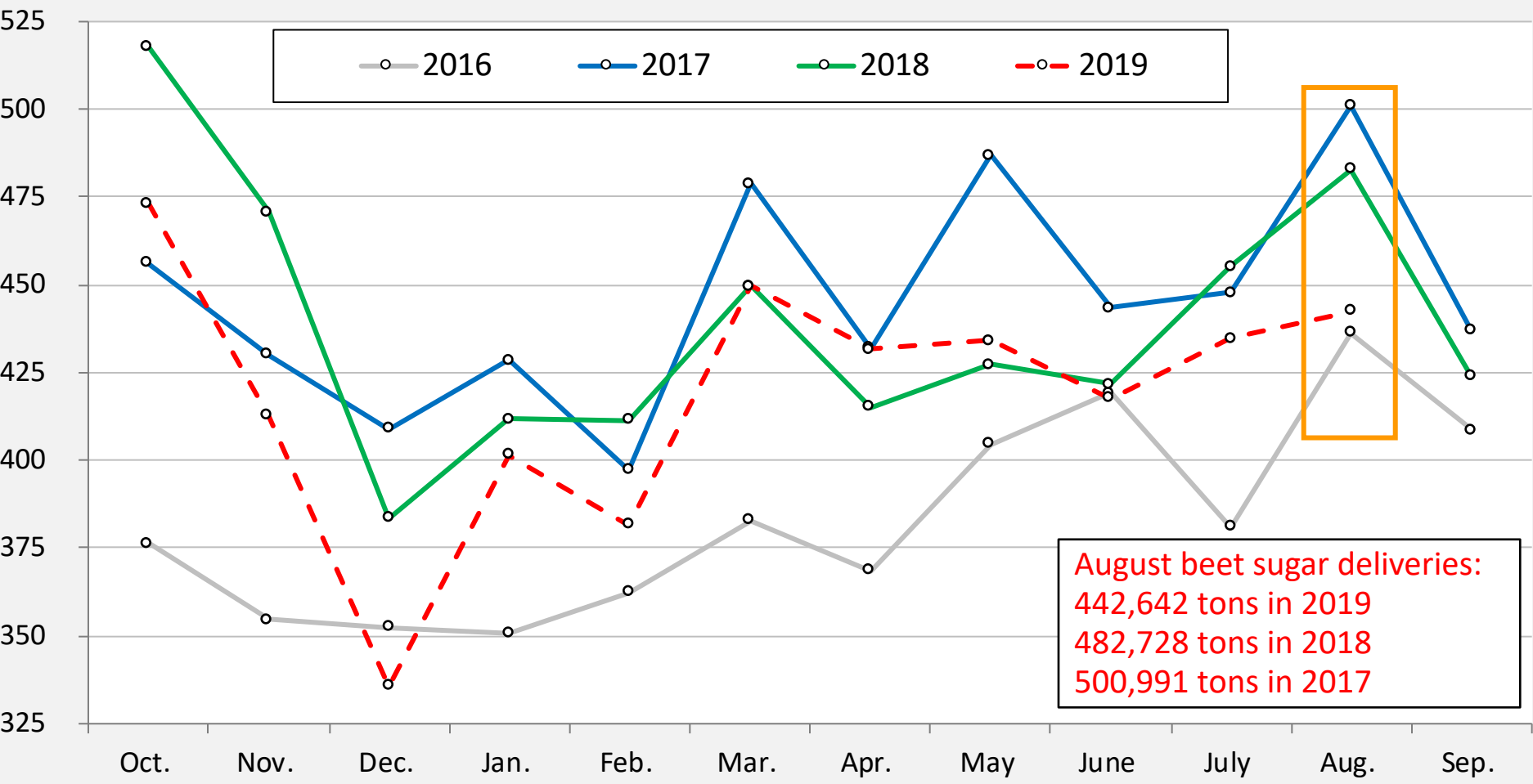
Monthly, in 1,000 tonnes, raw value. *August and September 2018-19 are U.S.D.A. forecasts.



