

# **Sweetener Users Association Conference Call Update**

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

# SUA December 2019: Presentation Overview

## ■ Domestic Sugar Market

- Lower beet and cane sugar production remains dominant market feature
- Mexico comes to the rescue, but will it be enough?
- Beet and non-reporter sugar deliveries were strong in October; cane lower
- Cash prices mostly at 44c a lb f.o.b.; #16 raws sharply lower
- Suspension agreement amendments awaited

## ■ Global Sugar Market

- Moderate global deficit forecast for 2019-20; smaller deficit in 2020-21
- Less concern about carryover stocks in India as global production eases
- Global raw sugar prices have strengthened and may approach 14c level

## ■ Corn Sweetener Market

- Annual contracting mostly completed
- Pricing for 2020 flat to up \$2 a cwt from 2019; mostly \$1 to \$2 higher
- Mexican consumption in October down from year earlier

## ■ Other Issues with Impact on Sweeteners

## ■ Conclusions

## ■ Questions

# SUA December 2019: U.S. Market Overview

## ■ 2019-20 sugar supply/demand

- S-T-U ratio raised to 13.5% per Suspension Agreements
- Deliveries unchanged from November
- Sugar supplies are limited and tight going forward
- U.S. need for imports highest since 1981 (pre HFCS)
- Can Mexico deliver? T.R.Q. increase likely?
- Spot prices for 2019-20 highest since June 2012

## ■ 2018-19 sugar supply/demand

- S-T-U ratio left at 14.5% with very minor changes in WASDE

## ■ Corn sweetener supply/demand

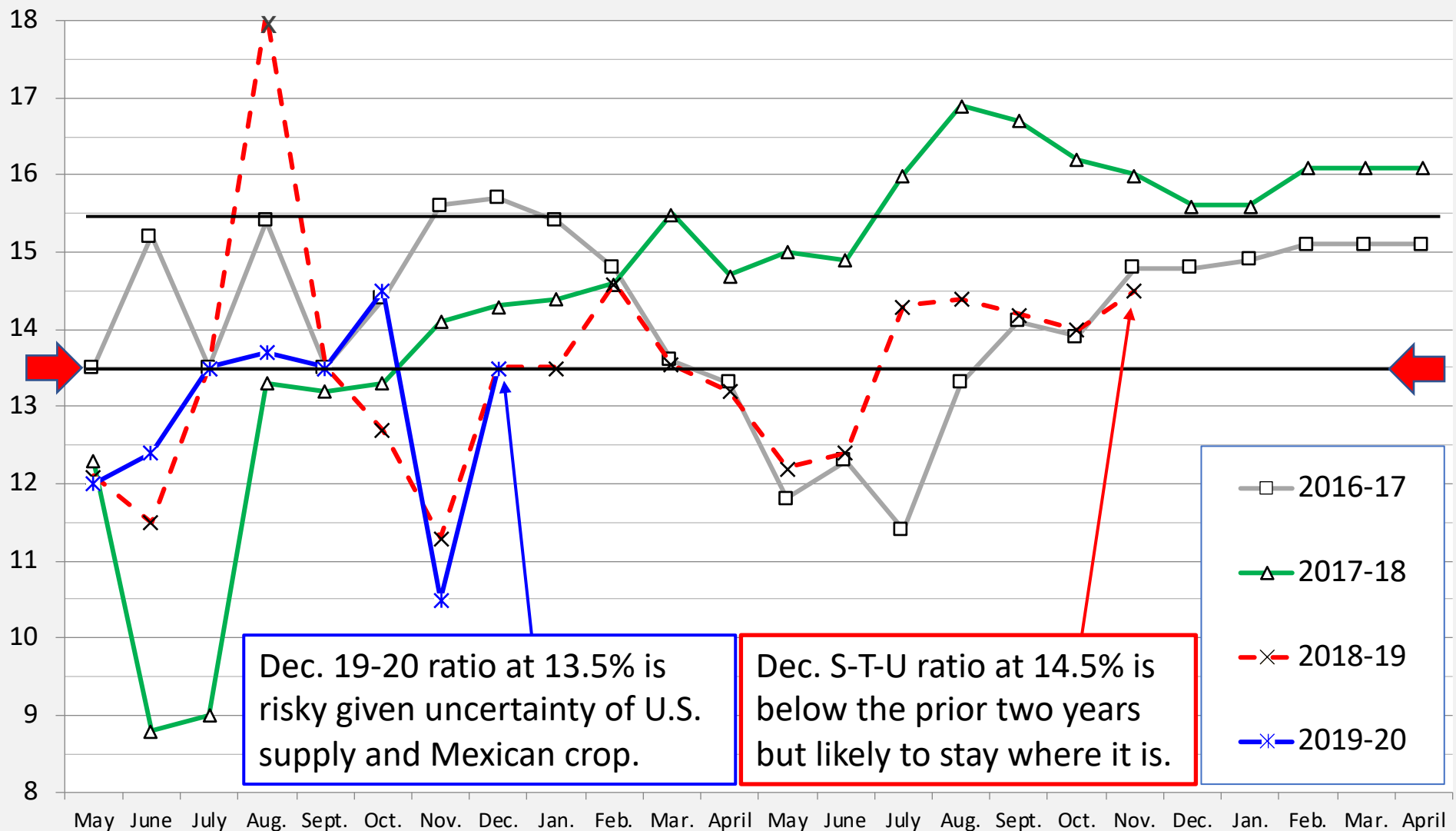
- Annual contracting for 2020 all but done
- Prices for 2020 flat to up \$2 a cwt from 2019 for liquid sweeteners, up \$1 to \$2.50 a cwt for dry dextrose
- HFCS deliveries in U.S. remain weak; consumption of HFCS in Mexico begins lower

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

<i>Short tons</i> <i>raw value</i>	Dec.	Dec.	Change from Nov.		19-20 change from 18-19		RS-SPC
	<u>18-19</u>	<u>19-20</u>	<u>Tons</u>	<u>%</u>	<u>Tons</u>	<u>%</u>	<u>19-20</u>
<b>Begin. Stocks</b>	2,008	1,780	1	0.1%	(228)	-11.4%	1,780
<b>Production</b>	<b>8,996</b>	<b>8,280</b>	<b>(332)</b>	<b>-3.9%</b>	<b>(716)</b>	<b>-8.0%</b>	<b>8,250</b>
<b>Beet</b>	<b>4,939</b>	<b>4,367</b>	<b>(221)</b>	<b>-4.8%</b>	<b>(572)</b>	<b>-11.6%</b>	<b>4,350</b>
<b>Cane</b>	<b>4,057</b>	<b>3,913</b>	<b>(111)</b>	<b>-2.8%</b>	<b>(144)</b>	<b>-3.5%</b>	<b>3,900</b>
<b>Imports</b>	3,070	3,860	701	22.2%	790	25.7%	3,920
<b>T.R.Q.</b>	1,541	1,614	(7)	-0.4%	73	4.7%	<b>1,700</b>
<b>Other Prog.</b>	438	350	-	0.0%	(88)	-20.1%	350
<b>Mexico</b>	<b>1,000</b>	<b>1,827</b>	<b>709</b>	<b>63.4%</b>	<b>827</b>	<b>82.7%</b>	<b>1,800</b>
<b>High Tier</b>	92	70	-	0.0%	(22)	-23.9%	70
<b>Total Supply</b>	14,074	13,920	370	2.7%	(154)	-1.1%	13,950
<b>Exports</b>	35	35	-	0.0%	-	0.0%	35
<b>Deliveries</b>	12,231	12,230	-	0.0%	(1)	0.0%	12,200
<b>Food</b>	12,106	12,125	-	0.0%	19	0.2%	12,100
<b>Other</b>	126	105	-	0.0%	(21)	-16.7%	100
<b>Misc.</b>	28	-	-	-	(28)	-100%	-
<b>Total Use</b>	12,294	12,265	-	0.0%	(29)	-0.2%	12,235
<b>Ending Stocks</b>	1,780	1,655	370	28.8%	(125)	-7.0%	1,715
<b>Stocks-to-use</b>	<b>14.5%</b>	<b>13.5%</b>	<b>+3.0</b>		<b>-1.0</b>		<b>14.0%</b>

# SUA December 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.



Dec. 19-20 ratio at 13.5% is risky given uncertainty of U.S. supply and Mexican crop.

