

Sweetener Users Association Board Meeting Update

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SUA February 2020: Presentation Overview

■ Domestic Sugar Market

- Additional imports needed to get S-T-U ratio to minimum 13.5%.
- Lower Mexican production casts doubt on ability to meet U.S. Needs.
- Beet sugar deliveries dropping, cane increasing as expected, non-reporter down sharply but should correct.
- Cash cane sugar prices holding at 44c a lb f.o.b.; beet sugar prices nominal.
- Prices for 2020-21 are higher.

■ Global Sugar Market

- Global market has taken a noticeably more bullish stance.
- Focus has been on lower production in Thailand and India, plus others.
- Brazil may be shifting some production out of ethanol, back to sugar.

■ Corn Sweetener Market

- Continued lower annual production.
- USDA leaves use of corn for sweeteners and starch unchanged from Jan.
- Mexican consumption in October-December up from a year earlier.

■ Other Issues with Impact on Sweeteners

■ Conclusions

SUA February 2020: U.S. Market Overview

■ 2019-20 sugar supply/demand

- S-T-U ratio slips to 12.4% as imports from Mexico lowered.
- Domestic supplies are limited going forward.
- Concern about logistics, timing, etc., for rest of year.
- U.S. need for imports highest in nearly four decades.
- Can Mexico deliver?
- Spot prices for 2019-20 highest since June 2012.
- Deliveries for 2019-20 unchanged from January in WASDE.
- SMD reflected lower deliveries in December; down 2.9% for Oct.-Dec., compared with down 0.2% for Oct.-Nov., mostly due to non-reporter effect. Will high prices/tight supplies affect demand?
U.S.D.A. says no indication yet.

■ Corn sweetener supply/demand

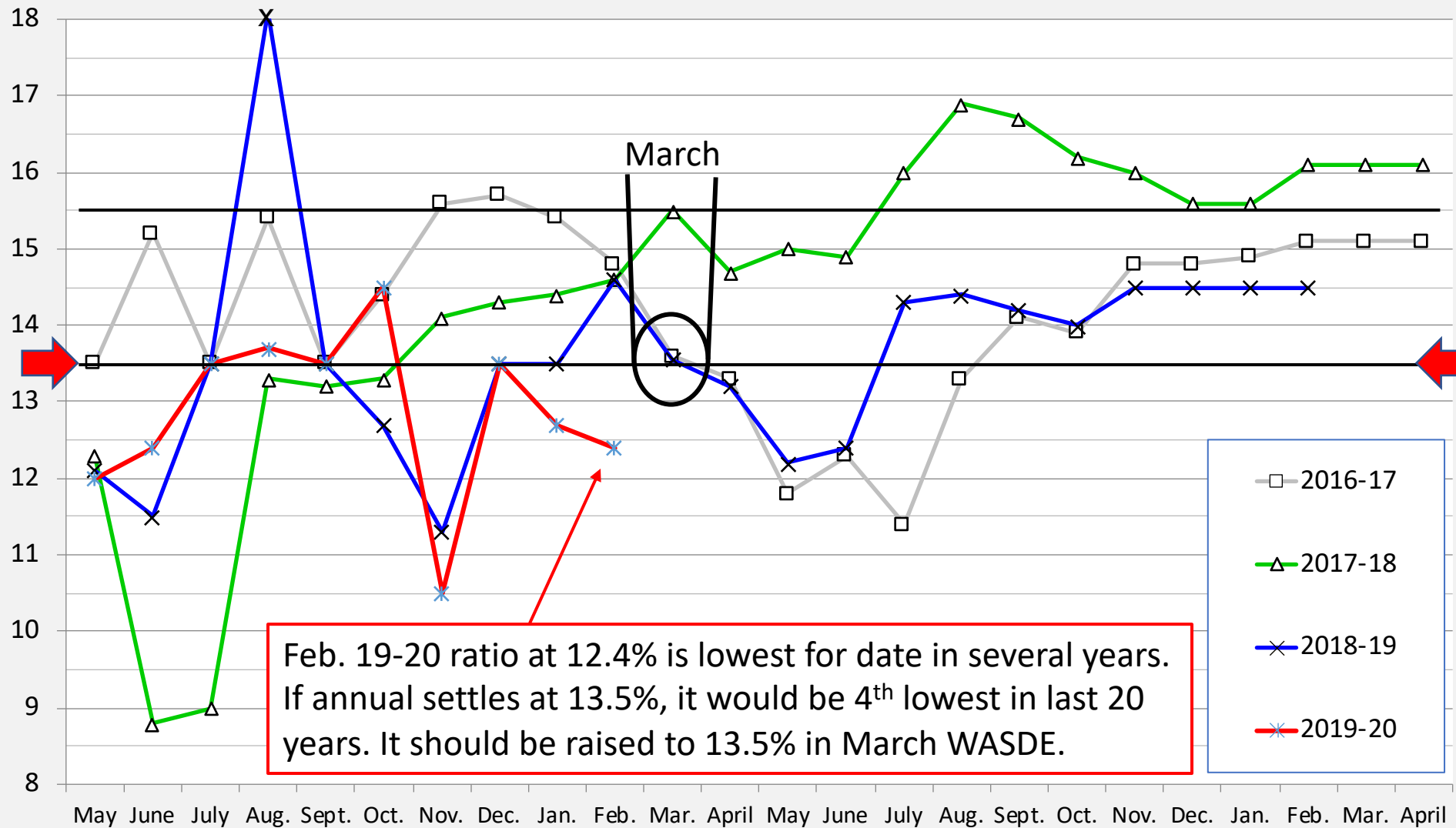
- Oct.-Dec. HFCS consumption in Mexico was up from year ago.
- Will Mexican bottlers switch from sugar to HFCS?

