

Sweetener Users Association Conference Call Update

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SUA January 2020: Presentation Overview

■ Domestic Sugar Market

- Lower domestic sugar production remains dominant market feature
- First quarter imports from Mexico slow; Mexico WASDE data unchanged
- Beet, cane and non-reporter sugar deliveries dropped in November
- Cash prices mostly at 44c a lb f.o.b.; beet sugar prices nominal
- Suspension agreement amendments are signed

■ Global Sugar Market

- Global deficit forecasts for 2019-20 increasing; smaller deficit in 2020-21
- Less concern about carryover stocks as production eases in several areas
- Global raw sugar prices have strengthened to two-year highs nearby

■ Corn Sweetener Market

- Annual contracts for 2020 kicked in mostly at higher levels
- USDA trims use of corn for sweeteners and starch for 2019-20
- Mexican consumption in October-December down from year earlier

■ Other Issues with Impact on Sweeteners

■ Conclusions

■ Questions

SUA January 2020: U.S. Market Overview

■ 2019-20 sugar supply/demand

- S-T-U ratio slips to 12.7% as cane sugar production lowered
- Domestic supplies are limited going forward; Worst yet to come?
- Concern about logistics, timing, etc.
- U.S. need for imports highest in nearly four decades
- Can Mexico deliver? Would a T.R.Q. increase help?
- Spot prices for 2019-20 highest since June 2012
- Deliveries for 2019-20 unchanged from December in WASDE
- SMD reflected lower deliveries in November; down 0.2% for Oct.-Nov.; will higher prices/tight supply affect demand?

■ Corn sweetener supply/demand

- New annual mostly higher contract prices began Jan. 1
- HFCS in Mexico down for second month
- Impact of high sugar prices on corn sweeteners unknown

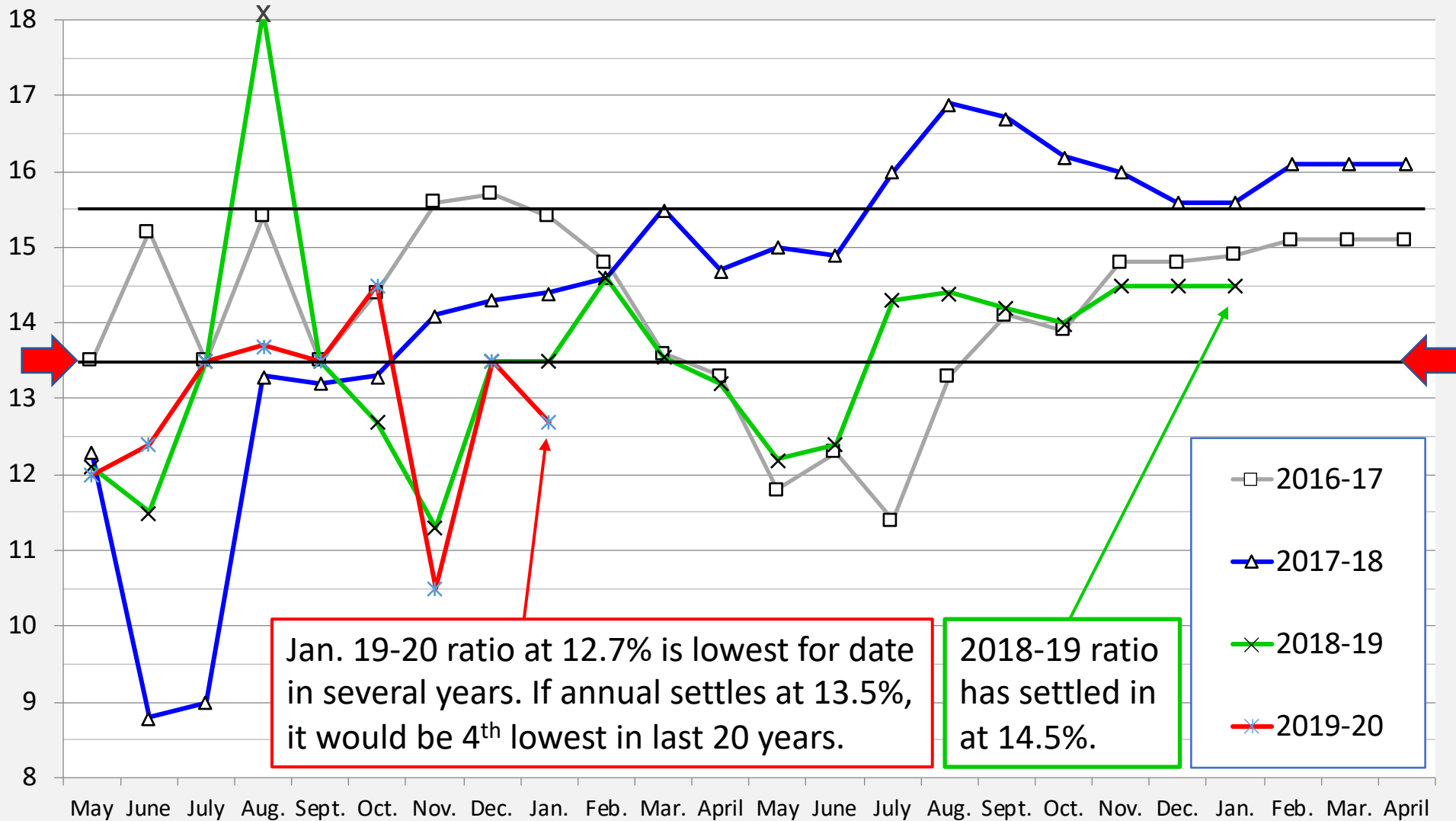
SUA January 2020: U.S.D.A. 2019-20 WASDE

<i>Short tons</i> <i>raw value</i>	January	January	Change from Dec.		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>
Begin. Stocks	2,008	1,783	3	0.2%	(225)	-11.2%	1,780
Production	8,999	8,158	(122)	-1.5%	(841)	-9.3%	8,175
Beet	4,939	4,444	77	1.8%	(495)	-10.0%	4,425
Cane	4,060	3,713	(200)	-5.1%	(347)	-8.5%	3,750
Imports	3,070	3,881	21	0.5%	811	26.4%	3,950
T.R.Q.	1,541	1,604	(10)	-0.6%	63	4.1%	1,650
Other Prog.	438	350	-	-	(88)	-20.1%	350
Mexico	1,000	1,827	-	-	827	82.7%	1,750
High Tier	92	100	30	42.9%	8	8.7%	200
Total Supply	14,077	13,821	(99)	-0.7%	(256)	-1.8%	13,905
Exports	35	35	-	-	-	-	35
Deliveries	12,231	12,230	-	-	(1)	0.0%	12,200
Food	12,106	12,125	-	-	19	0.2%	12,100
Other	126	105	-	-	(21)	-16.7%	100
Misc.	28	-	-	-	(28)	-100%	-
Total Use	12,294	12,265	-	-	(29)	-0.2%	12,235
Ending Stocks	1,783	1,556	(99)	-6.0%	(227)	-12.7%	1,670
Stocks-to-use	14.5%	12.7%	-0.8		-1.8		13.65%