Dec. S-T-U ratio at 14.5% is below the prior two years but likely to stay where it is.

Source: U.S.D.A.

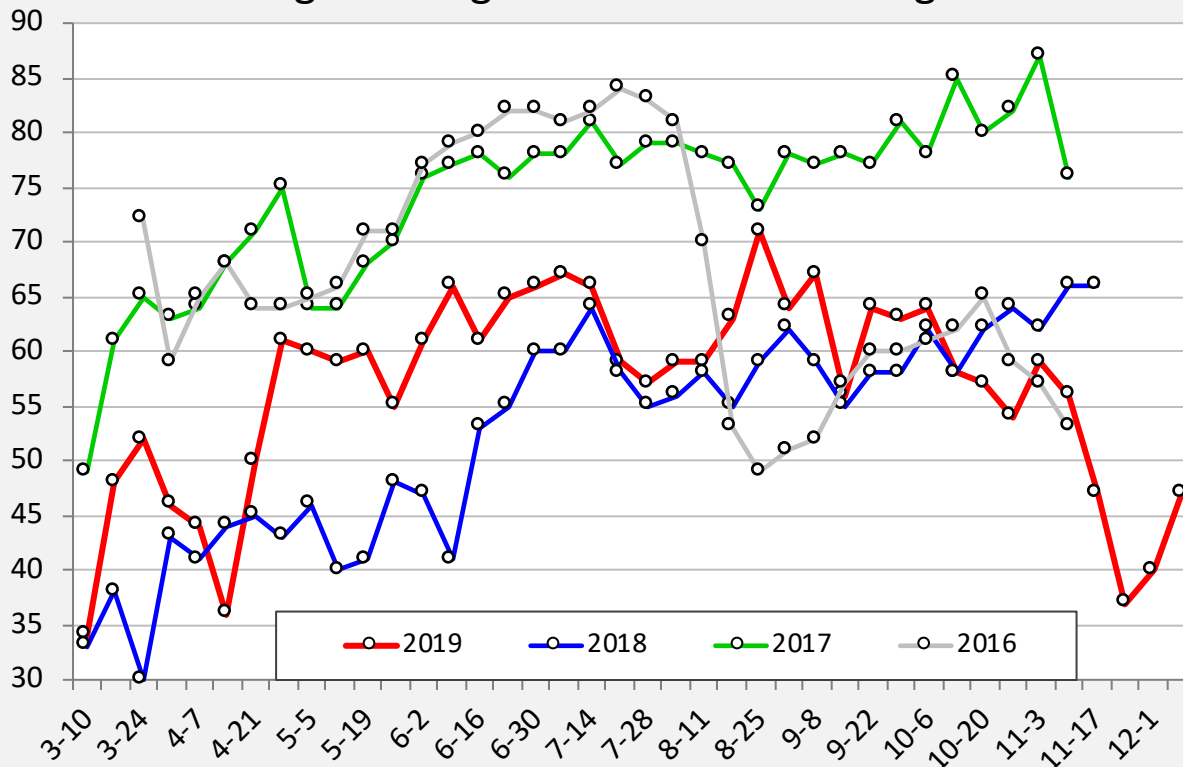
# SUA December 2019: 2019 Sugar Cane Production

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

Cane	December		From 2018		From Nov.	
	2018	2019	Tons	%	Tons	%
Florida	17,256	17,353	97	0.6%	-772	-4.3%
Louisiana	15,861	14,112	-1,749	-11.0%	-551	-3.8%
Texas	1,425	1,230	-195	-13.7%	-9	-0.7%
<b>U.S.</b>	<b>34,542</b>	<b>32,695</b>	<b>-1,847</b>	<b>-5.3%</b>	<b>-1,332</b>	<b>-3.9%</b>

USDA lowered from November sugar cane forecasts for all three states, with a 4.3% cut for Florida (but up 0.6% from 2018) and a 3.8% cut in Louisiana. If realized, total outturn would be down 5.3% from 2018.

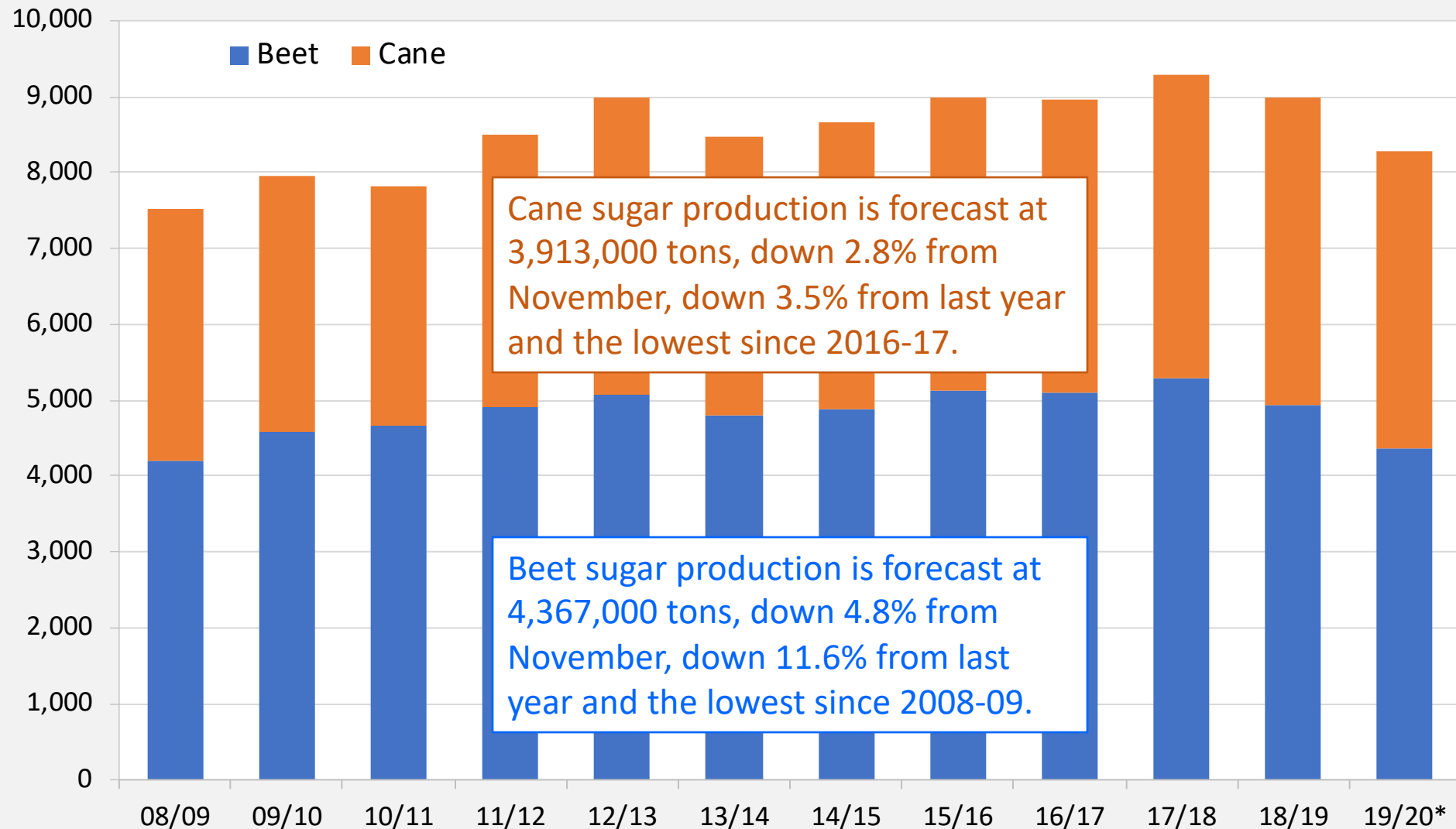
Louisiana sugar cane good-to-excellent ratings as of Dec. 8