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

SUA October 2019: Beet Sugar Deliveries

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

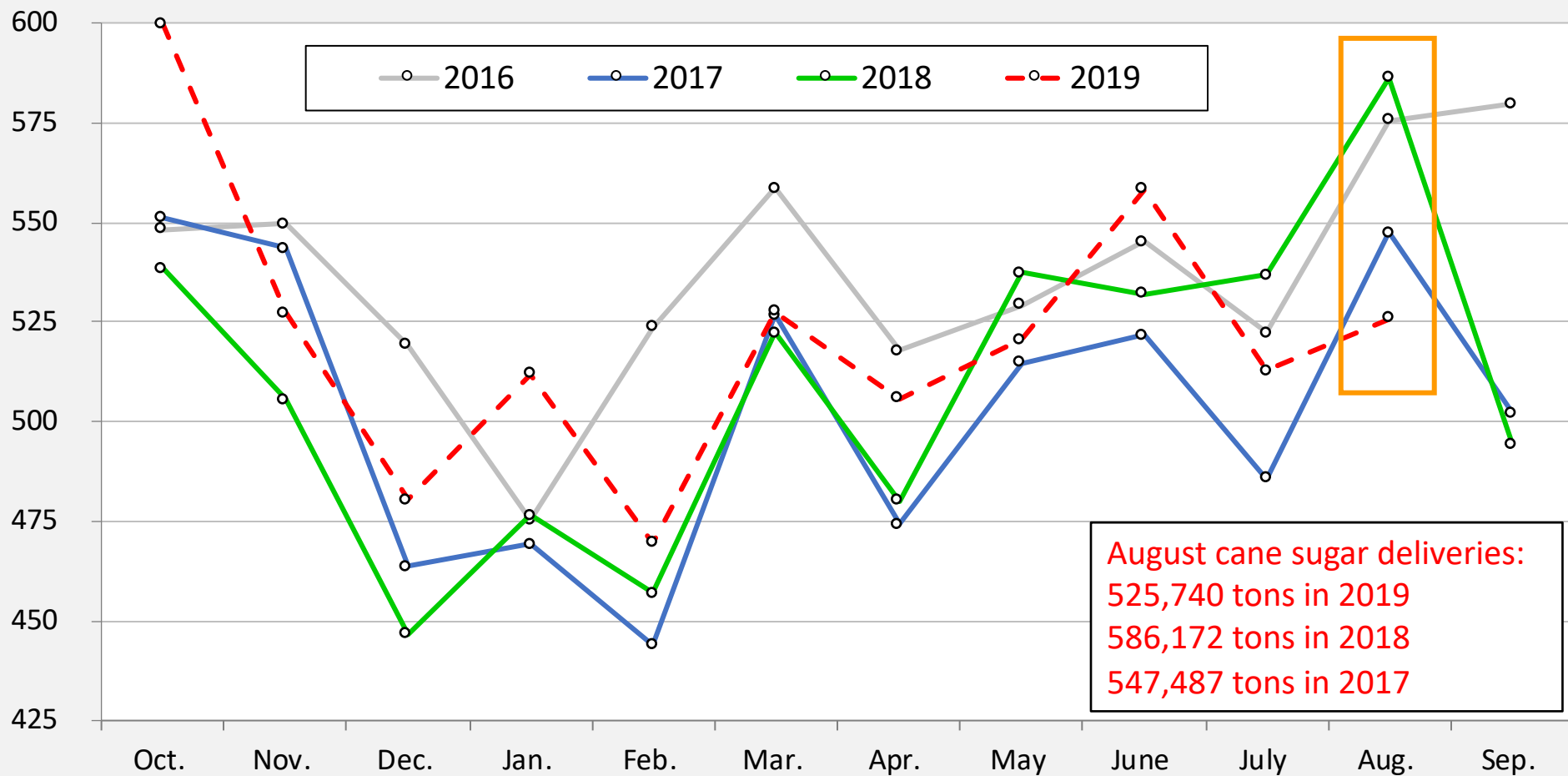


August beet sugar deliveries:
442,642 tons in 2019
482,728 tons in 2018
500,991 tons in 2017

Beet sugar deliveries in August were up 1.8% from July but down 8.3% from August 2018. Oct.-Aug. deliveries averaged 420,000 tons per month, down 21,000 tons, or 4.8%, from the same period a year ago. April and May were only months deliveries were above same month last year.