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

<i>Short tons</i>	February	February	Change from Jan.		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	-	0.0%	(225)	-11.2%	1,780
Production	8,999	8,158	-	0.0%	(841)	-9.3%	8,160
Beet	4,939	4,444	-	0.0%	(495)	-10.0%	4,435
Cane	4,060	3,713	-	0.0%	(347)	-8.5%	3,725
Imports	3,070	3,841	(40)	-1.0%	771	25.1%	3,975
T.R.Q.	1,541	1,674	70	4.4%	133	8.6%	1,800
Other Prog.	438	350	-	0.0%	(88)	-20.1%	350
Mexico	1,000	1,717	(110)	-6.0%	717	71.7%	1,675
High Tier	92	100	-	0.0%	8	8.7%	150
Total Supply	14,077	13,781	(40)	-0.3%	(296)	-2.1%	13,915
Exports	35	35	-	0.0%	-	0.0%	35
Deliveries	12,231	12,230	-	0.0%	(1)	0.0%	12,175
Food	12,106	12,125	-	0.0%	19	0.2%	12,075
Other	126	105	-	0.0%	(21)	-16.7%	100
Misc.	28	-	-	0.0%	(28)	-100.0%	-
Total Use	12,294	12,265	-	0.0%	(29)	-0.2%	12,210
Ending Stocks	1,783	1,516	(40)	-2.6%	(267)	-15.0%	1,705
Stocks-to-use	14.5%	12.4%	-0.3		-2.1%		14.0%

SUA February 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.



Feb. 19-20 ratio at 12.4% is lowest for date in several years. If annual settles at 13.5%, it would be 4th lowest in last 20 years. It should be raised to 13.5% in March WASDE.

Source: U.S.D.A.

SUA February 2020: Sugar Cane Production

From U.S.D.A.'s Feb. 11 Crop Production report, in 1,000 tons.

Sugar Cane	February		From 2018		From January	
	2018	2019	Tons	%	Tons	%
Florida	17,256	17,453	197	1.1%	393	2.3%
Louisiana	15,861	13,520	(2,341)	-14.8%	0	0.0%
Texas	1,425	1,218	(207)	-14.5%	0	0.0%
U.S.	34,542	32,191	(2,351)	-6.8%	393	1.2%

The Louisiana sugar cane crop was unchanged from January. The crop in Florida was raised 2.3% on slightly higher harvested area and yield, but the cane sugar forecast for Florida was unchanged in the Feb. WASDE.