Louisiana sugar cane harvest was 77% completed by Dec. 8 amid reports of some damage from freezes and lower-than-hoped-for yields. The crop still in the field was rated 47% good to excellent, the lowest late-season rating in years. U.S.D.A. lowered Louisiana sugar production by 82,000 tons in its Dec. 10 WASDE.

# SUA December 2019: U.S. Sugar Production

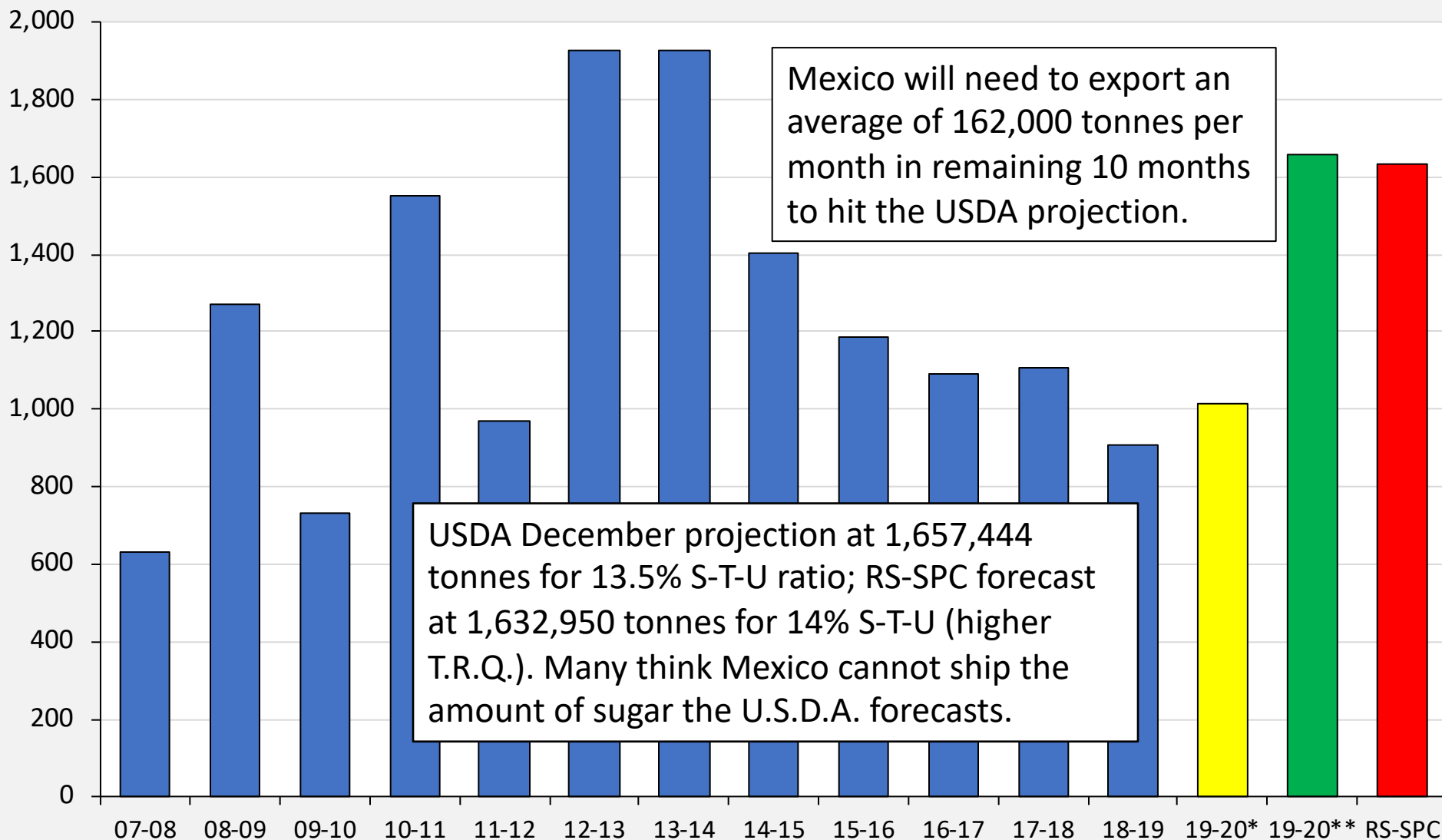
U.S. sugar production, in 1,000 short tons, raw value. \*Forecast. Source: U.S.D.A.



Total sugar production is forecast at 8,280,000 tons, down 4% from November, down 8% from 2018-19 and the lowest since 2010-11.

# SUA December 2019: Annual Imports from Mexico

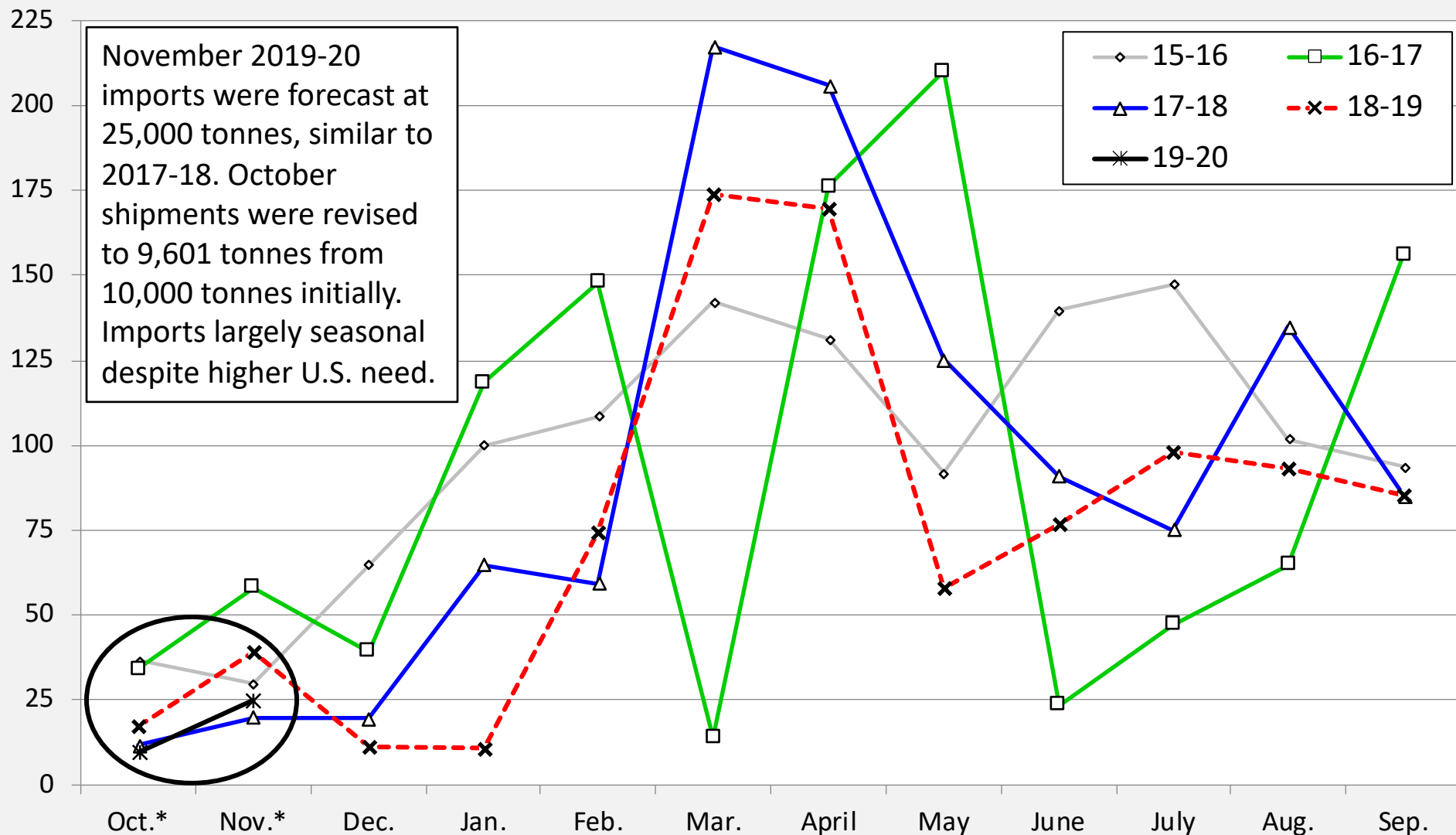
In 1,000 tonnes, raw value. U.S.D.A. \*November, \*\*December WASDE forecasts.