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

SUA January 2020: Monthly S-T-U Ratios

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



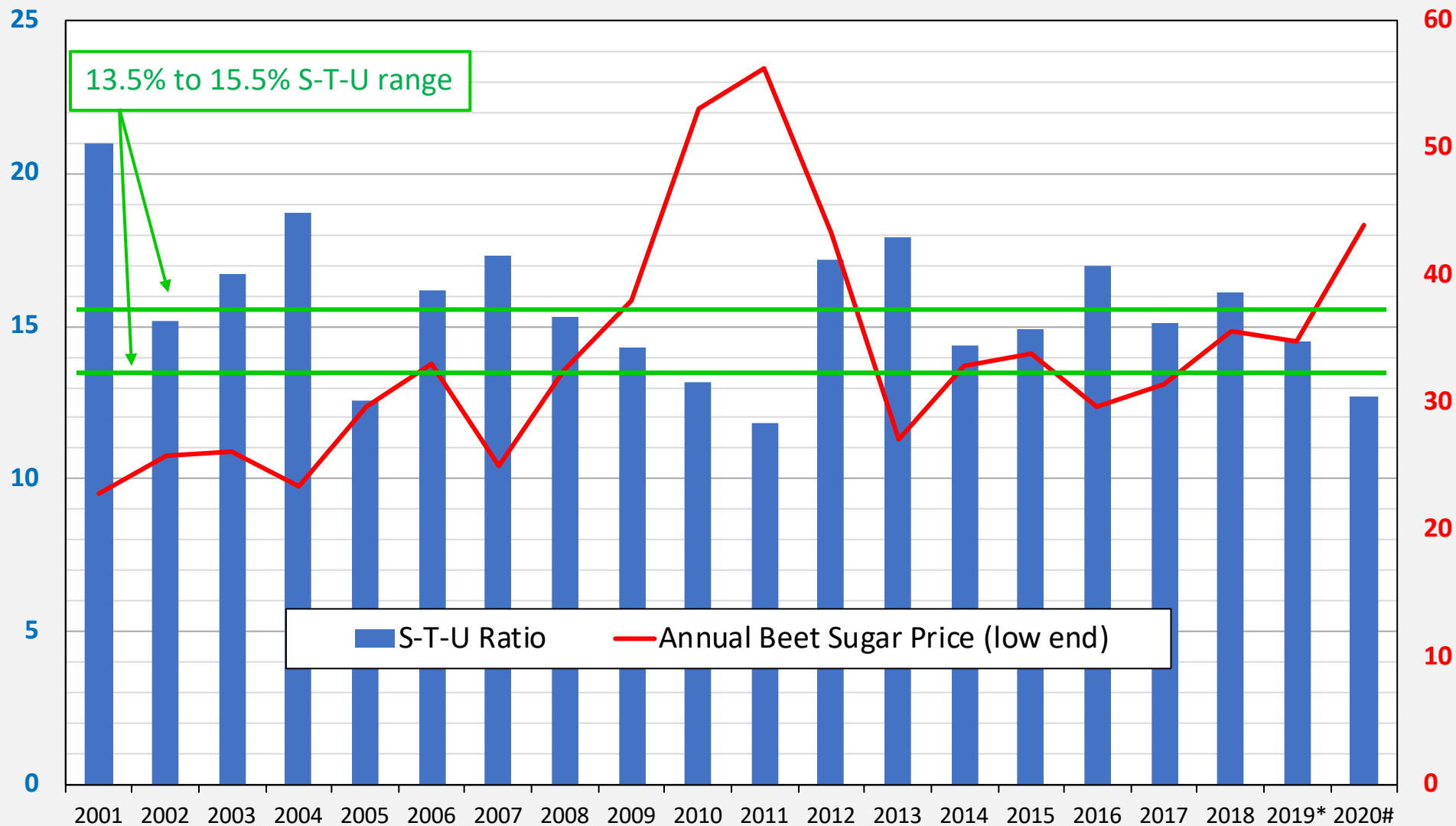
Jan. 19-20 ratio at 12.7% is lowest for date in several years. If annual settles at 13.5%, it would be 4th lowest in last 20 years.

2018-19 ratio has settled in at 14.5%.

- 2016-17
- △ 2017-18
- × 2018-19
- * 2019-20

SUA January 2020: S-T-U Versus Beet Sugar Price

Stocks-to-use in per cent. *Estimated; #Forecast. Beet sugar in cents per lb.



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

SUA January 2020: Sugar Beet & Cane Production

Revised data from U.S.D.A.'s Crop Production 2019 Summary, in 1,000 tons.

Cane	January		From 2018		From Dec.	
	2018	2019	Tons	%	Tons	%
Florida	17,256	17,060	(196)	-1.1%	-293	-1.7%
Louisiana	15,861	13,520	(2,341)	-14.8%	-592	-4.2%
Texas	1,425	1,218	(207)	-14.5%	-12	-1.0%
U.S.	34,542	31,798	(2,744)	-7.9%	(897)	-2.7%

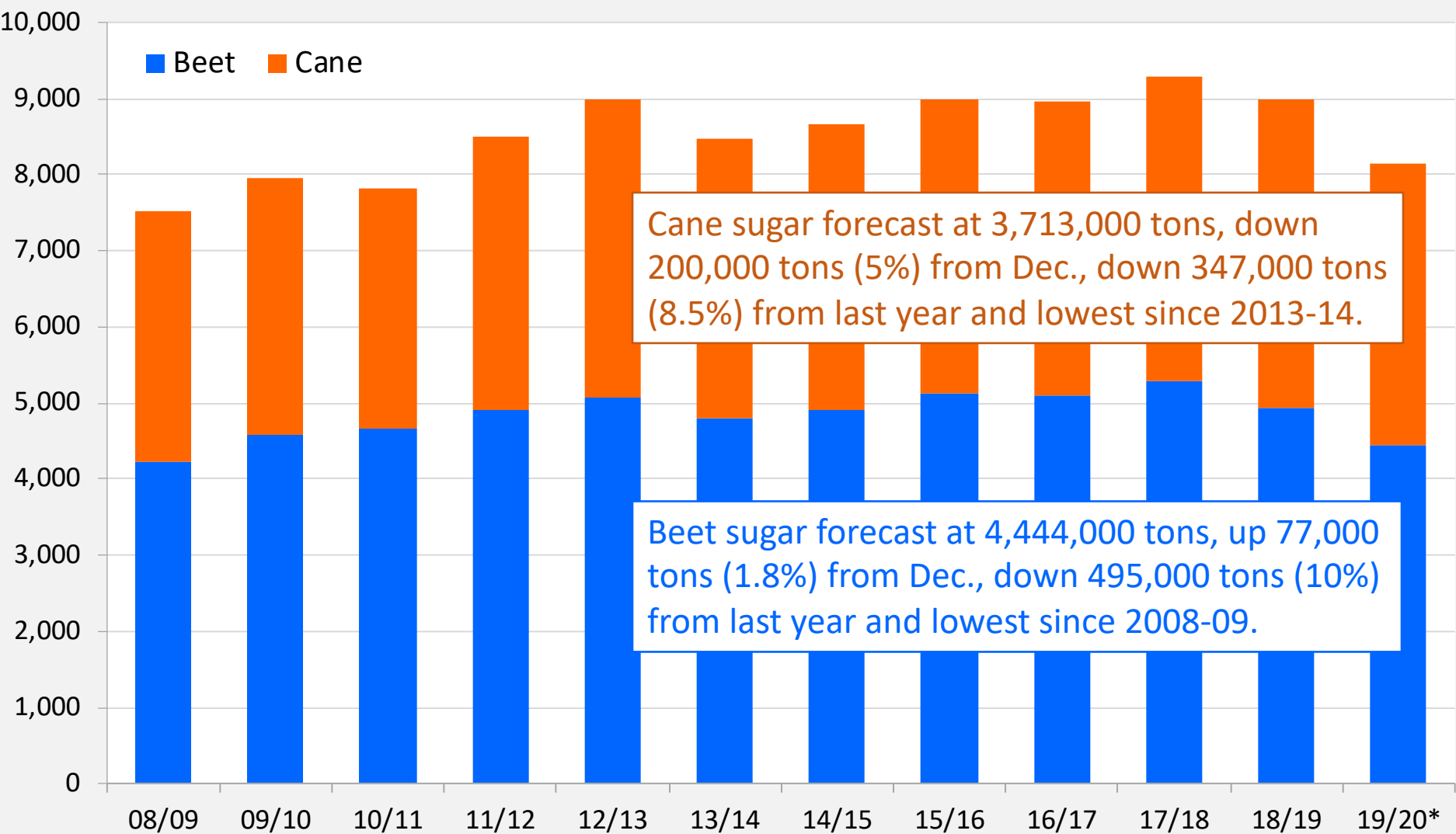
USDA lowered from December sugar cane forecasts for all three states, Florida: down 1.7% (down 1.1% from 2018); Louisiana: down 4.2% (down 14.8% from 2018); Texas: down 1% (down 14.5% from 2018). If realized, total outturn down 7.9% from 2018.