Cane Sugar	February		From 2018-19		From January	
	18-19	19-20	Tons	%	Tons	%
Florida	2,005	2,069	64	3.2%	0	0.0%
Louisiana	1,907	1,513	(394)	-20.7%	0	0.0%
Texas	147	131	(16)	-10.9%	0	0.0%
U.S.	4,060	3,713	(347)	-8.5%	0	0.0%

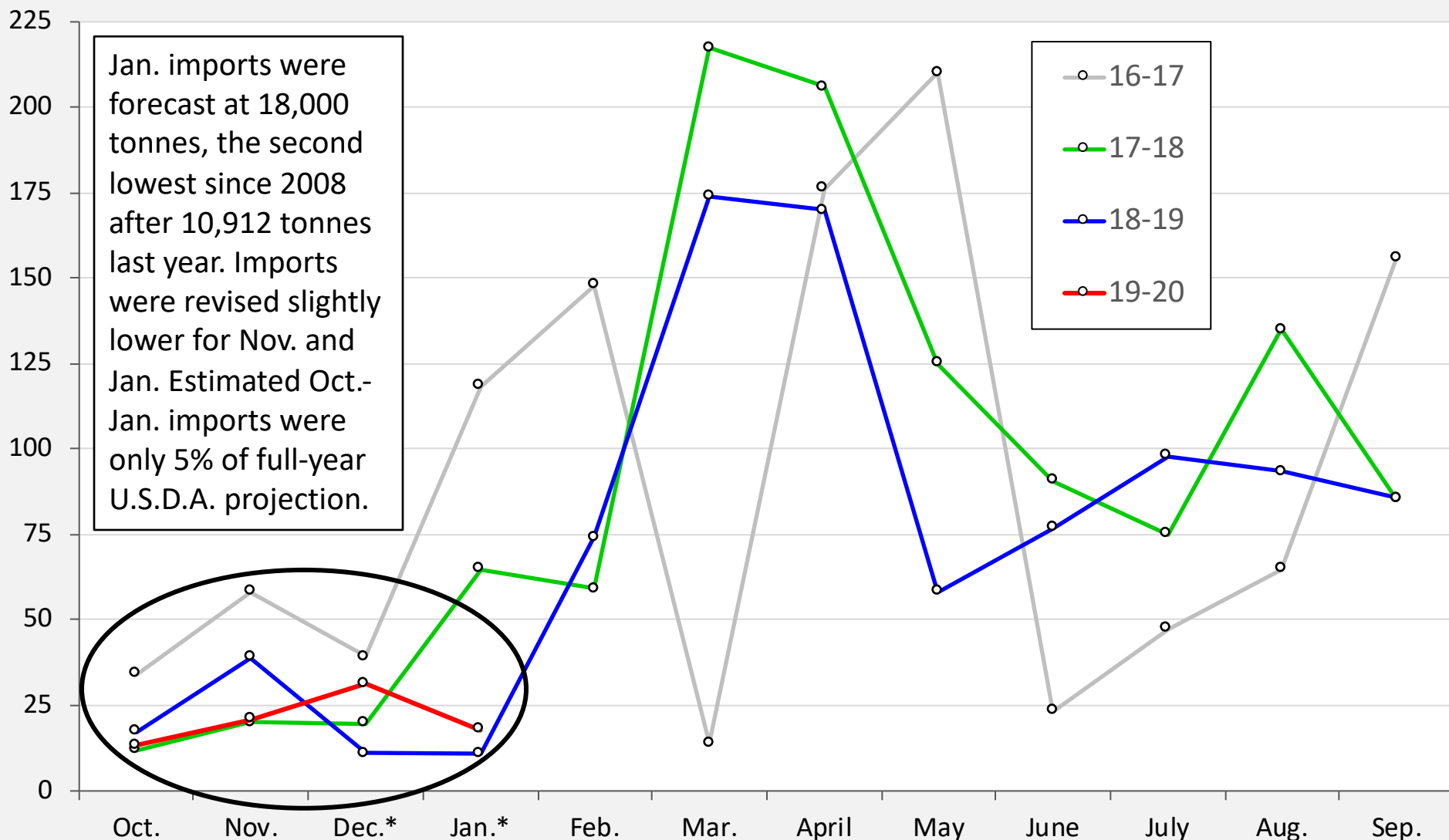
Sugar cane production in the three cane states is down 6.8% from last year, but cane sugar production is forecast down 8.6%. We may see a small bump in Florida cane sugar production in the next WASDE.