SUA October 2019: Refined Cane Deliveries

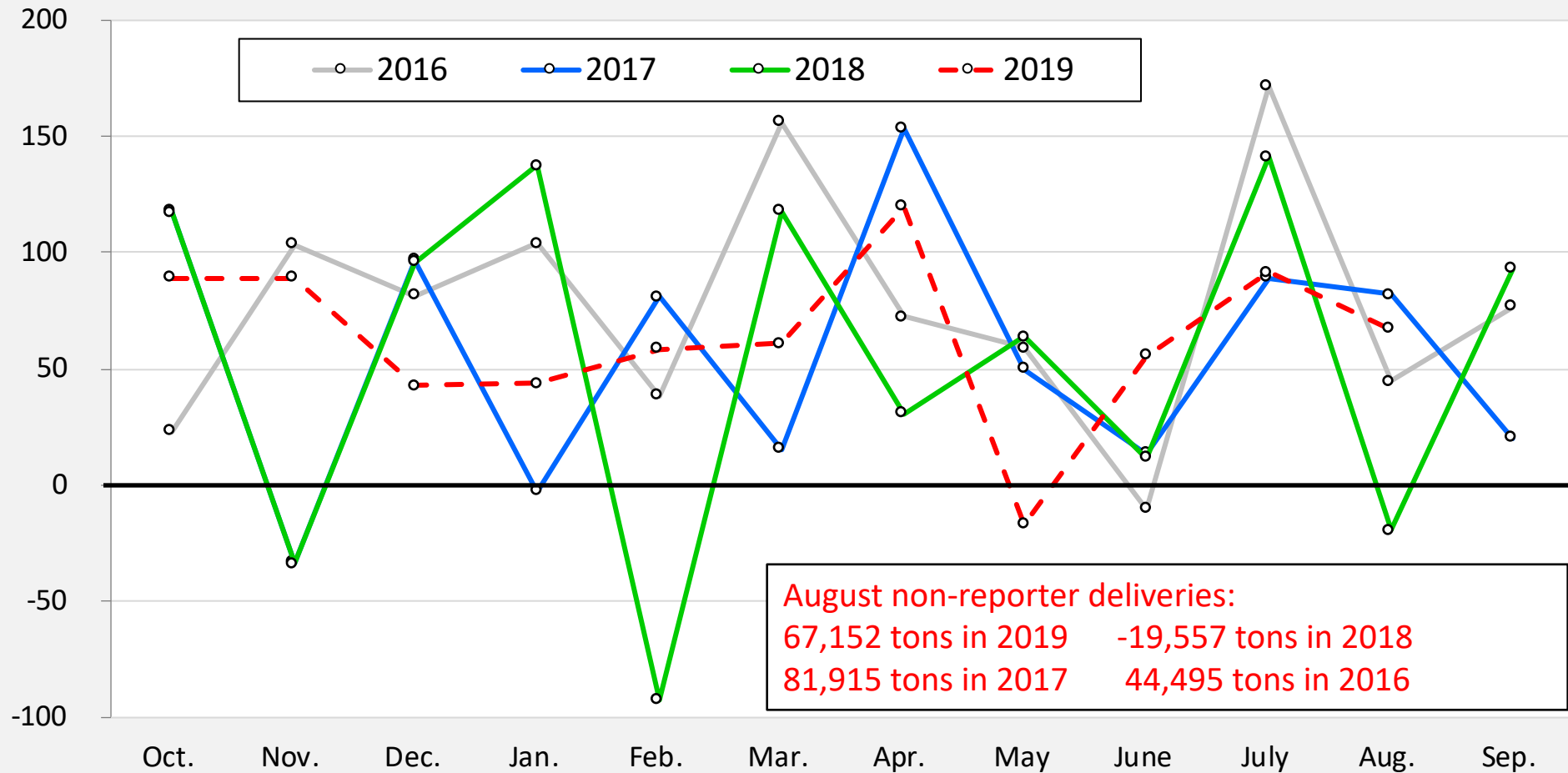
Monthly refined cane sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Refined cane sugar deliveries in August were up 2.6% from July but were down 10.3% from a year ago and the lowest since August 2014. Oct.-Aug. deliveries averaged 522,000 tons per month, up 11,000 tons, or 2.2%, from same period a year ago (compared with relatively weak levels the prior two years).

SUA October 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 701,000 tons from Oct.-Aug., up 130,000 tons, or 23%, from the same period a year ago and the highest since 844,000 tons in 2016. The drop-off in August was much smaller than a year ago or in 2016 and comparable with 2017. May is the only month with “negative” non-reporter deliveries this year.

SUA October 2019: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	<u>FY 2019</u> <u>Oct.-Aug.</u>	<u>FY 2018</u> <u>Oct.-Aug.</u>	<u>Per Cent</u> <u>Change</u>
Total Deliveries/1 (short tons, actual weight)	9,758,892	9,877,194	-1.2
1-Bakery, cereal, and related products	2,276,580	2,285,827	-0.4
3-Confectionery and related products	1,096,295	1,117,449	-1.9
6-Ice cream and dairy products	680,714	744,927	-8.6
7-Beverages	669,608	657,242	1.9
8-Canned, bottled and frozen foods	374,726	339,382	10.4
5-Multiple and all other food uses	1,037,909	1,089,543	-4.7
10-Non-food uses	132,903	111,179	19.5
11-Hotels, restaurants, institutions	77,363	87,164	-11.2
2-Wholesale grocers, jobbers, dealers	2,033,116	1,992,600	2.0
4-Retail grocers, chain stores	1,102,156	1,143,097	-3.6
12-Government agencies	12,052	12,105	-0.4
9-All other deliveries	265,471	296,680	-10.5
Total Deliveries/1 (short tons, raw value)	10,442,015	10,568,598	-1.2
Crystalline:	9,016,328	9,169,202	-1.7
Consumer-size packages	2,008,918	2,106,778	-4.6
Packages 50 lbs and greater	2,708,502	2,691,454	0.6
Unpackaged (bulk)	4,298,908	4,370,970	-1.6
Non-crystalline/2	1,425,687	1,399,395	1.9