Beet	January		From 2018		From Nov.	
	2018	2019	Tons	%	Tons	%
Minnesota	10,486	8,400	(2,086)	-19.9%	(478)	-5.4%
N. Dakota	5,731	4,420	(1,311)	-22.9%	233	5.6%
Idaho	6,602	6,435	(167)	-2.5%	(205)	-3.1%
Michigan	4,307	4,147	(160)	-3.7%	101	2.5%
Nebraska	1,407	1,069	(338)	-24.0%	(143)	-11.8%
Montana	1,319	1,153	(166)	-12.6%	(170)	-12.8%
California	1,200	1,080	(120)	-10.0%	18	1.7%
Colorado	831	749	(82)	-9.9%	(67)	-8.2%
Wyoming	946	679	(267)	-28.2%	(178)	-20.8%
Oregon	366	377	11	3.0%	(4)	-1.0%
Washington	87	91	4	4.6%	(5)	-5.2%
U.S.	33,282	28,600	(4,682)	-14.1%	(898)	-3.0%

Sugar beet production was lowered from November by 8.2% to 20.8% in Colorado, Nebraska, Montana and Wyoming, the states of the Western Sugar Cooperative. North Dakota was raised but Minnesota was lowered. Production is down from 2018 in all states except Oregon and Wash., with total outturn down 14.1% after 2018 was revised slightly higher.

SUA January 2020: U.S. Sugar Production

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



Cane sugar forecast at 3,713,000 tons, down 200,000 tons (5%) from Dec., down 347,000 tons (8.5%) from last year and lowest since 2013-14.

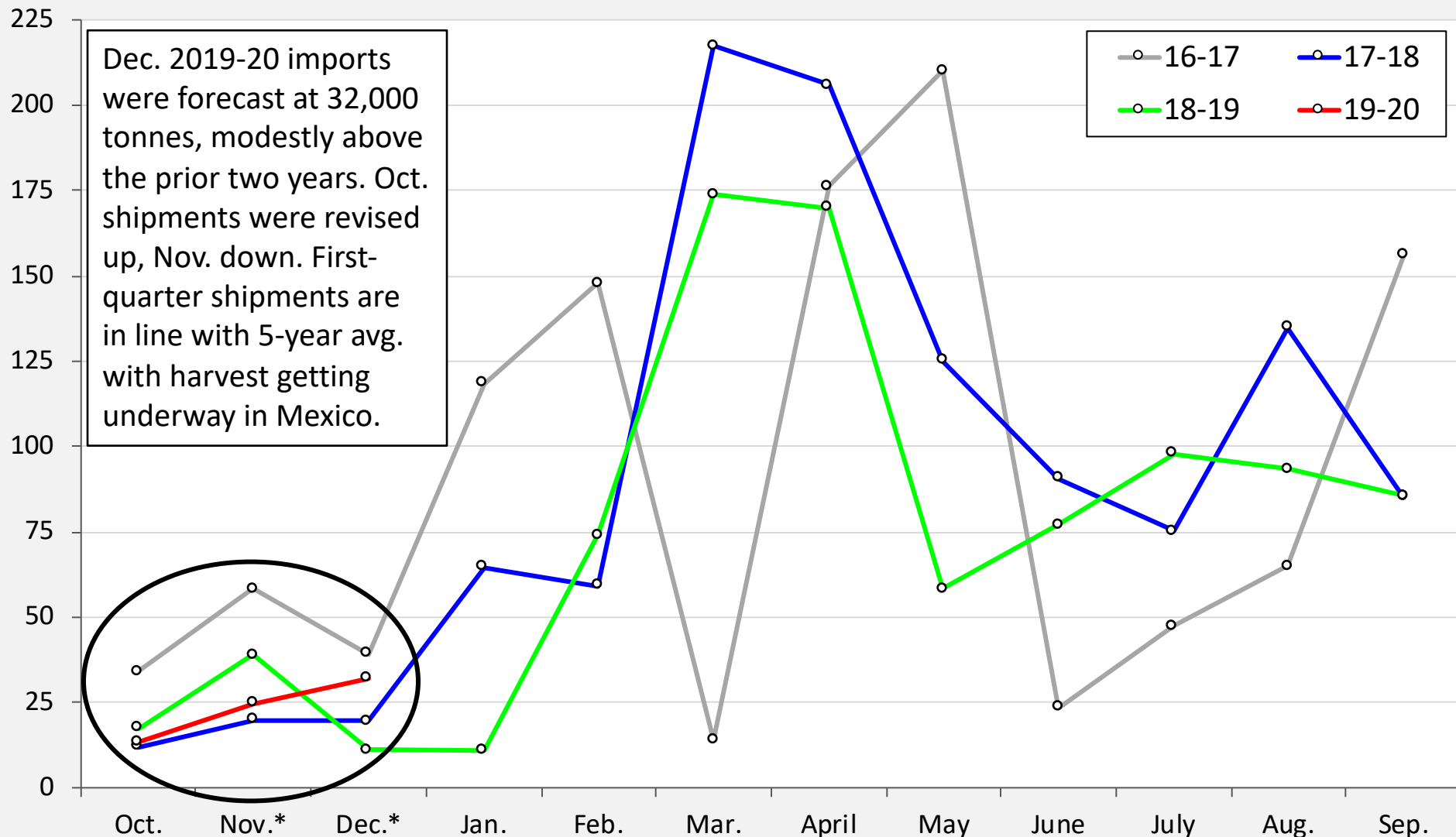
Beet sugar forecast at 4,444,000 tons, up 77,000 tons (1.8%) from Dec., down 495,000 tons (10%) from last year and lowest since 2008-09.

Total sugar production is forecast at 8,158,000 tons, down 1.5% from December, down 9% from 2018-19 and lowest since 2010-11.