2019-20 sugar production statistics of note:	short tons, raw value
U.S. beet sugar forecast down 10% from 2018-19.	495,000
U.S. refined cane sugar down 8.6% from 2018-19.	347,000
Mexico refined cane forecast down 11.7%	<u>881,000*</u>
Total reduction from 2018-19	1,723,000

*converted from tonnes in February Outlook

SUA February 2020: U.S. Imports from Mexico

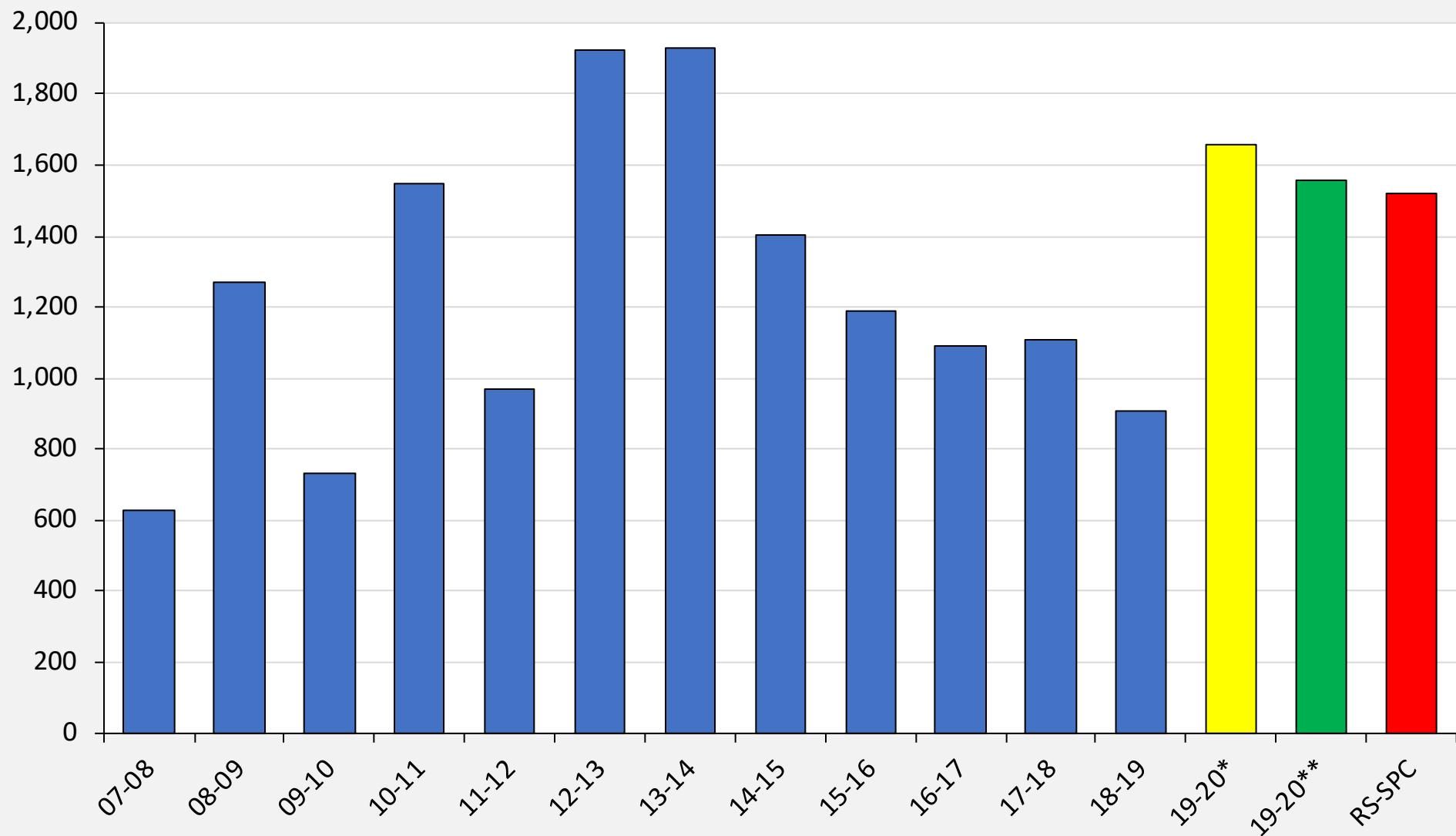
In 1,000 tonnes, raw value. *December and January 2019-20 are U.S.D.A. forecasts.