Oct.-Aug. deliveries -1.2% from year ago vs -0.3% in Oct.-July. Slippage in 11 of 12 categories, with only #5 Multiple & other improving (but still negative). For year, 4 are up, 8 are down. Deliveries continue to slip as year progresses with 1 month to go.

All types of delivery down from month ago (y-t-d). 50-lb packs up for year (wholesale above).

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 October 2019: Cash Sugar Price Outlook

Beet sugar 2019-20

Prices have firmed since sales topped 90%
Offers firm at 35c f.o.b. Midwest; 36.25c f.o.b. Michigan
40c f.o.b. West Coast (41c to 42c delivered)

Cane sugar 2019-20

Prices steady to firmer since September
Southeast offers near 36.50c f.o.b.
Gulf prices have risen to 35c to 36c f.o.b.
Northeast cane holding near 37c f.o.b.
West Coast 41c to 42c delivered

Recent Developments and Factors to Watch

- Recent and ongoing issues at multiple Domino plants have slowed refining and cane sugar production in the South and East.
- Major ongoing concern with Red River Valley and Michigan sugar beet crops.
- Beet processors are 90% to 95% sold, based on earlier production prospects, but delays and recent weather, especially rain, have some re-evaluating production prospects, despite USDA's 50,000-ton bump for 2019-20.
- With business mostly done for 2019-20, a beet price increase would have limited impact, but may support higher cane sugar prices.

SUA October 2019: Mexico WASDE

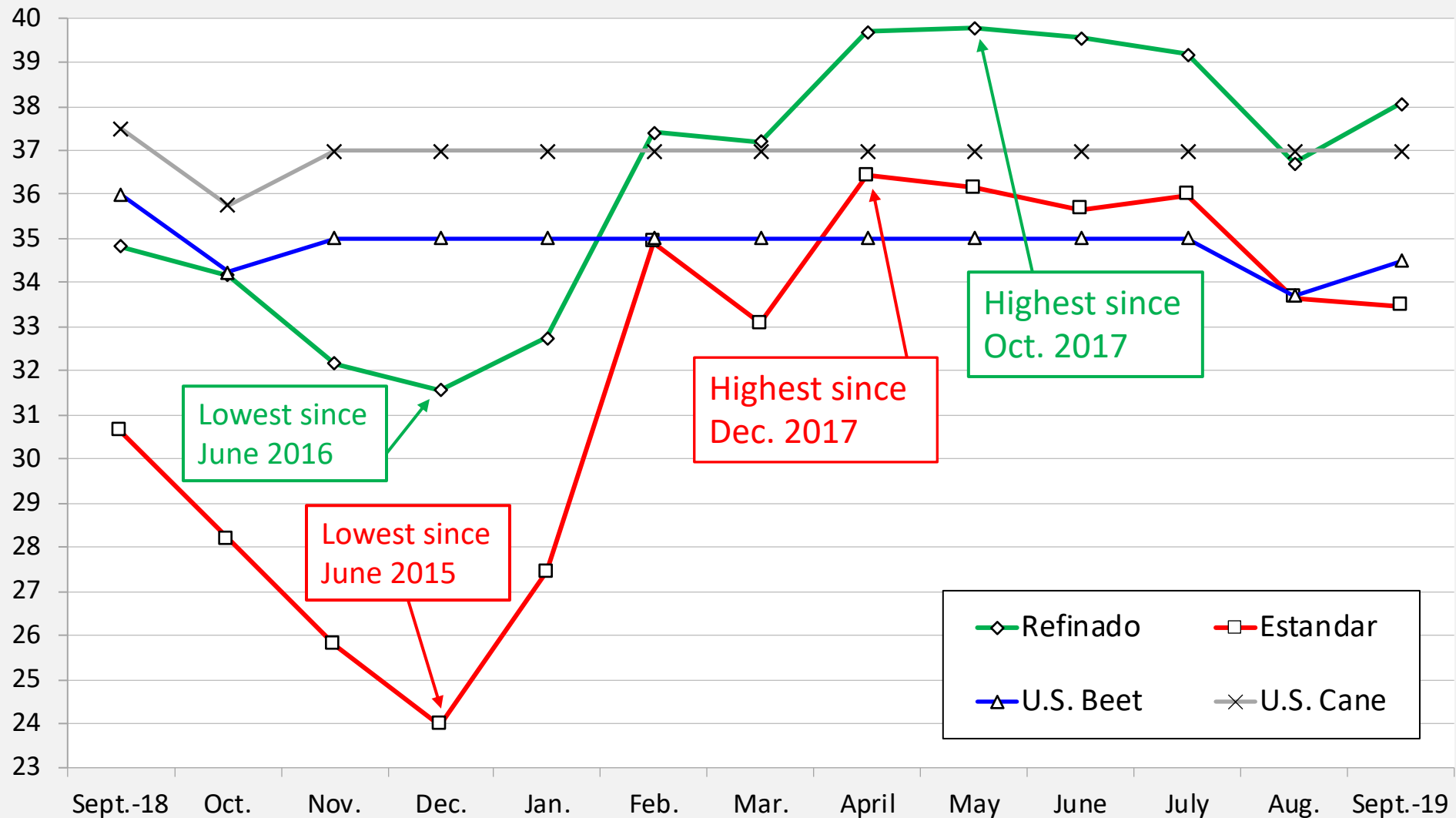
Source: U.S.D.A. Oct. 10, 2019, WASDE.