SUA January 2020: U.S. Imports from Mexico

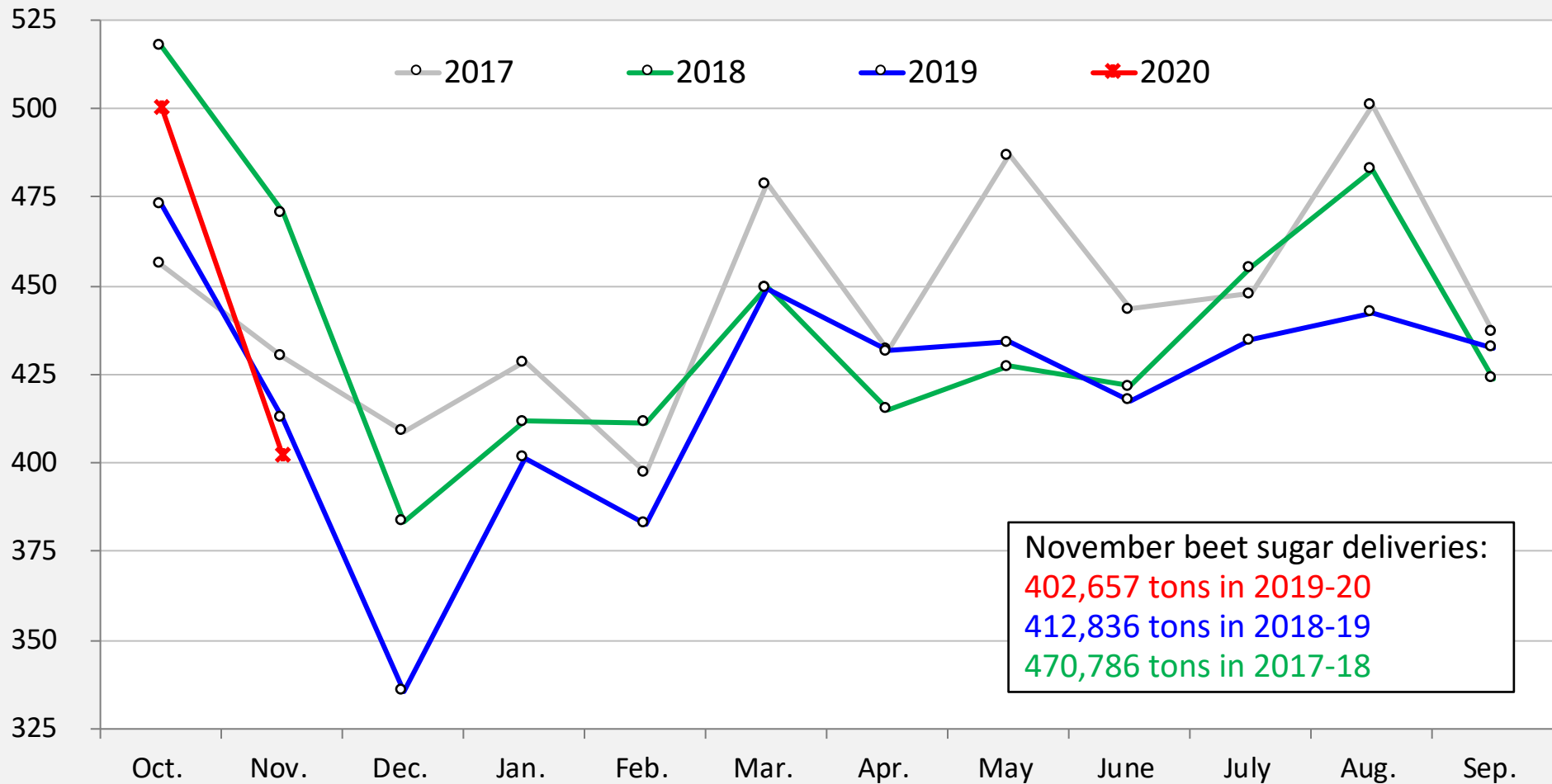
In 1,000 tonnes, raw value. *November and December 2019-20 are U.S.D.A. forecasts.



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

SUA January 2020: Beet Sugar Deliveries

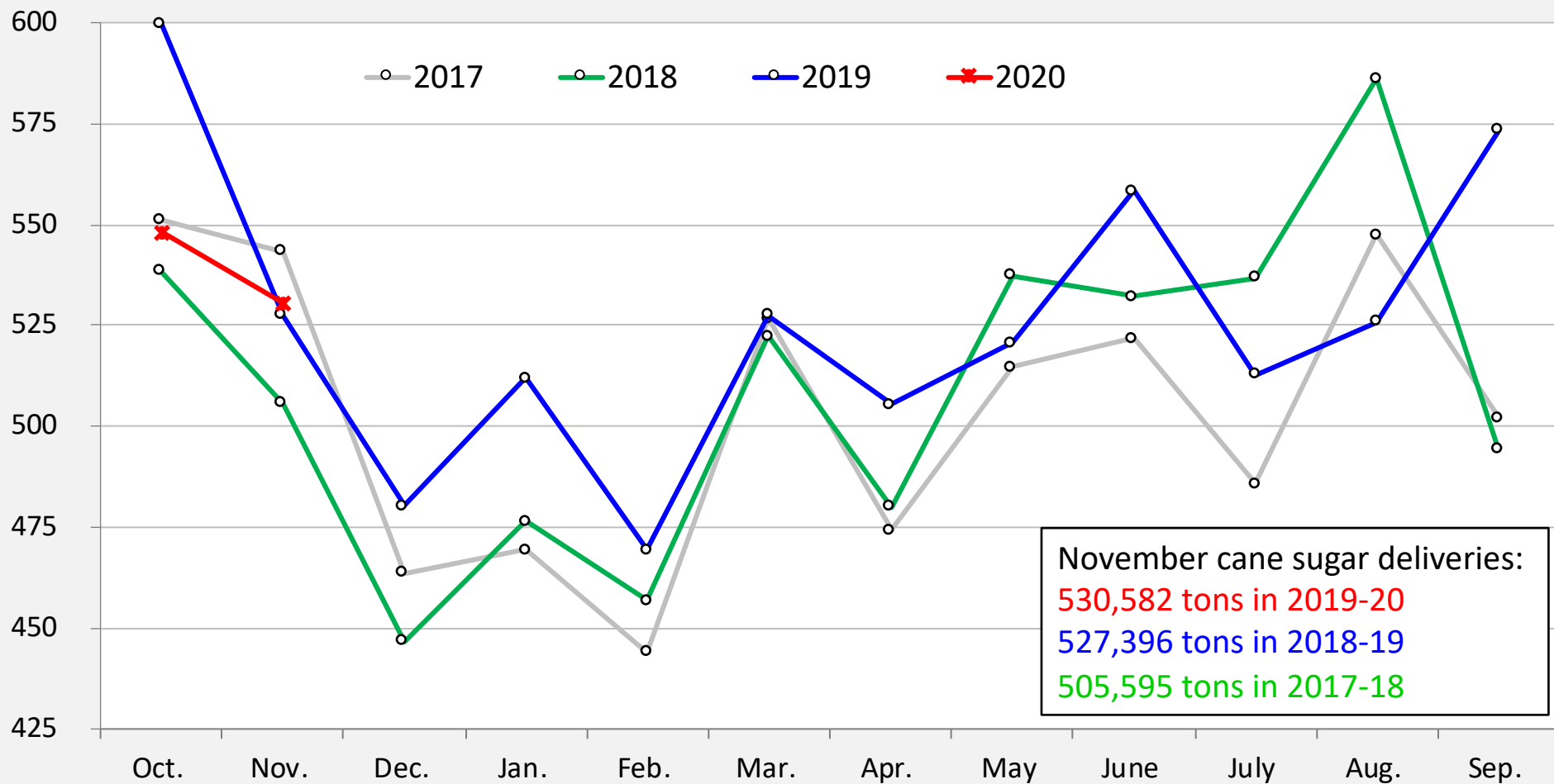
Monthly beet sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Beet sugar deliveries in November were down 20% from October, down 2.4% from November 2018-19 and the lowest since 2015-16. October-November deliveries were up 2% from same two months a year earlier.