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

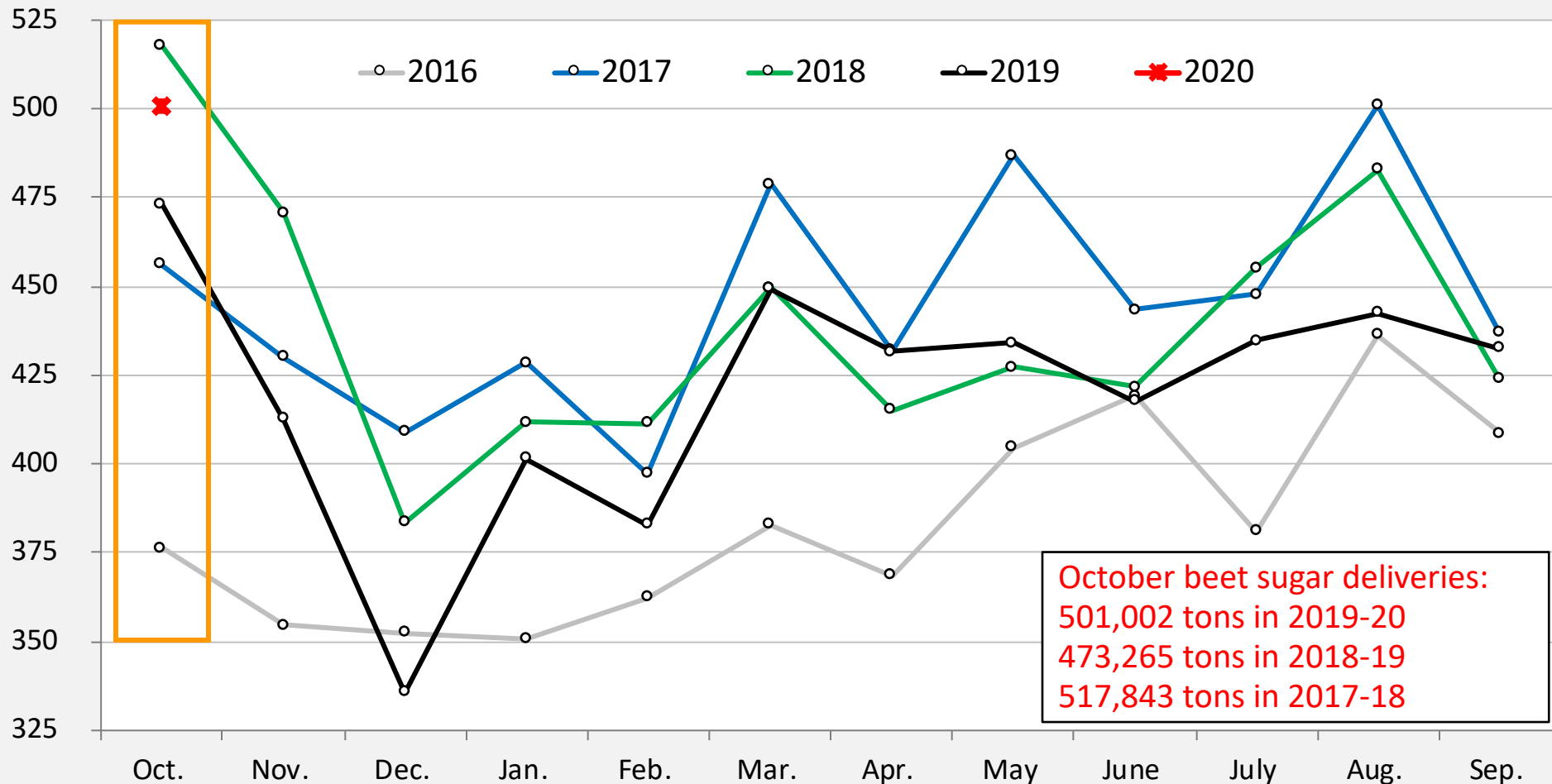
In 1,000 tonnes, raw value. \*October and November 2019-20 are U.S.D.A. forecasts.