<i>1,000 tonnes</i>	Oct.	From	Oct.	Change from	
<i>Actual weight</i>	<u>18-19</u>	<u>Sept.</u>	<u>19-20</u>	<u>Sept.</u>	<u>18-19</u>
Begin. Stocks	1,395	-	1,148	153	(247)
Production	6,426	-	6,065	(135)	(361)
Imports	86	16	70	-	(16)
Total Supply	7,907	16	7,283	18	(624)
Exports	2,194	15	1,695	201	(499)
Domestic Use	4,565	(151)	4,624	(152)	59
Total Use	6,759	(136)	6,319	49	(440)
Ending Stocks	1,148	153	963	(32)	(185)
S-T-U (total)	17.0%	2.6	15.2%	-0.7	-1.8
S-T-U (dom.)	25.2%	4.1	20.8%	-	-4.4

For 2018-19, higher exports offset higher imports, but domestic use lowered 3.2%, which boosted ending stocks. Exports of 273,168 tonnes required by Dec. 31. For 2019-20, higher beginning stocks and carry forward of lower domestic use nearly offset lower production and higher exports. Concern going forward is drought impact on cane and sugar production.

SUA October 2019: U.S. & Mexico Sugar Prices

Average monthly cash prices in cents/lb. Sources: U.S.D.A. and Sosland Publishing Company



September refinado price was up about 4% from August while estandar declined slightly, but both were up about 9% from October 2018.

SUA October 2019: New York #16 Raw Futures

ICE domestic raw sugar futures as of Oct. 11, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFF20 (D10)	25.88 S	-0.12			25.88 S	1559	0	1:05:47 PM EDT - 10/11/19
ESFH20 (D10)	25.88 S	-0.01			25.88 S	923	0	1:05:47 PM EDT - 10/11/19
ESFK20 (D10)	26.36 S	0.00			26.36 S	765	0	1:05:47 PM EDT - 10/11/19
ESFN20 (D10)	26.70 S	0.00			26.70 S	794	0	1:05:47 PM EDT - 10/11/19
ESFU20 (D10)	26.70 S	0.00			26.70 S	710	0	1:05:47 PM EDT - 10/11/19
ESFX20 (D10)	26.40 S	0.00			26.40 S	70	0	1:05:47 PM EDT - 10/11/19
ESFF21 (D10)	26.35 S	0.00			26.35 S		0	1:05:47 PM EDT - 10/11/19
ESFH21 (D10)	26.35 S	0.00			26.35 S		0	1:05:47 PM EDT - 10/11/19
ESFK21 (D10)	26.35 S	0.00			26.35 S		0	1:05:47 PM EDT - 10/11/19
ESFN21 (D10)	26.35 S	0.00			26.35 S		0	1:05:47 PM EDT - 10/11/19
ESFU21 (D10)	26.35 S	0.00			26.35 S		0	1:05:47 PM EDT - 10/11/19

Domestic raws have firmed slightly, with the nearby position (now January) up about 0.25c a lb from a month ago. Trading was active ahead of expiration in the November, but deliveries were minimal. Trading since has been light. Prices have about a 1c carry in July and September 2020 but only about a 0.50c carry thereafter. As expected, based on the Suspension Agreements, domestic raws continue to trade in a range of about 25.50c to 27c a lb.