SUA January 2020: Refined Cane Deliveries

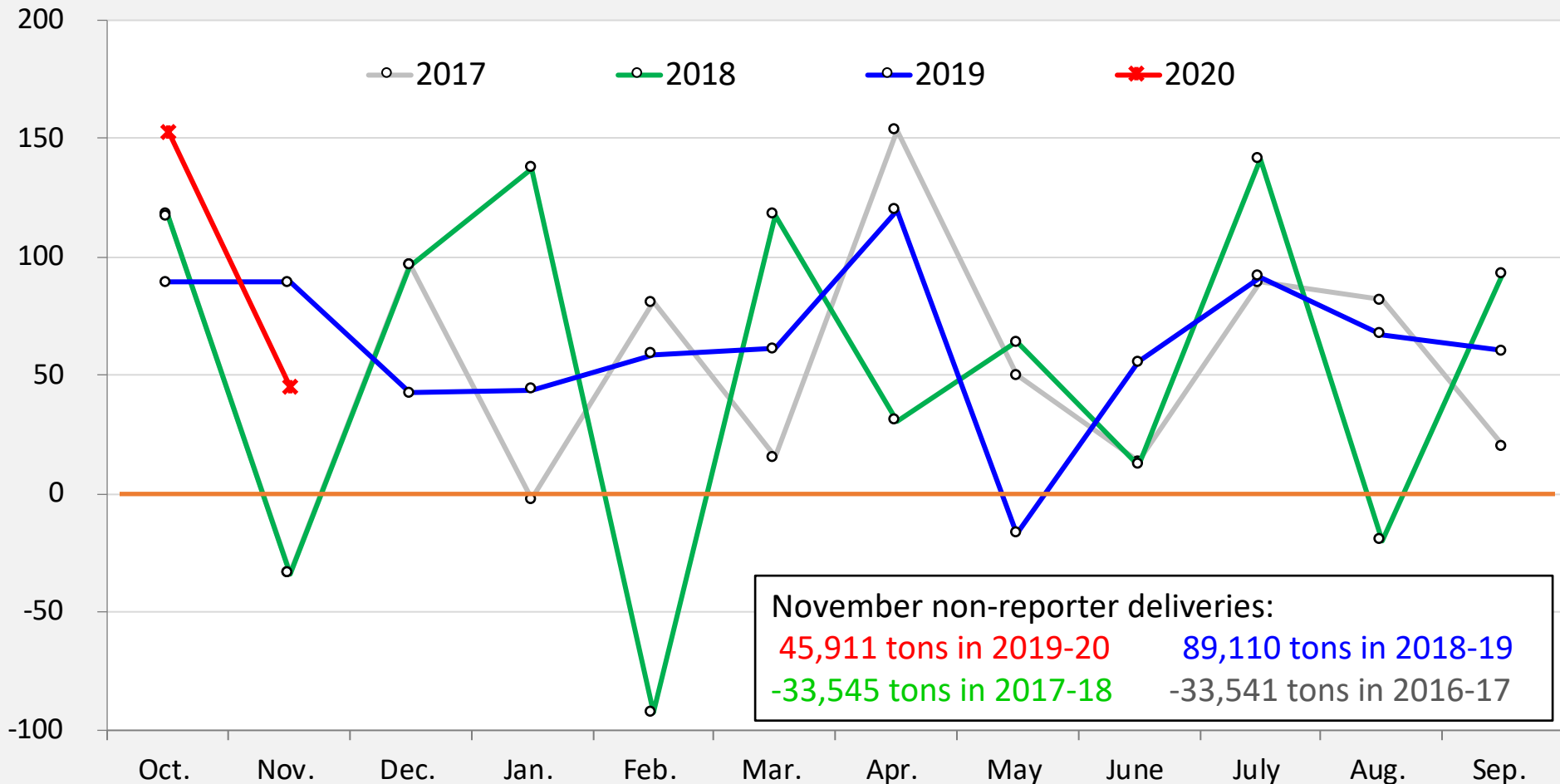
Monthly refined cane sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Refined cane sugar deliveries in November were down 3.2% from October but up 0.8% from November 2018-19 and the highest since 2016-17. October-November deliveries were down 4.3% from the same two months a year earlier.

SUA January 2020: Deliveries by Non-Reporters

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



Non-reporter deliveries dropped sharply in November, down 70% from October and down 48% from 2018-19. November deliveries in 2016-17 and 2017-18 both were negative 34,000 tons.

SUA January 2020: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	FY 2020	FY 2019	Per Cent
	<u>Oct.-Nov.</u>	<u>Oct.-Nov.</u>	<u>Change</u>
Total Deliveries/1 (short tons, <u>actual weight</u>)	1,869,215	1,891,901	-1.2
1-Bakery, cereal, and related products	421,888	419,481	0.6
5-Confectionery and related products	196,430	214,464	-8.4
6-Ice cream and dairy products	136,786	137,542	-0.5
7-Beverages	109,368	118,088	-7.4
8-Canned, bottled and frozen foods	75,743	74,835	1.2
4-Multiple and all other food uses	209,552	183,639	14.1
10-Non-food uses	20,056	41,282	-51.4
11-Hotels, restaurants, institutions	13,327	16,140	-17.4
2-Wholesale grocers, jobbers, dealers	379,290	369,476	2.7
3-Retail grocers, chain stores	249,573	253,113	-1.4
12-Government agencies	1,112	2,649	-58.0
9-All other deliveries	56,090	61,191	-8.3
Total Deliveries/1 (short tons, <u>raw value</u>)	2,000,061	2,024,334	-1.2
Crystalline:	1,745,495	1,787,448	-2.3
Consumer-size packages (retail)	416,198	451,603	-7.8
Packages 50 lbs and greater	524,717	516,277	1.6
Unpackaged (bulk)	804,579	819,568	-1.8
Non-crystalline/2	254,566	236,887	7.5

Oct.-Nov. deliveries were down 1.2% from same period last year by this measure, slightly better than down 1.7% in October. Eight of 12 sectors improved from last month and four deteriorated. Top two sectors (baking & wholesale) were up from year ago.

All deliveries by type improved from October except bulk, with retail and bulk down from year ago.

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 January 2020: Cash Sugar Price Outlook

Beet sugar 2019-20

Prices are even with refined cane at 44c but nominal due to lack of supply. Most sugar was previously contracted below 35c f.o.b., but delivery restrictions that began Jan. 1 will force some users back into the market.

Cane sugar 2019-20

Prices in all regions at 44c f.o.b. from one major refiner; other refiners appear to be mostly out of the market.

Beet sugar 2020-21

Pricing from at least two processors at 35c a lb f.o.b. As much as 25% of production sold by couple processors.

Cane sugar 2020-21

Pricing from one major Southeast refiner at 37c a lb f.o.b.