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

# SUA December 2019: Beet Sugar Deliveries

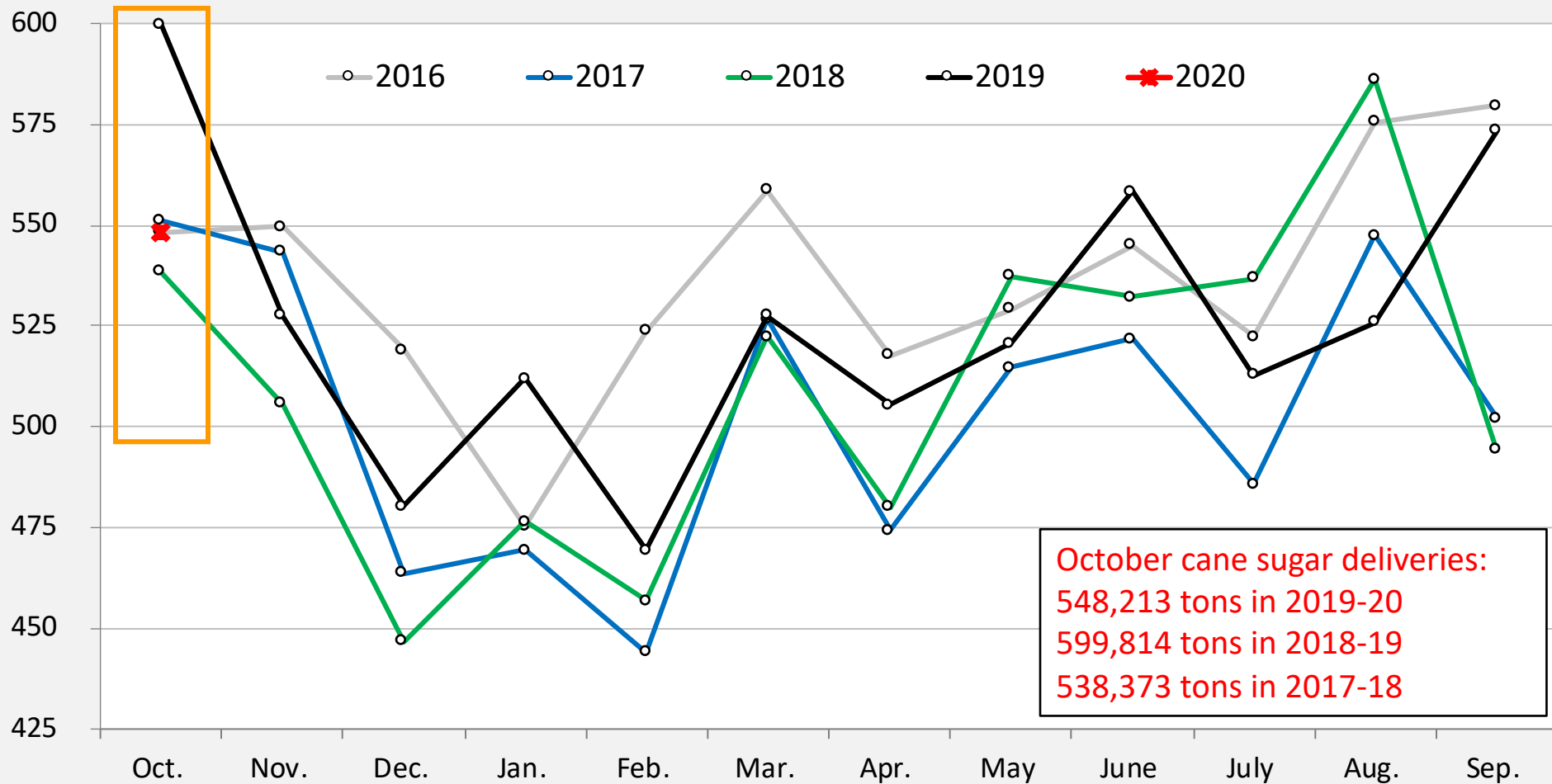
Monthly beet sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Beet sugar deliveries in October were up 16% from September, up 6% from October 2018-19, the highest since October 2017-18 and the second highest since at least 1993. Strong deliveries at least in part reflected availability of new crop beet sugar before major crop losses in some areas.

# SUA December 2019: Refined Cane Deliveries

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

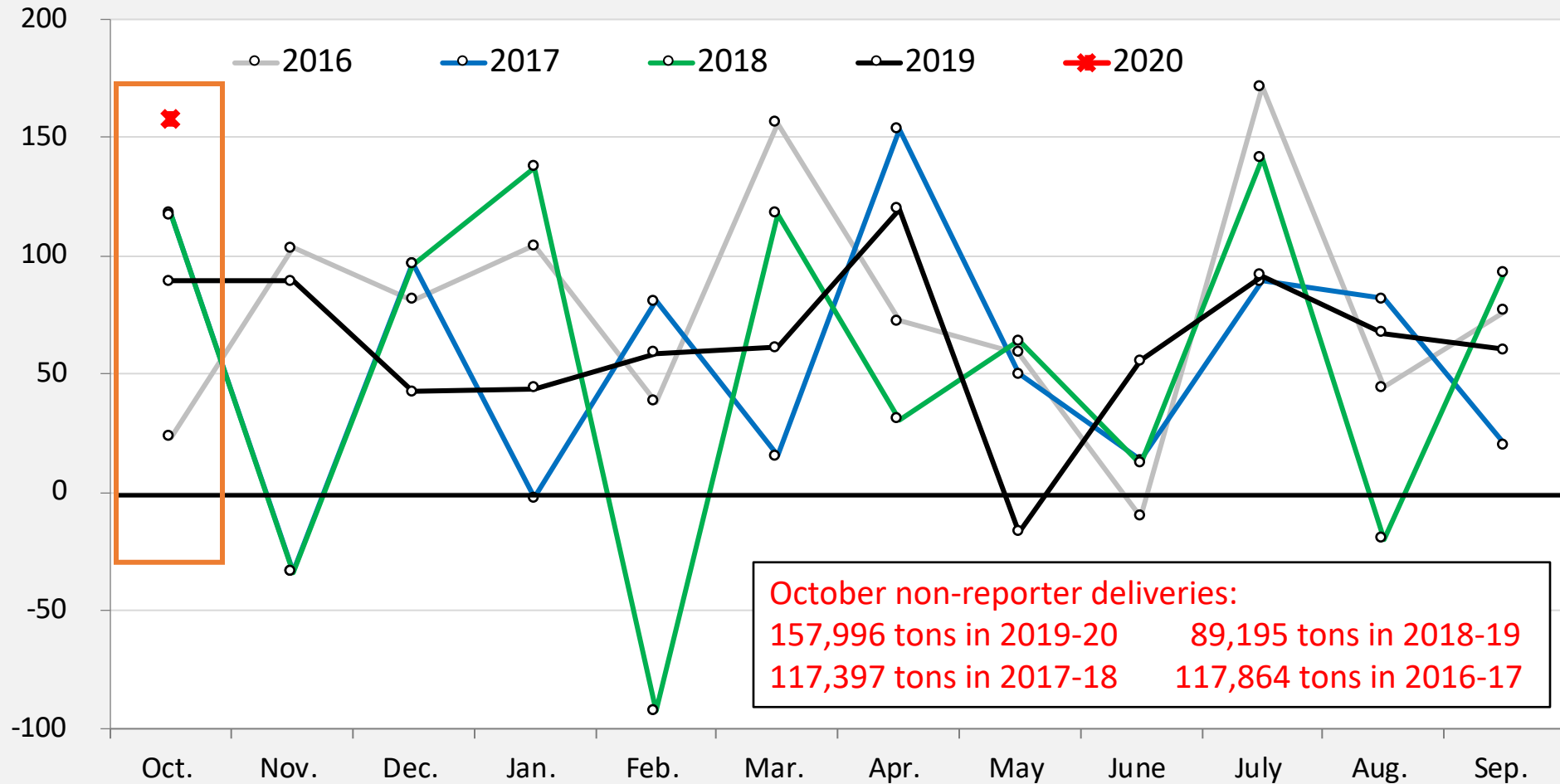


Refined cane sugar deliveries in October were down 4.4% from September and down 9% from 2018-19, which was the highest October deliver in decades if not on record. Deliveries were nearly on par with 2015-16 and 2016-17 and slightly above 2017-18.

October beet and cane deliveries combined were up 2.3% from a year ago.

# SUA December 2019: Deliveries by Non-Reporters

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



Non-reporter deliveries appeared to be record high for the month of October. Deliveries were up 163% from September and were up 78% from October 2018-19. The CIT ruling came Oct. 18, so impact from that is unlikely.