SUA October 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, all about ethanol**
 - Cane harvest advancing with strong emphasis on ethanol
 - Sugar exports are trailing a year ago with September down 31%
- **India stocks remain heavy, crop prospects improve**
 - Year ended with huge stocks, with some decline expected in 2019-20
 - Above average monsoon rainfall improved 2019-20 crop prospects
 - W.T.O. panel reviewing subsidy complains
- **European processors continue to struggle**
- **Concerns about global sugar demand/consumption**
- **Pricing**
 - Nearby raw futures have firmed about 1.5c a lb from month ago but producer selling near 13c capped gains

SUA October 2019: New York #11 Raw Futures

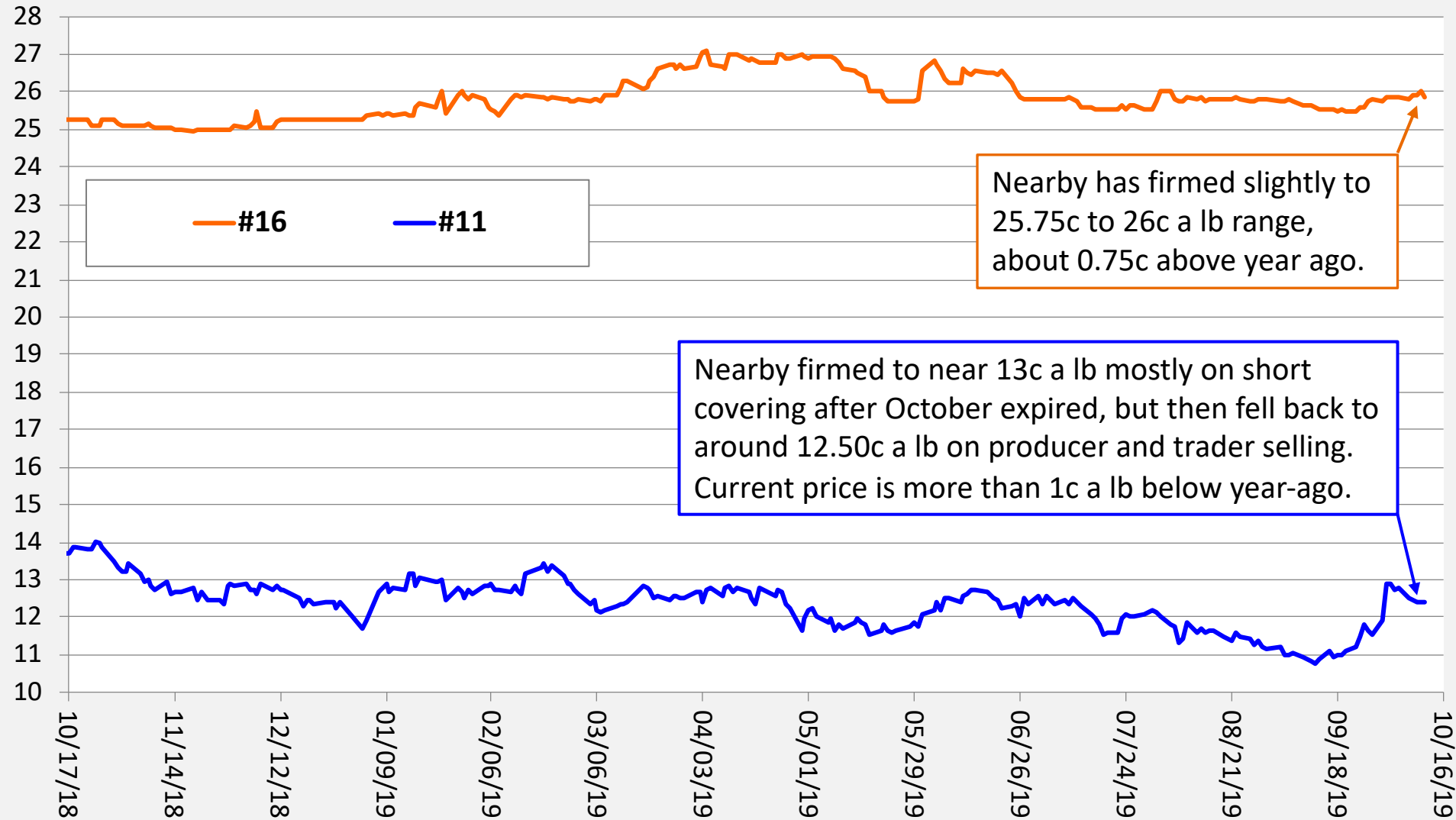
ICE world raw sugar futures as of Sept. 18, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBH20 (D10)	12.41 S	0.00	12.48	12.22	12.41 S	503463	60174	1:01:29 PM EDT - 10/11/19
ESBK20 (D10)	12.51 S	0.00	12.57	12.35	12.51 S	144692	23746	1:01:29 PM EDT - 10/11/19
ESBN20 (D10)	12.65 S	0.01	12.70	12.50	12.65 S	102440	15503	1:01:29 PM EDT - 10/11/19
ESBV20 (D10)	12.88 S	0.02	12.94	12.74	12.88 S	72887	4176	1:01:29 PM EDT - 10/11/19
ESBH21 (D10)	13.45 S	0.03	13.48	13.32	13.45 S	41761	2307	1:01:29 PM EDT - 10/11/19
ESBK21 (D10)	13.49 S	0.04	13.51	13.37	13.49 S	7170	1236	1:01:29 PM EDT - 10/11/19
ESBN21 (D10)	13.50 S	0.05	13.52	13.39	13.50 S	7039	753	1:01:29 PM EDT - 10/11/19
ESBV21 (D10)	13.59 S	0.05	13.62	13.60	13.59 S	4447	221	1:01:29 PM EDT - 10/11/19
ESBH22 (D10)	13.95 S	0.04	13.98	13.97	13.95 S	2507	22	1:01:29 PM EDT - 10/11/19
ESBK22 (D10)	13.89 S	0.05	13.90	13.90	13.89 S	59	1	1:01:29 PM EDT - 10/11/19
ESBN22 (D10)	13.84 S	0.03			13.84 S	20	0	1:01:29 PM EDT - 10/11/19