Recent Developments and Factors to Watch

- U.S. beet/cane is a single market at 44c a lb f.o.b. with only cane available.
- Slow start to harvest in Mexico has complicated import availability.
- Signing of suspension agreement amendments offers some clarity.
- A T.R.Q. increase may be needed for 2019-20.
- Logistics will be huge; buyers can't wait till last minute!
- Pricing for 2020-21 has begun but sales mostly slow and not all sellers are participating due to uncertainty.

SUA January 2020: Mexico WASDE

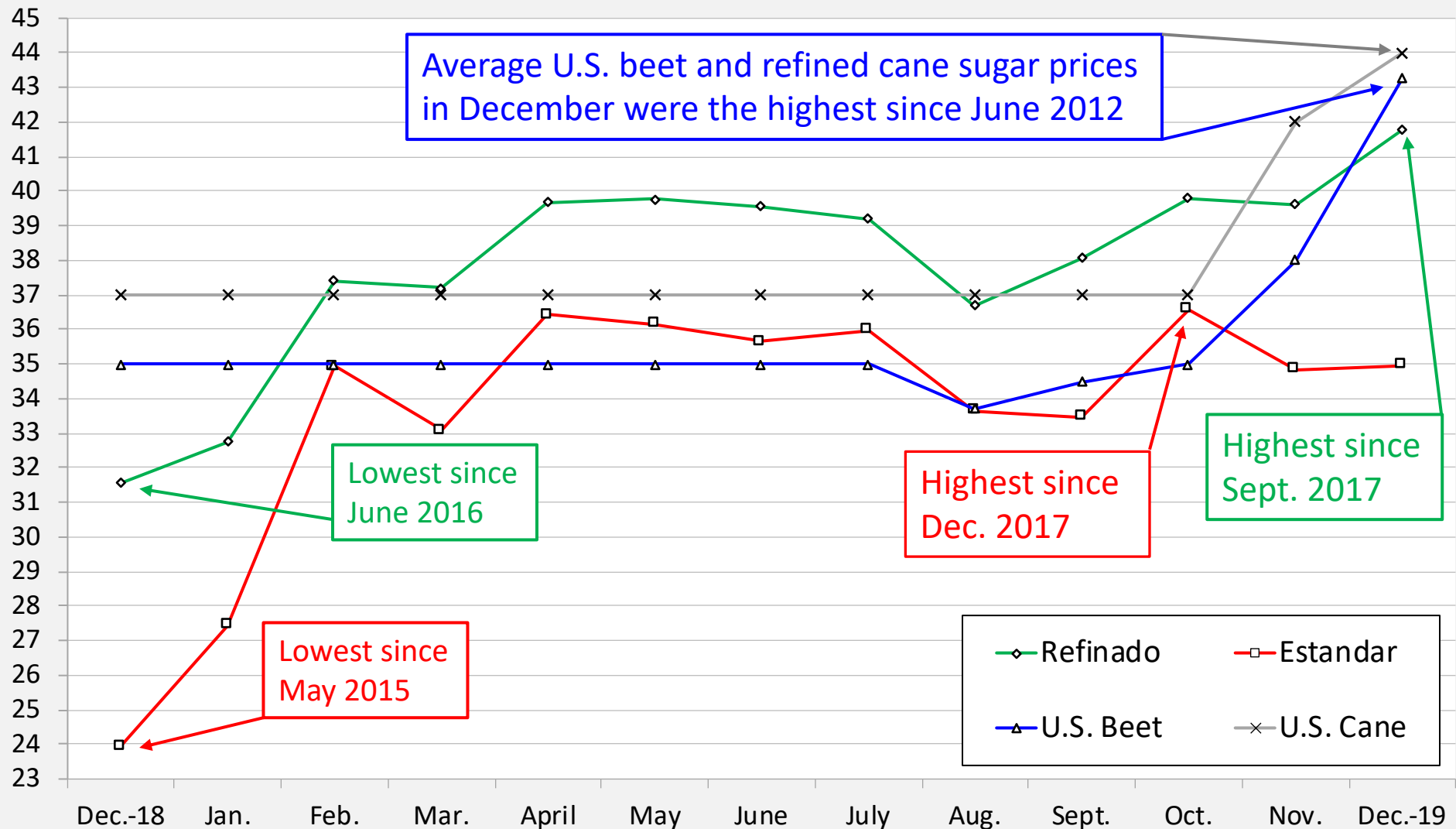
In 1,000 tonnes, actual weight. Source: U.S.D.A. Jan. 10, 2020, WASDE.

	January	From	January	Change from	
	<u>18-19</u>	<u>Dec.</u>	<u>19-20</u>	<u>Dec.</u>	<u>18-19</u>
Beginning Stocks	1,395	-	1,169	-	(226)
Production	6,426	-	5,772	-	(654)
Imports	85	-	89	4	4
Total Supply	7,906	-	7,030	4	(876)
Exports	2,204	-	1,603	-	(601)
Domestic Use	4,532	-	4,492	-	(40)
Total Use	6,736	-	6,095	-	(641)
Ending Stocks	1,169	-	934	4	(235)
S-T-U (total)	17.4%	-	15.3%	-	(2.1)
S-T-U (dom.)	25.8%	-	20.8%	0.1	(5.0)

There was only one change for Mexico in the Jan. 10 WASDE: a 4-million-tonne increase in imports that boosted total supply and ending stocks a like amount. Production was left unchanged. **While most thought Mexico could fill 716,000-ton shortfall in U.S. supply in December, more are questioning whether it can fill the larger 841,000-ton shortfall indicated in January.**

SUA January 2020: U.S. & Mexico Sugar Prices

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



December refinedo and estandar prices advanced from November and were up 32% and 46%, respectively, from a year ago. U.S. prices also up.

SUA January 2020: New York #16 Raw Futures

ICE domestic raw sugar futures as of Jan. 15, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFH20 (D10)	25.85 S	-0.05	25.85	25.76	25.85 S	2065	117	1:14:38 PM EST - 01/15/20
ESFK20 (D10)	26.40 S	-0.05			26.40 S	1559	0	1:14:38 PM EST - 01/15/20
ESFN20 (D10)	27.10 S	-0.10			27.10 S	1900	0	1:14:38 PM EST - 01/15/20
ESFU20 (D10)	27.30 S	0.00			27.30 S	1373	0	1:14:38 PM EST - 01/15/20
ESFX20 (D10)	27.00 S	0.00	27.00	27.00	27.00 S	438	20	1:14:38 PM EST - 01/15/20
ESFF21 (D10)	26.65 S	0.00			26.65 S	87	0	1:14:38 PM EST - 01/15/20
ESFH21 (D10)	26.40 S	0.00			26.40 S	80	0	1:14:38 PM EST - 01/15/20
ESFK21 (D10)	26.45 S	0.00			26.45 S	240	0	1:14:38 PM EST - 01/15/20
ESFN21 (D10)	26.45 S	0.00			26.45 S	240	0	1:14:38 PM EST - 01/15/20
ESFU21 (D10)	26.45 S	0.00			26.45 S	200	0	1:14:38 PM EST - 01/15/20
ESFX21 (D10)	26.45 S	0.00			26.45 S		0	1:14:38 PM EST - 01/15/20

Nearby domestic raws have seen minor changes in the past month with spot March slightly lower but settling in a range of 25.85c to 25.95c a lb since Dec. 12 amid mostly light but at times heavy volume in 2020 months. Higher values for May through November may reflect expectations for tight domestic supply in the third and fourth quarters of the marketing year, with most 2021 months at a discount to that period. Values continue to trade in relation to reference values in suspension agreements/amendments with Mexico.