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

SUA February 2020: Annual Imports from Mexico

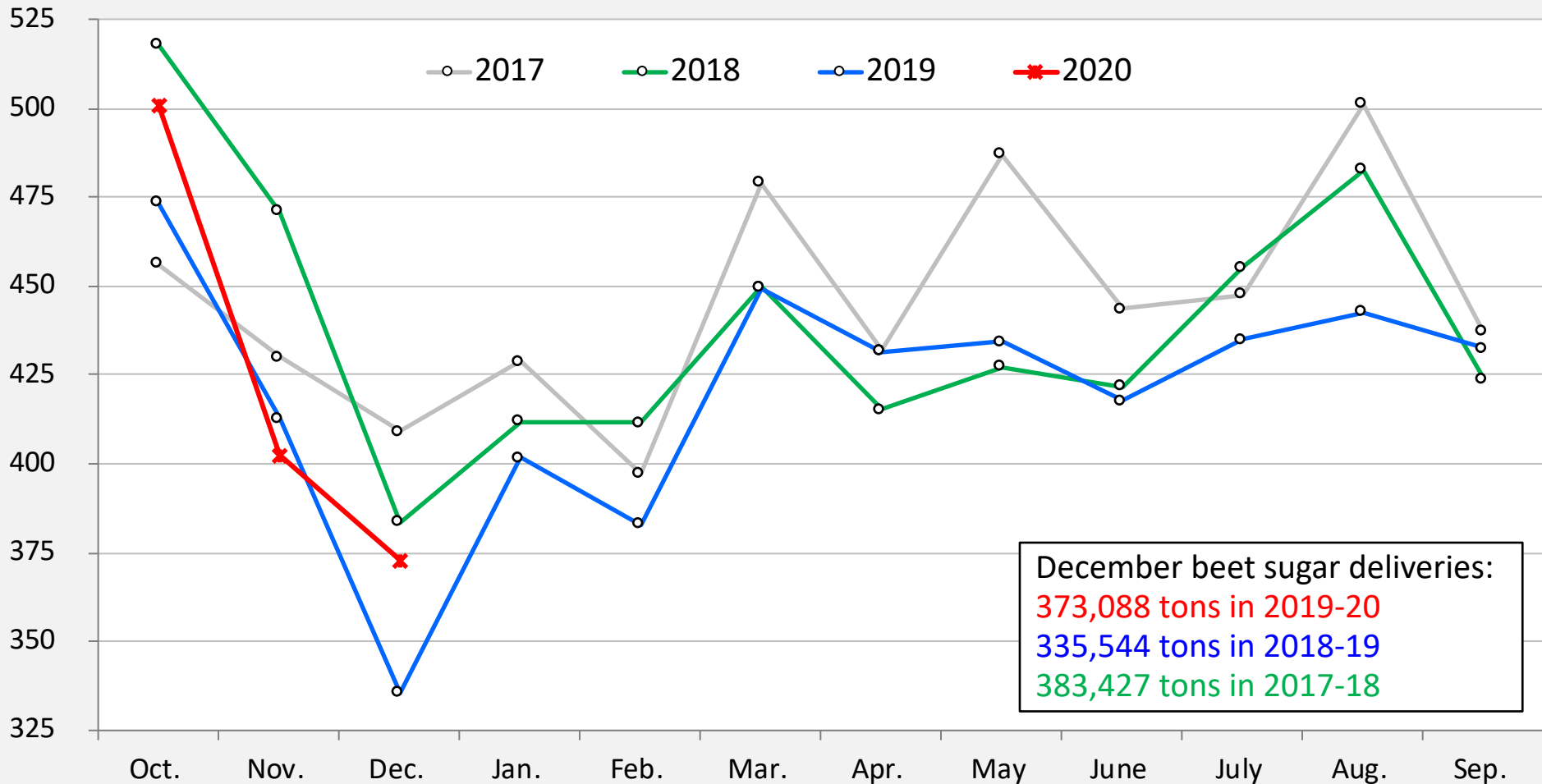
In 1,000 tonnes, raw value. *January USDA; **February USDA;