The nearby world raw jumped once October deliveries were known, which were below expectations, with current price up about 1.5c a lb from a month ago. Gains in part were the result of short covering from record net short in September. Prices have since eased from early October highs as producer selling was prompted near 13c a lb and as short-covering rally waned. Prices in 2021 and into 2022 have at least a 1c a lb carry. Prices will move on changes to forecast 2019-20 global sugar deficit, with close watch on exports from India if prices move above 13c a lb.

SUA October 2019: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of Oct. 11, 2019.



SUA October 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

U.S. second quarter HFCS deliveries were down 3.4% from a year ago, with first-half 2019 deliveries down 2.7%.

Contracting for 2020 advancing at mixed rates with pricing \$1 to \$2 a cwt above 2019 levels. Pricing off slightly from initial offers; refiners need \$1 increase to maintain margin.

Oct.-Aug. HFCS consumption in Mexico was 4.1% below year-ago with full-year use forecast unchanged from Sept. but down 4.6% from 2017-18. Use in 2019-20 forecast flat with 2018-19, but indications of lower use noted.

Ongoing good demand for dextrose and glucose on a functional basis versus as sweetener; ADM acrylic acid deal for may affect dextrose supply. Pricing up from 2019.

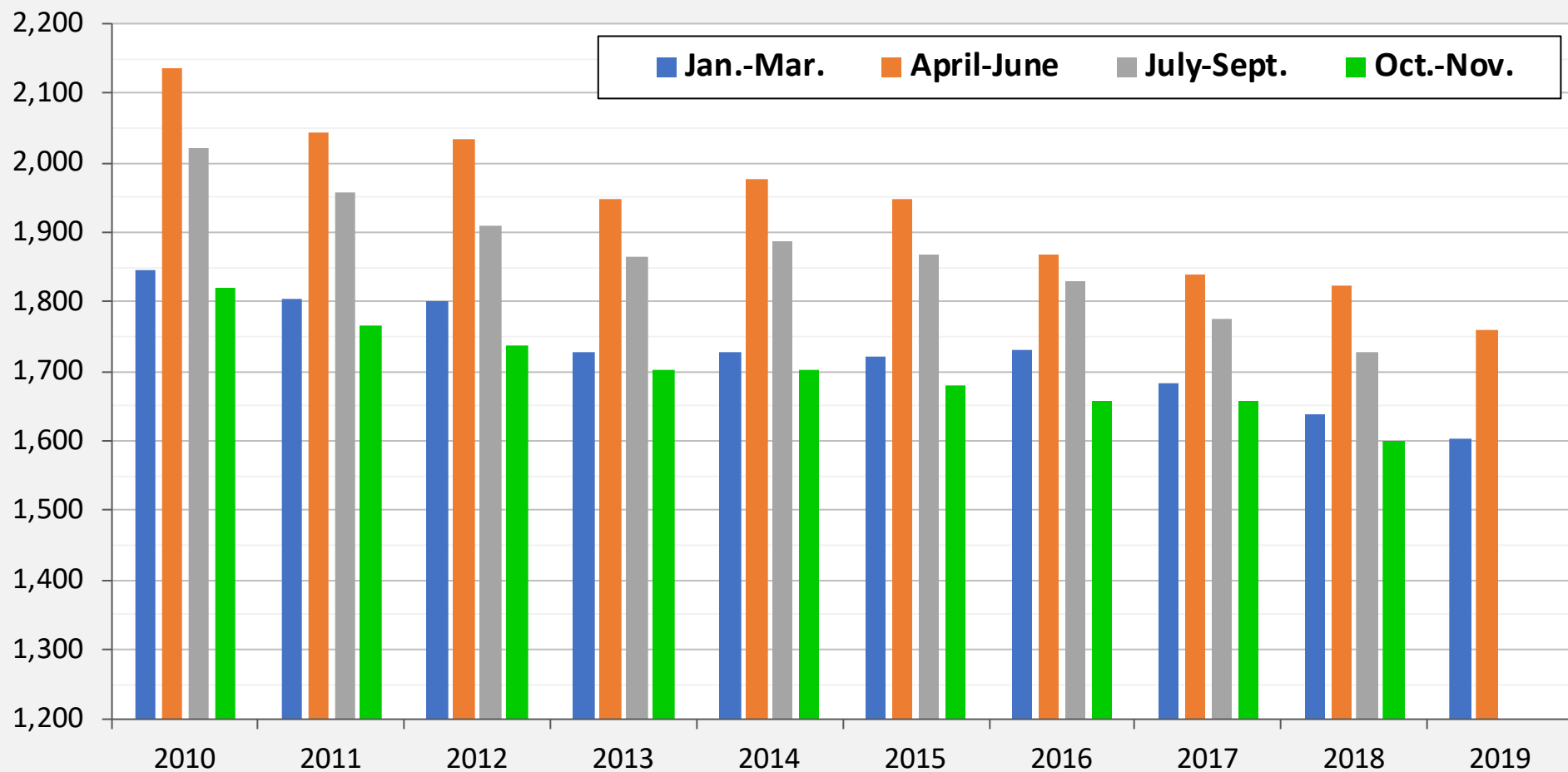
Dextrose Spot

	<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

USDA Oct. corn data was above expectation and bearish but hope for trade deal since has been supportive. Corn use for ethanol lowered.

SUA October 2019: HFCS Deliveries by Quarter

In 1,000 tons, dry weight. Source: U.S.D.A.