SUA January 2020: Global Sugar Overview

- **Global supply/demand**
 - Lower production forecasts for Brazil, India, Thailand, E.U., Mexico and U.S. resulting in higher 2019-20 global deficit forecasts
 - Smaller deficit in 2020-21 expected
- **Brazil harvest in inter-seasonal period**
 - Cane harvest basically over until late March; Will higher sugar prices entice mills back to sugar production and away from ethanol?
- **India stocks still ample but less of a concern**
 - Stocks remain ample but less of a factor due to lower production forecasts for several countries, including India
 - Subsidy complaints still awaiting review at W.T.O.
- **Pricing**
 - Nearby world raw and London white sugar futures at two-year highs.
- **Will tighter global supply impact U.S. ability to import sugar?**

SUA January 2020: New York #11 Raw Futures

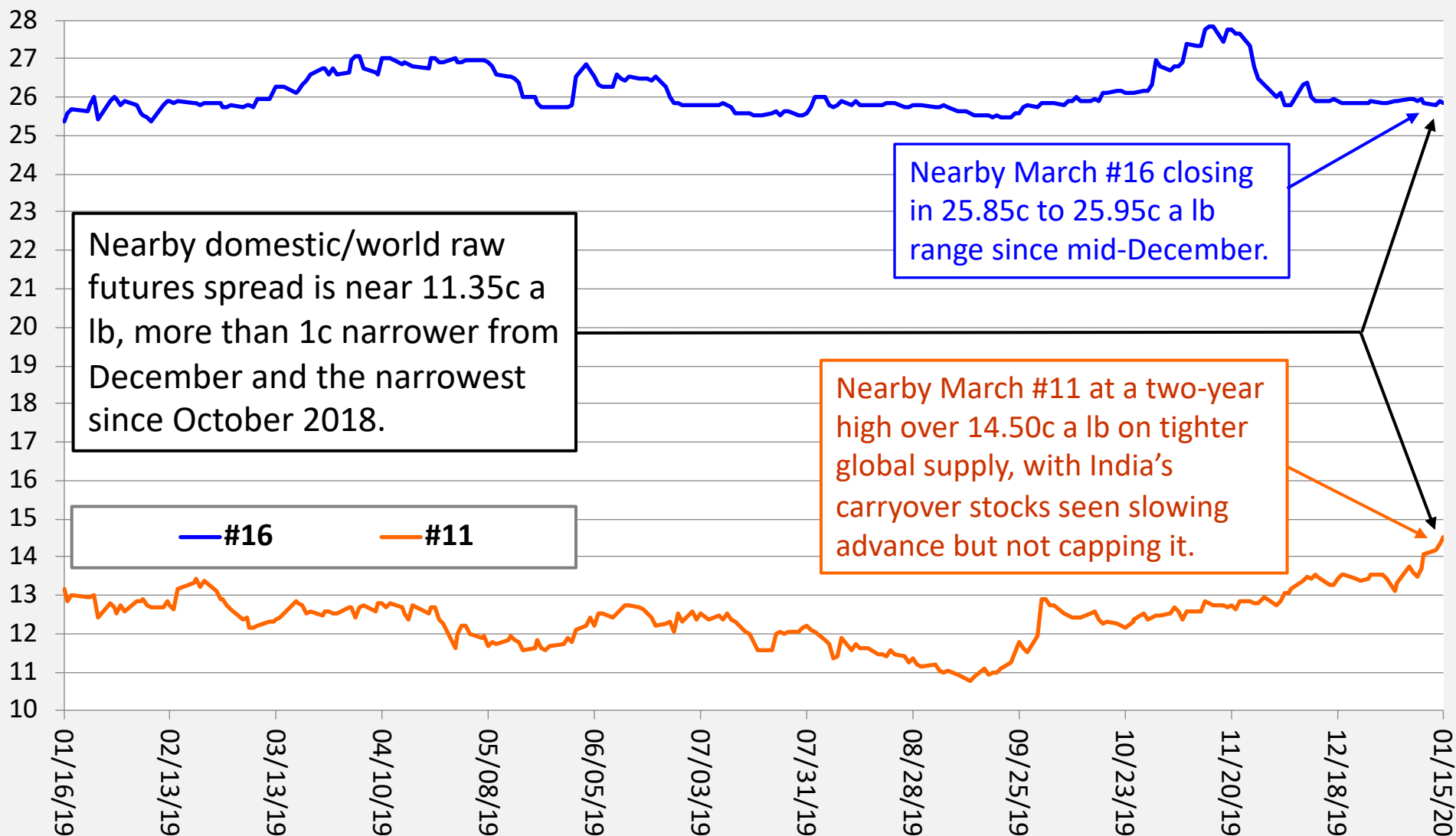
ICE world raw sugar futures as of Jan. 15, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBH20 (D10)	14.52 S	0.20	14.57	14.22	14.52 S	399969	97871	1:01:45 PM EST - 01/15/20
ESBK20 (D10)	14.48 S	0.17	14.53	14.21	14.48 S	241499	42737	1:01:45 PM EST - 01/15/20
ESBN20 (D10)	14.45 S	0.15	14.49	14.20	14.45 S	162824	32714	1:01:45 PM EST - 01/15/20
ESBV20 (D10)	14.53 S	0.13	14.57	14.29	14.53 S	130603	23806	1:01:45 PM EST - 01/15/20
ESBH21 (D10)	14.82 S	0.12	14.85	14.57	14.82 S	77890	12852	1:01:45 PM EST - 01/15/20
ESBK21 (D10)	14.51 S	0.07	14.53	14.30	14.51 S	13140	4371	1:01:45 PM EST - 01/15/20
ESBN21 (D10)	14.24 S	0.04	14.26	14.09	14.24 S	14781	3711	1:01:45 PM EST - 01/15/20
ESBV21 (D10)	14.20 S	0.03	14.24	14.06	14.20 S	18327	977	1:01:45 PM EST - 01/15/20
ESBH22 (D10)	14.47 S	0.01	14.50	14.36	14.47 S	10276	363	1:01:45 PM EST - 01/15/20
ESBK22 (D10)	14.32 S	0.00			14.32 S	1506	4	1:01:45 PM EST - 01/15/20
ESBN22 (D10)	14.17 S	0.00			14.17 S	2440	0	1:01:45 PM EST - 01/15/20
ESBV22 (D10)	14.23 S	0.00			14.23 S	391	0	1:01:45 PM EST - 01/15/20

Nearby world raw sugar futures have risen more than 1c a lb in the past month, with spot March at a two-year high. Support has come from fund buying amid forecasts of lower production in several countries, resulting in higher global deficit forecasts for 2019-20. Resistance may come from Brazilian mills shifting to sugar from ethanol once 2020-21 harvest begins in late March/early April. A runaway market isn't expected, but prices likely will remain firm. The earlier carry in 2022 months has disappeared amid ideas the global sugar deficit will be smaller after 2019-20.

SUA January 2020: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of Jan. 15, 2020.



SUA January 2020: Corn Sweetener Prices

Cents/lb or \$/cwt. NOTE: Prices shown reflect sales to small/med. users; large sales lower.