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

SUA February 2020: Beet Sugar Deliveries

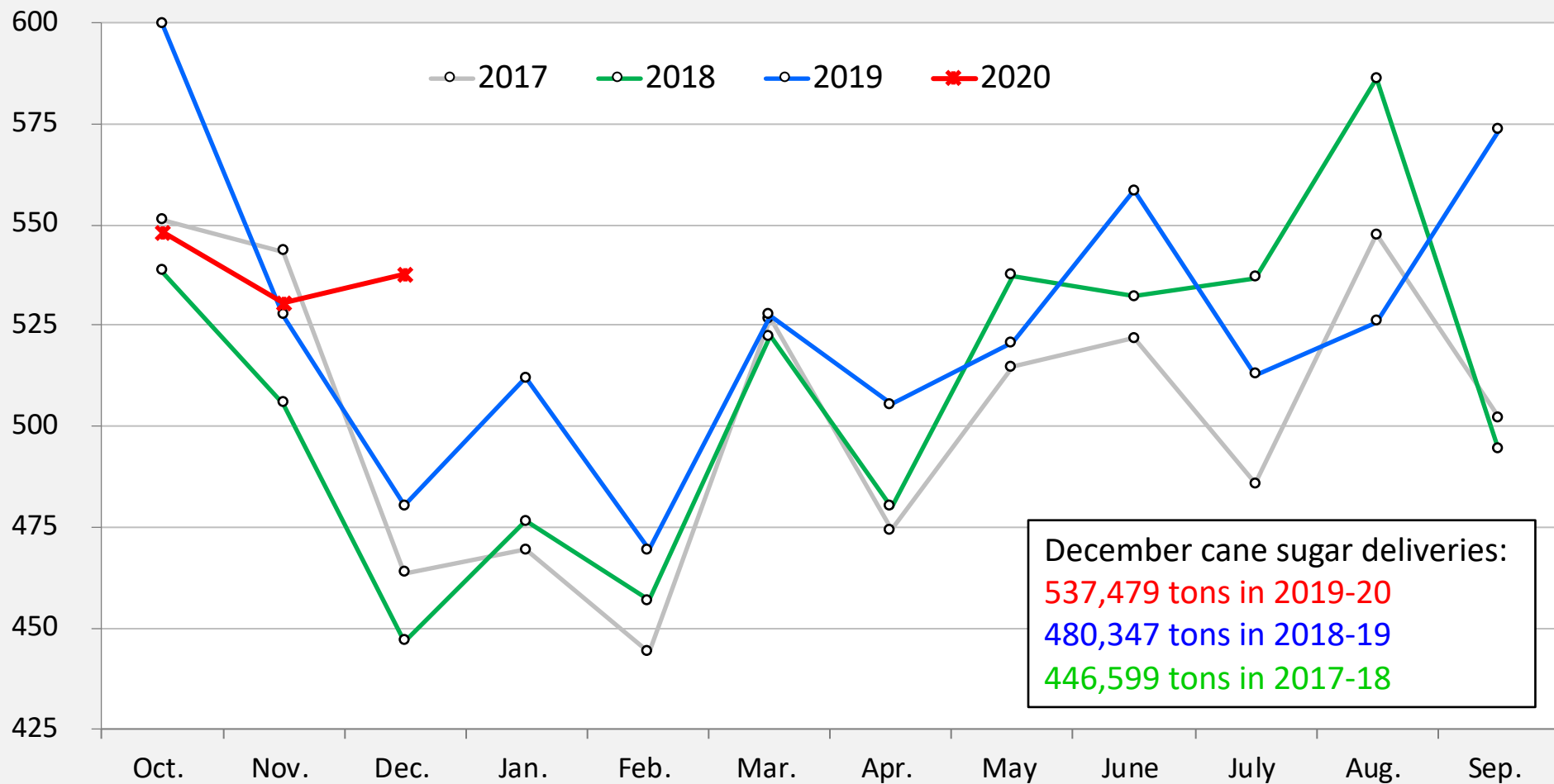
Monthly beet sugar deliveries, in 1,000 tons, raw value. Source: U.S.D.A.