# SUA December 2019: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	<u>FY 2020</u> <u>October</u>	<u>FY 2019</u> <u>October</u>	<u>Per Cent</u> <u>Change</u>
<b>Total Deliveries/1 (short tons, <u>actual weight</u>)</b>	<b>988,695</b>	<b>1,006,199</b>	<b>-1.7</b>
1-Bakery, cereal, and related products	226,995	234,968	-3.4
5-Confectionery and related products	103,873	114,500	-9.3
6-Ice cream and dairy products	72,464	74,818	-3.1
7-Beverages	59,700	62,973	-5.2
8-Canned, bottled and frozen foods	40,146	39,293	2.2
4-Multiple and all other food uses	111,602	81,663	36.7
10-Non-food uses	9,572	32,470	-70.5
11-Hotels, restaurants, institutions	6,776	8,728	-22.4
2-Wholesale grocers, jobbers, dealers	200,422	197,287	1.6
3-Retail grocers, chain stores	124,937	130,759	-4.5
12-Government agencies	561	1,414	-60.3
9-All other deliveries	31,646	27,326	15.8
<b>Total Deliveries/1 (short tons, <u>raw value</u>)</b>	<b>1,057,904</b>	<b>1,076,632</b>	<b>-1.7</b>
<b>Crystalline:</b>	919,964	947,097	-2.9
Consumer-size packages (retail)	206,689	235,771	-12.3
Packages 50 lbs and greater	275,224	272,638	0.9
Unpackaged (bulk)	438,052	438,689	-0.1
<b>Non-crystalline/2</b>	137,940	129,535	6.5

October deliveries started slower than October 2018 with 8 of 12 sectors negative, much like fiscal 2019 ended, with some shuffling in the rankings. Beverages were negative after posting 2.7% gain for all of 2018-19. Dairy, Multiple and All Other improved from last month; all others were lower.

Retail was down sharply with bulk down just slightly.

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 December 2019: Cash Sugar Price Outlook

## Beet sugar 2019-20

Most beet sugar prices are nominal due to poor beet harvest. Some sugar available to processors' regular customers at 44c f.o.b. firm.

Most sugar was previously contracted below 35c f.o.b., but delivery restrictions kick in Jan. 1 due to force majeure by two processors; very limited "free" supply going forward.

## Cane sugar 2019-20

Prices in all regions at 44c f.o.b. mainly from one major cane refiner; other refiners at that level or out of the market and serving only existing customers.

## Recent Developments and Factors to Watch

- Basically, U.S. domestic beet/cane is a single market at 44c a lb f.o.b.
- Possibly a bit more slippage in beet and cane supply (beet shrink; Louisiana).
- Many expect additional boost in refined cane sugar imports (similar to November 100,000-ton increase) due to lack of U.S. cane refining capacity.
- Slow start to harvest in Mexico has complicated import availability.
- A T.R.Q. increase may be needed in all likelihood.
- Logistics will be huge; buyers, don't wait till last minute!

# SUA December 2019: Mexico WASDE

In 1,000 tonnes, actual weight. Source: U.S.D.A. Dec. 10, 2019, WASDE.

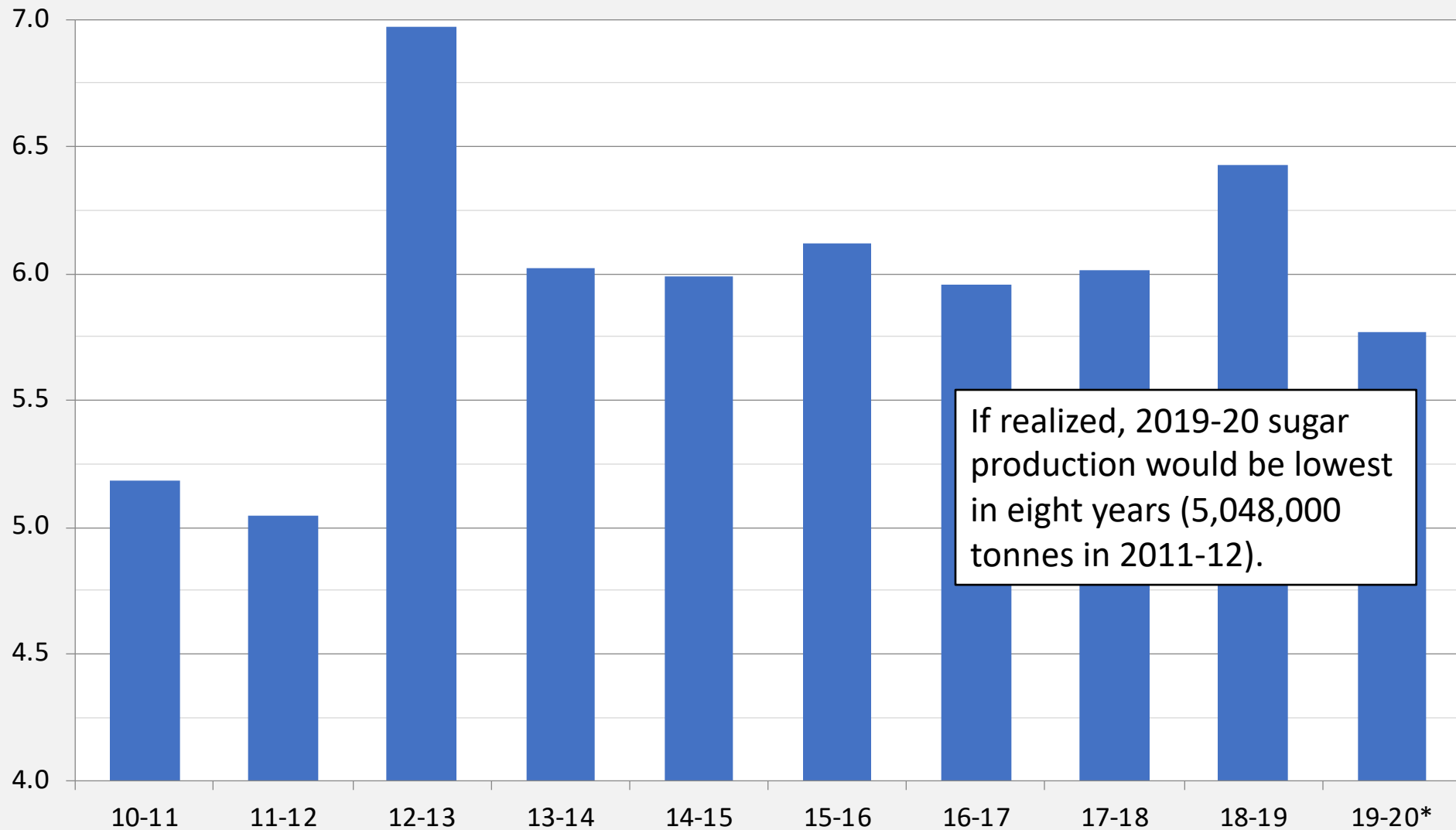
	December	From	December	Change from	
	<u>18-19</u>	<u>Nov.</u>	<u>19-20</u>	<u>Nov.</u>	<u>18-19</u>
<b>Beginning Stocks</b>	1,395	-	1,169	-	(226)
<b>Production</b>	6,426	-	5,772	-	(654)
<b>Imports</b>	85	-	85	-	-
<b>Total Supply</b>	7,906	-	7,026	-	(880)
<b>Exports</b>	2,204	-	1,603	5	(601)
<b>Domestic Use</b>	4,532	-	4,492	-	(40)
<b>Total Use</b>	6,736	-	6,095	5	(641)
<b>Ending Stocks</b>	1,169	-	930	(6)	(239)
<b>S-T-U (total)</b>	17.4%	-	15.3%	(0.1)	(2.1)
<b>S-T-U (dom.)</b>	25.8%	-	20.7%	(0.1)	(5.1)

There were minimal changes in the USDA's December WASDE report for Mexico. The main change, though not reflected in the table, was a shift of 606,680 tonnes of sugar from non-U.S. destinations to the United States. Still watching production levels in Mexico due to drought, as well as consumption trends.

The question is: Can Mexico deliver enough to meet U.S. needs?

# SUA December 2019: Mexico Sugar Production

In million tonnes, actual weight. \*Forecast. Source: U.S.D.A.