42% HFCS Spot

	<u>2020</u>	<u>2019</u>
Midwest	25½-26	25-25¾
Northeast	27-27½	26½-27¼
Southeast	27¼-27¾	26¾-27½
South	26¾-27¼	26¼-27
West	27½-28¾	27-28¾

New annual contracts kicked in Jan. 1 at higher levels for most products. First quarter corn use was down for all products and use for all of 2019-20 was forecast lower by USDA. Remains to be seen if corn sweeteners can benefit from low supply/high price of sugar (Mexico?).

55% HFCS Spot

	<u>2020</u>	<u>2019</u>
Midwest	32¾-33¾	31¾-32¼
Northeast	34¼-35¼	33¼-33¾
Southeast	34¼-35¼	33¼-33¾
South	34-35	33-33½
West	34¾-35¾	33¾-35¼

October-November HFCS consumption in Mexico totaled 236,000 tonnes, dry basis, down 3,000 tonnes from same period last year, the USDA said. Projected consumption for 2019-20 was unchanged at 1,520,000 tonnes.

Corn Syrup Spot

	<u>2020</u>	<u>2019</u>
Midwest	36¾-37¼	35¾-36¼
Northeast	39-39½	38-38½
Southeast	39-39½	38-38½
South	40-40½	39-39½
West	41-41½	40¼-40¾

New annual pricing began Jan. 1 for dry dextrose, also at higher levels. USDA forecasts lower use of corn for dextrose/glucose in 2019-20, thus lower production.

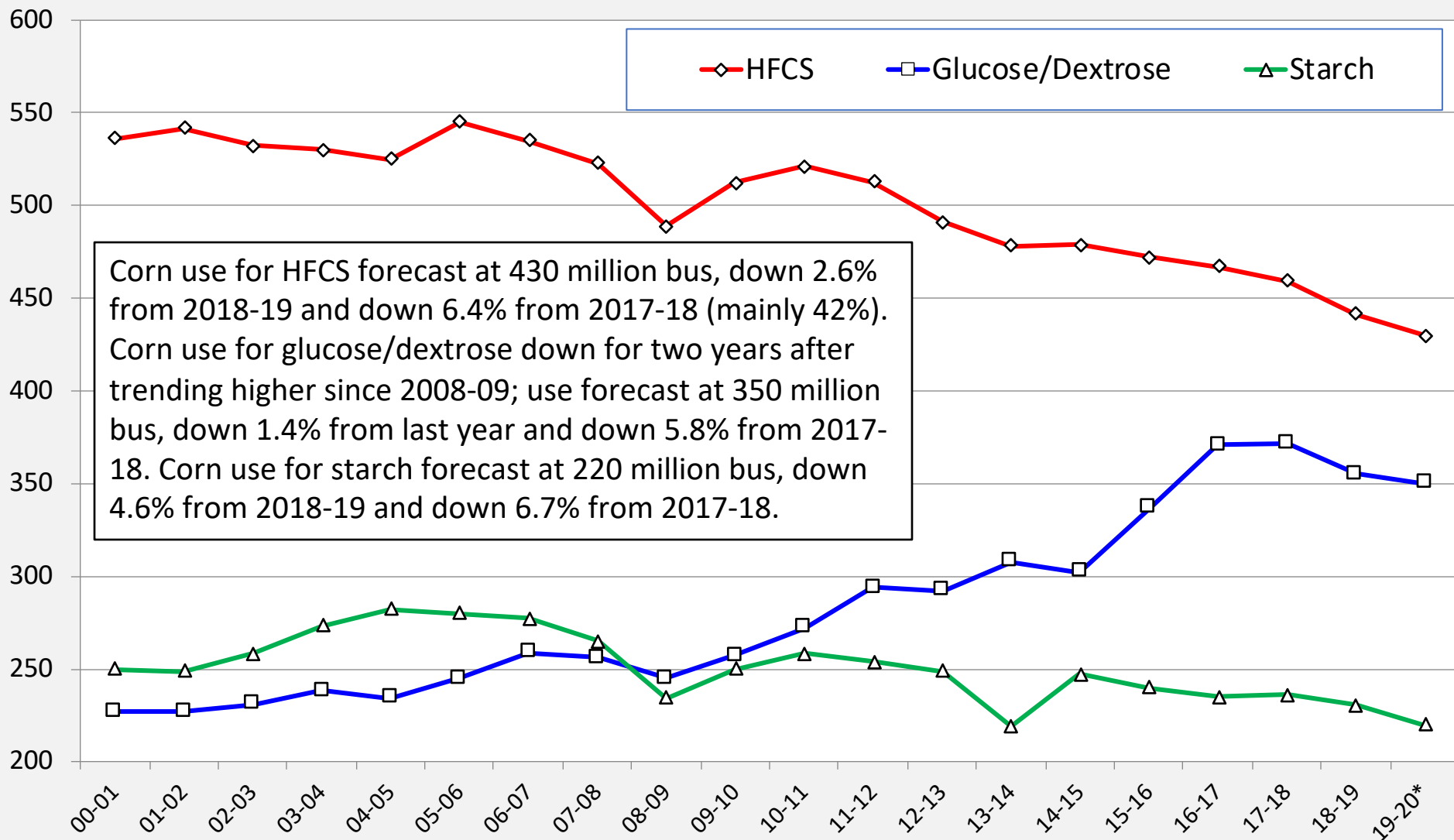
Dextrose Spot

	<u>2019</u>	<u>2018</u>
East	42-42½	40½-41½
Midwest	41-41½	39½-40½
South	43-43½	41½-42½
West	44-44½	42½-43½

The USDA raised estimated 2019 corn production by 31 million bus to 13,692 million bus in Jan. report but will resurvey five states in spring.

SUA January 2020: Corn Used for Sweeteners

In million bus; *Forecast. Sept.-Aug. marketing year. Source: U.S.D.A. January Feed Outlook.



First quarter (Sept.-Nov.) 2019-20 corn used for HFCS down 3.4% from last year, for glucose/dextrose down 3.5% and for starch down 4.7%.

SUA January 2020: Other Issues & Trends

- **Trade** – Suspension Agreement amendments signed Jan. 15; Can Mexico deliver? Phase One U.S.-China trade deal signed Jan. 15. U.S.M.C.A. and other trade agreements moving forward and/or implemented.
- **G.M.O. and Added Sugars Labeling** – Nothing new.
- **Sugar/beverage taxes** – New taxes began first of year in some countries, but overall quiet.
- **Consumer Sugar Perception/Reduction** – Sugar reduction remains high on survey responses.
- **Reformulation** – Food and beverage makers continue to cut sweeteners globally in response to consumers and to avoid taxes. Will current tight supplies and high prices encourage domestic reformulation?

SUA January 2020: Conclusions

■ Domestic Sweetener Market

- November sugar deliveries weakened from October.
- Domestic sugar production lowest since 2010-11.
- Import needs increased further based on January WASDE.
- U.S. will need most imports in nearly four decades.
- Can Mexico deliver? Will T.R.Q. increase be needed?
- High-tier imports playing a larger role.
- Worst may be yet to come on supply (April-August).
- Complete fill-in buying NOW to avoid logistics issues.
- Spot refined sugar prices are at 7½-year highs.
- Corn sweetener prices mostly higher; supply committed.

■ Global Sugar Market

- Nearby world raw prices at two-year highs on tightening supply.
- Deficit forecasts for 2019-20 are rising and supporting prices.
- Impact on U.S. imports other than from Mexico?
- Ongoing questions about global consumption.