Recently reported second quarter HFCS deliveries were 1,761,000 tons, dry weight, down 3.4% from a year earlier and down 19% from 10 years ago. First-half 2019 deliveries were 3,366,000 tons, down 2.7% from a year ago.

SUA October 2019: Other Issues & Trends

- **Weather** – All eyes are on the sugar beet harvest.
- **G.M.O. and Added Sugars Labeling** – Consumer reaction remains primary unknown.
- **Sugar/beverage taxes** – Probably more impact outside U.S.
- **Consumer Sugar Perception/Reduction** – Sugar reduction remains high on survey responses and is one of top 2019 trends.
- **Reformulation** – Food and beverage makers continue to cut sweeteners globally in response to consumers and to avoid taxes. New efforts in U.K. (beverage makers cited positively for reducing sugar) and other countries. Reductions moving beyond soda.
- **Studies/trends** – Recent data shows U.S. adult obesity rate was record high in 2018, while childhood obesity rate held steady.

SUA October 2019: Conclusions

■ Domestic Sweetener Market

- Refined sugar deliveries were slow in August. Watch in 2019-20.
- USDA carried 50,000-ton reduction in deliveries into 2019-20.
- USDA pushed 50,000 tons of new crop beet sugar into 2019-20.
- Sugar beet harvest behind normal pace and production may be overstated for 2019-20.
- Sugar cane crops look strong with harvest average to early.
- Beet sugar offers for 2019-20 are firm with about 95% of prospective beet sugar production sold. Further harvest delays could push prices higher with most impact on cane sugar.
- Corn sweetener prices higher for 2020 despite weaker demand.

■ Global Sugar Market

- Nearby world raw prices have firmed but India stocks remain.
- Deficit forecast for 2019-20 is supportive to prices.
- Ongoing questions about global consumption.