Beet sugar deliveries in December were down 7% from November (which is typical) but were up 11% from a year earlier. October-December deliveries were up 5% from the same quarter a year earlier, which isn't surprising considering users could get 100% of Oct.-Dec. supply and drew heavily before *force majeure*s began in January.

SUA February 2020: Refined Cane Deliveries

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

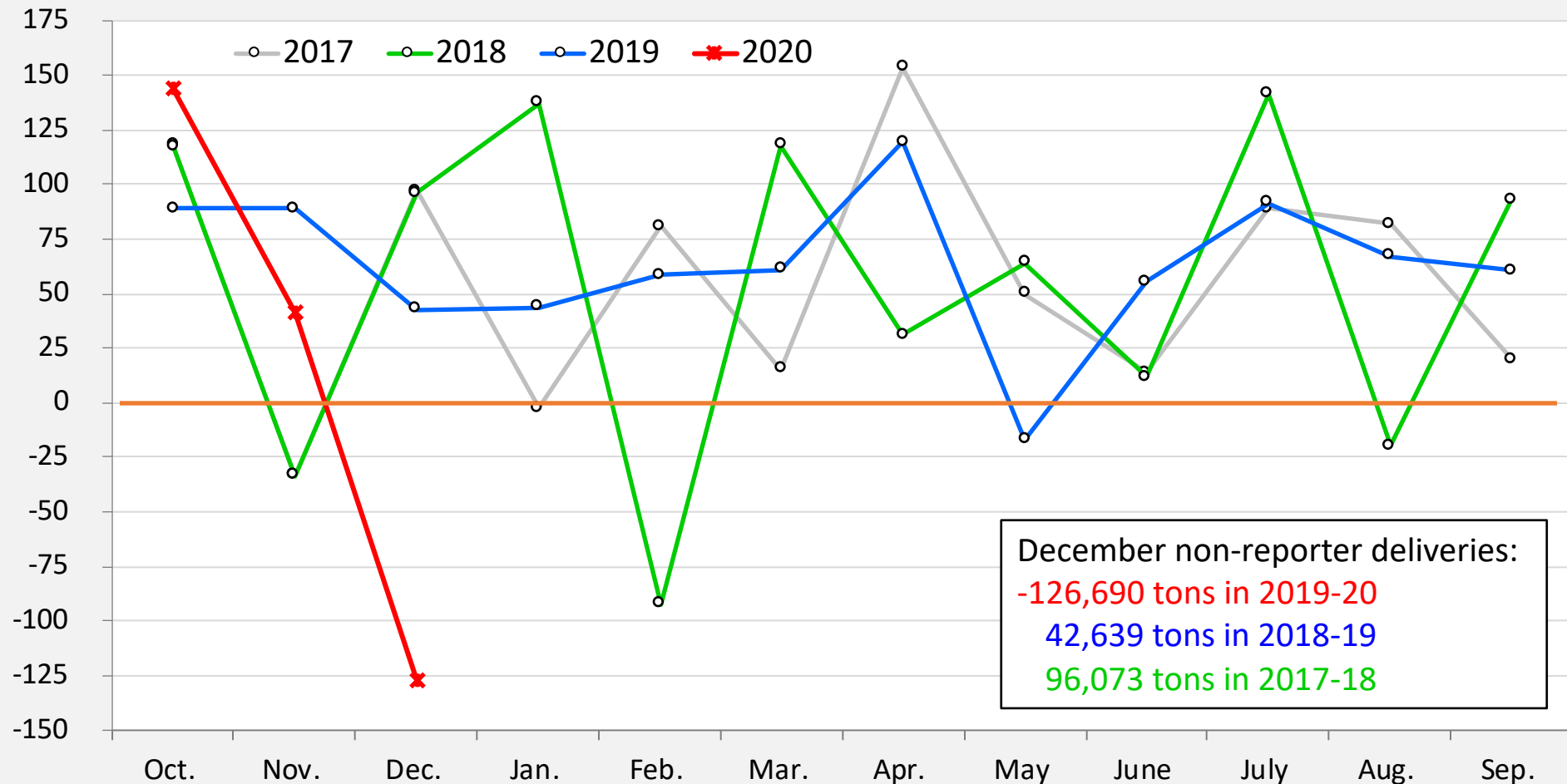


December cane sugar deliveries:
537,479 tons in 2019-20
480,347 tons in 2018-19
446,599 tons in 2017-18

Refined cane sugar deliveries in December were up 1.1% from November (which is atypical as cane deliveries usually decline from November), up 12% from December 2018-19 and the highest for the month in records going back three decades. October-December deliveries were up 0.6% from the same period a year earlier.

SUA February 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 December and were the lowest in records going back about 30 years. Non-reporter deliveries for October and November were revised down slightly. October-December deliveries were down 73% from a year earlier and were down 67% from the same quarter in 2017-18.

SUA February 2020: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	FY 2020	FY 2019	Per Cent
	<u>Oct.-Dec.</u>	<u>Oct.-Dec.</u>	<u>Change</u>
Total Deliveries/1 (short tons, <u>actual weight</u>)	2,726,081	2,656,310	2.6
1-Bakery, cereal, and related products	614,895	585,174	5.1
5-Confectionery and related products	278,388	296,745	-6.2
6-Ice cream and dairy products	199,661	188,906	5.7
7-Beverages	161,946	168,368	-3.8
8-Canned, bottled and frozen foods	104,866	103,397	1.4
4-Multiple and all other food uses	301,959	277,290	8.9
10-Non-food uses	31,150	49,040	-36.5
11-Hotels, restaurants, institutions	19,800	22,168	-10.7
2-Wholesale grocers, jobbers, dealers	577,005	532,686	8.3