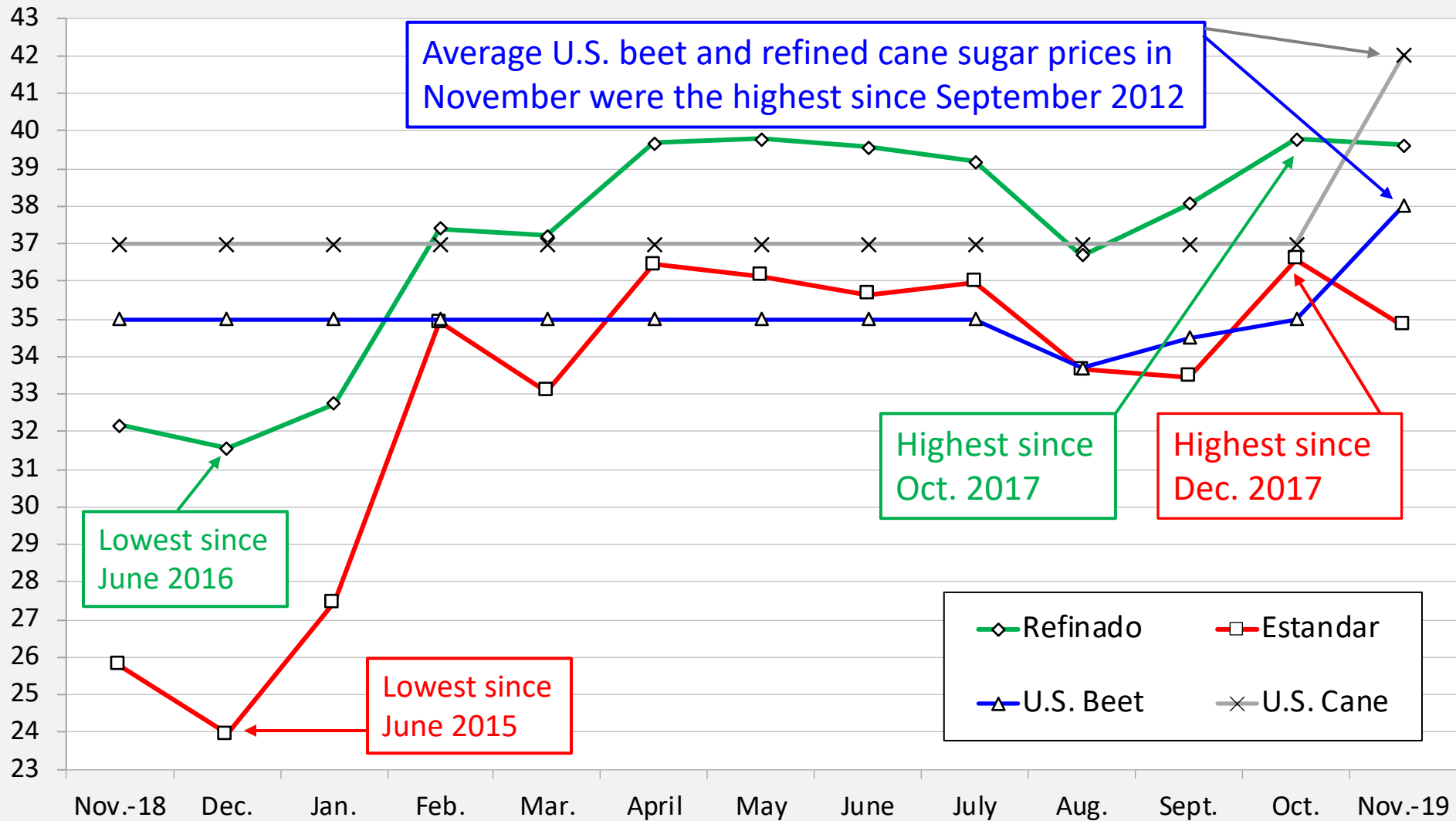


USDA/Conadesuca Nov./Dec. 2019-20 forecast at 5,772,000 tonnes was down 4.8% from October and down 10% from 2018-19.



# SUA December 2019: U.S. & Mexico Sugar Prices

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



November refinado and estandar prices declined from October but were 23% and 35%, respectively, above a year ago. U.S. prices are up sharply.

# SUA December 2019: New York #16 Raw Futures

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

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFH20 (D10)	26.00 S	-0.36	26.36	25.85	26.00 S	2428	59	1:08:58 PM EST - 12/11/19
ESFK20 (D10)	26.25 S	-0.41	26.32	26.25	26.25 S	1526	15	1:08:58 PM EST - 12/11/19
ESFN20 (D10)	26.65 S	-0.30			26.65 S	1222	0	1:08:58 PM EST - 12/11/19
ESFU20 (D10)	27.00 S	0.00			27.00 S	1173	0	1:08:58 PM EST - 12/11/19
ESFX20 (D10)	26.90 S	0.00			26.90 S	429	0	1:08:58 PM EST - 12/11/19
ESFF21 (D10)	26.50 S	0.00			26.50 S	87	0	1:08:58 PM EST - 12/11/19
ESFH21 (D10)	26.20 S	0.00			26.20 S	80	0	1:08:58 PM EST - 12/11/19
ESFK21 (D10)	26.30 S	0.00			26.30 S	240	0	1:08:58 PM EST - 12/11/19
ESFN21 (D10)	26.30 S	0.00			26.30 S	240	0	1:08:58 PM EST - 12/11/19
ESFU21 (D10)	26.30 S	0.00			26.30 S	200	0	1:08:58 PM EST - 12/11/19
ESFX21 (D10)	26.30 S	0.00			26.30 S		0	1:08:58 PM EST - 12/11/19

Nearby domestic raws have given back all the gains scored in October and November from lower U.S. sugar production forecasts. Current prices are near pre crop disaster levels around 26c a lb. Prices have dropped nearly 2c a lb from 27-month high on Nov. 14-15. Nearby below 25c seems unlikely given recent price performance and reference prices for Mexico. Probably more volatility as USDA takes actions to boost sugar supply. Minimal carry into 2021.

# SUA December 2019: Global Sugar Overview

- **Global supply/demand**
  - Nearby carryover stocks are of a concern but still a factor
  - Modest deficit expected in 2019-20 and a smaller deficit in 2020-21
- **Brazil harvest advancing, all about ethanol**
  - Cane harvest winding down; strong emphasis on ethanol
- **India stocks remain heavy, crop prospects improve**
  - Stocks remain high but less of a factor in recent trading
  - May see exports as world prices move over 13.50c a lb
  - Above average monsoon rainfall helped crop recover, but some losses
  - W.T.O. panel reviewing subsidy complains
- **Lower production forecasts for several countries**
- **Ongoing concerns about global sugar demand/consumption**
- **Pricing**
  - Nearby raw futures have risen to one-year highs mainly on short covering prompted by tightening global supply

# SUA December 2019: New York #11 Raw Futures

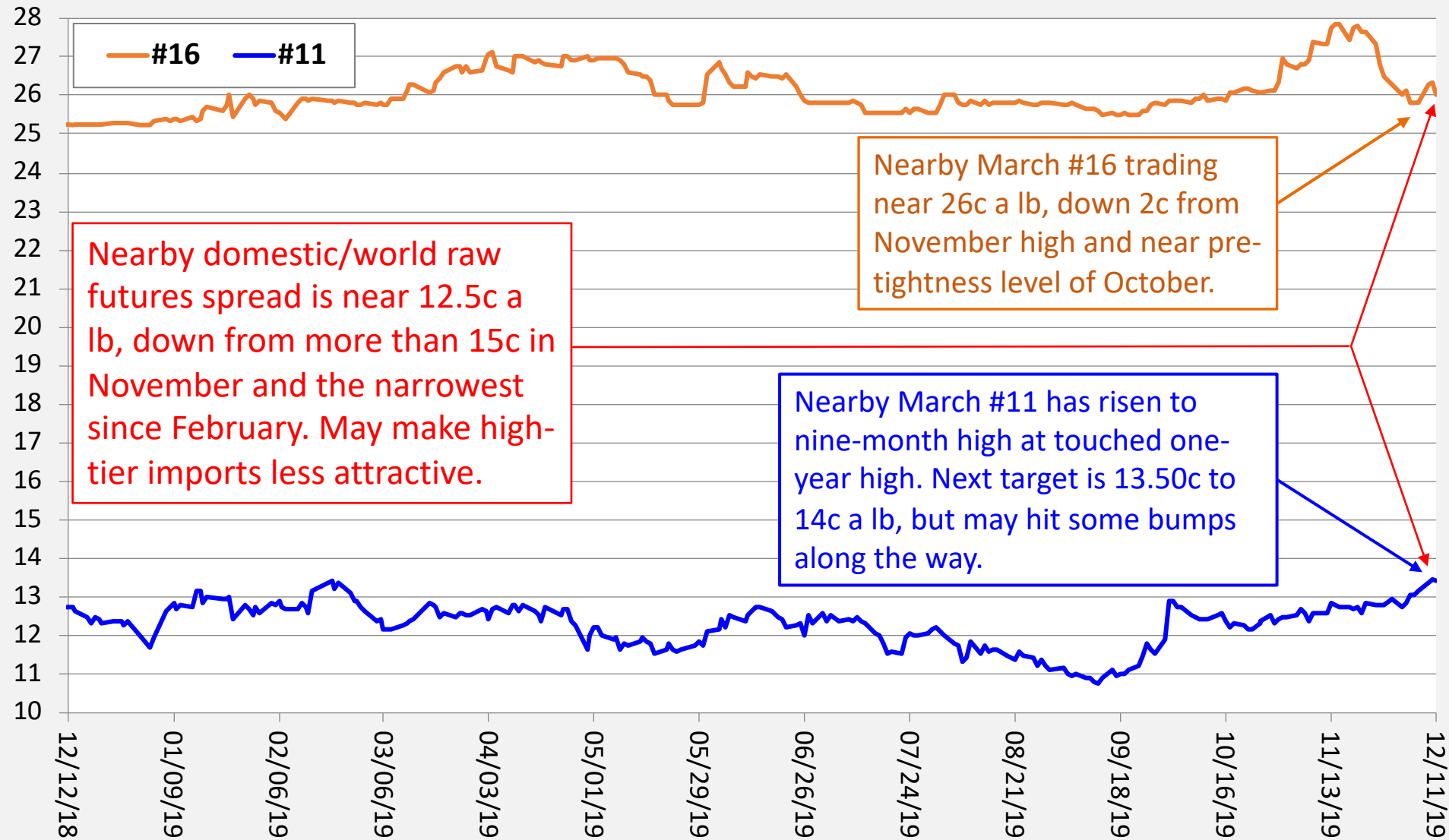
ICE world raw sugar futures as of Dec. 11, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBH20 (D10)	13.42 S	-0.04	13.51	13.28	13.42 S	456724	85137	1:00:44 PM EST - 12/11/19
ESBK20 (D10)	13.50 S	-0.01	13.55	13.36	13.50 S	199055	43544	1:00:44 PM EST - 12/11/19
ESBN20 (D10)	13.56 S	0.00	13.59	13.43	13.56 S	139877	21919	1:00:44 PM EST - 12/11/19
ESBV20 (D10)	13.76 S	0.03	13.77	13.63	13.76 S	109978	13817	1:00:44 PM EST - 12/11/19
ESBH21 (D10)	14.23 S	0.04	14.24	14.11	14.23 S	58037	5034	1:00:44 PM EST - 12/11/19
ESBK21 (D10)	14.13 S	0.05	14.14	14.02	14.13 S	11544	1372	1:00:44 PM EST - 12/11/19
ESBN21 (D10)	14.03 S	0.05	14.04	13.96	14.03 S	11975	1084	1:00:44 PM EST - 12/11/19
ESBV21 (D10)	14.04 S	0.06	14.06	13.96	14.04 S	13726	769	1:00:44 PM EST - 12/11/19
ESBH22 (D10)	14.41 S	0.07	14.44	14.31	14.41 S	8262	295	1:00:44 PM EST - 12/11/19
ESBK22 (D10)	14.34 S	0.07			14.34 S	219	2	1:00:44 PM EST - 12/11/19
ESBN22 (D10)	14.26 S	0.07			14.26 S	760	0	1:00:44 PM EST - 12/11/19
ESBV22 (D10)	14.36 S	0.07			14.36 S	27	0	1:00:44 PM EST - 12/11/19

Nearby world raw sugar futures have firmed noticeably in December with the nearby up about 0.75c from a month ago. Prices may have broken out of 12c to 13c range and may be settling into 13c to 14c range, with movement above 14c not likely for a while. Primary support has come from short covering amid concerns about 2019-20 global deficit of 6 million to 7 million tonnes and early forecasts of small 2020-21 deficit. Less concern about India's stocks hangover amid lower production forecasts. There is a small carry going forward.

# SUA December 2019: World/Domestic Futures

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



Nearby domestic/world raw futures spread is near 12.5c a lb, down from more than 15c in November and the narrowest since February. May make high-tier imports less attractive.

Nearby March #16 trading near 26c a lb, down 2c from November high and near pre-tightness level of October.

Nearby March #11 has risen to nine-month high at touched one-year high. Next target is 13.50c to 14c a lb, but may hit some bumps along the way.



# SUA December 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

Annual contracting for 2020 has been completed except for a few stragglers. Pricing is mostly \$1 to \$2 a cwt above 2019 levels with some roll-over contracts noted. Good demand has been noted for regular corn syrup and 55% HFCS, while 42% HFCS demand remains weak.

## 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

October HFCS consumption in Mexico was 127,000 tonnes, dry basis, down 7,000 tonnes from October 2018. Forecast use in 2019-20 was unchanged from November at 1,520,000 tonnes, which is down slightly from 1,528,000 tonnes in 2018-19 (when 1,520,000 tonnes was forecast).

## 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

Dry dextrose contracting is winding down for 2020. Prices are said to be up \$1.00 to \$2.50 a cwt from 2019 amid good demand, tight supply. Recent production problems.

## 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

The corn harvest continued to lag with some likely not harvested till spring. No USDA production estimate in December; next is in January.

# SUA December 2019: Other Issues & Trends

- **Trade** – Suspension Agreement amendments pending; Progress(?) in China trade war; U.S.M.C.A. moving forward.
- **G.M.O. and Added Sugars Labeling** – Consumer reaction remains primary unknown.
- **Sugar/beverage taxes** – Probably more impact outside U.S. as countries continue to add or increase sugar taxes.
- **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.

# SUA December 2019: Conclusions

## ■ Domestic Sweetener Market

- Beet, non-reporter and total sugar deliveries strong in October.
- U.S. 2019-20 beet sugar production lowest since 2008-09.
- U.S. 2019-20 cane sugar production lowest since 2016-17.
- Still watching Florida, Louisiana sugar cane harvests.
- U.S. will need most imports in nearly four decades.
- **Can Mexico deliver? Will T.R.Q. increase be needed?**
- **Maintaining supply flow may be a challenge all year.**
- Spot refined sugar prices are at 7½-year highs.
- Corn sweetener prices mostly higher for 2020 despite weaker demand with annual contracting completed.

## ■ Global Sugar Market

- Nearby world raw prices higher and approaching 14c a lb.
- Deficit forecast for 2019-20 and 2020-21 is supportive to prices.
- Ongoing questions about global consumption.