3-Retail grocers, chain stores	357,422	343,535	4.0
12-Government agencies	1,677	3,569	-53.0
9-All other deliveries	77,313	85,433	-9.5
Total Deliveries/1 (short tons, <u>raw value</u>)	2,916,907	2,842,252	2.6
Crystalline:	2,546,808	2,501,860	1.8
Consumer-size packages (retail)	603,058	620,159	-2.8
Packages 50 lbs and greater	775,449	729,021	6.4
Unpackaged (bulk)	1,168,301	1,152,679	1.4
Non-crystalline/2	370,098	340,392	8.7

Oct.-Dec. deliveries were up 2.6% from same period year ago, considerably better than down 1.2% from last year in Oct.-Nov. All sectors improved from Oct.- Nov. except "other." Year-over-year, 6 of 12 sectors remained negative, but four largest were positive.

All deliveries by type improved from October except bulk, with retail still down from a 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 February 2020: Cash Sugar Price Outlook

Beet sugar 2019-20

Beet sugar prices are nominally 44c a lb. f.o.b. Most sugar was contracted below 35c f.o.b., but delivery restrictions that began Jan. 1 will force some users back into the market at higher prices, with those not fully covered.

Cane sugar 2019-20

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

Beet sugar 2020-21

Pricing from major processor at 36.5c a lb f.o.b. Midwest. Michigan is priced at 38.5c a lb f.o.b. As much as 25% of production sold by couple processors. The tone of the market is higher.

Cane sugar 2020-21

Pricing from one major Southeast refiner at 38c a lb f.o.b. Another refiner at 41c a lb f.o.b. at multiple locations.

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 and smaller crop in Mexico raises import questions.
- A T.R.Q. increase is needed for 2019-20; minimum 140,000 tons to get 13.5%.
- Logistics will be huge; buyers can't wait till last minute!
- Pricing for 2020-21 moved higher in February.

SUA February 2020: Mexico WASDE

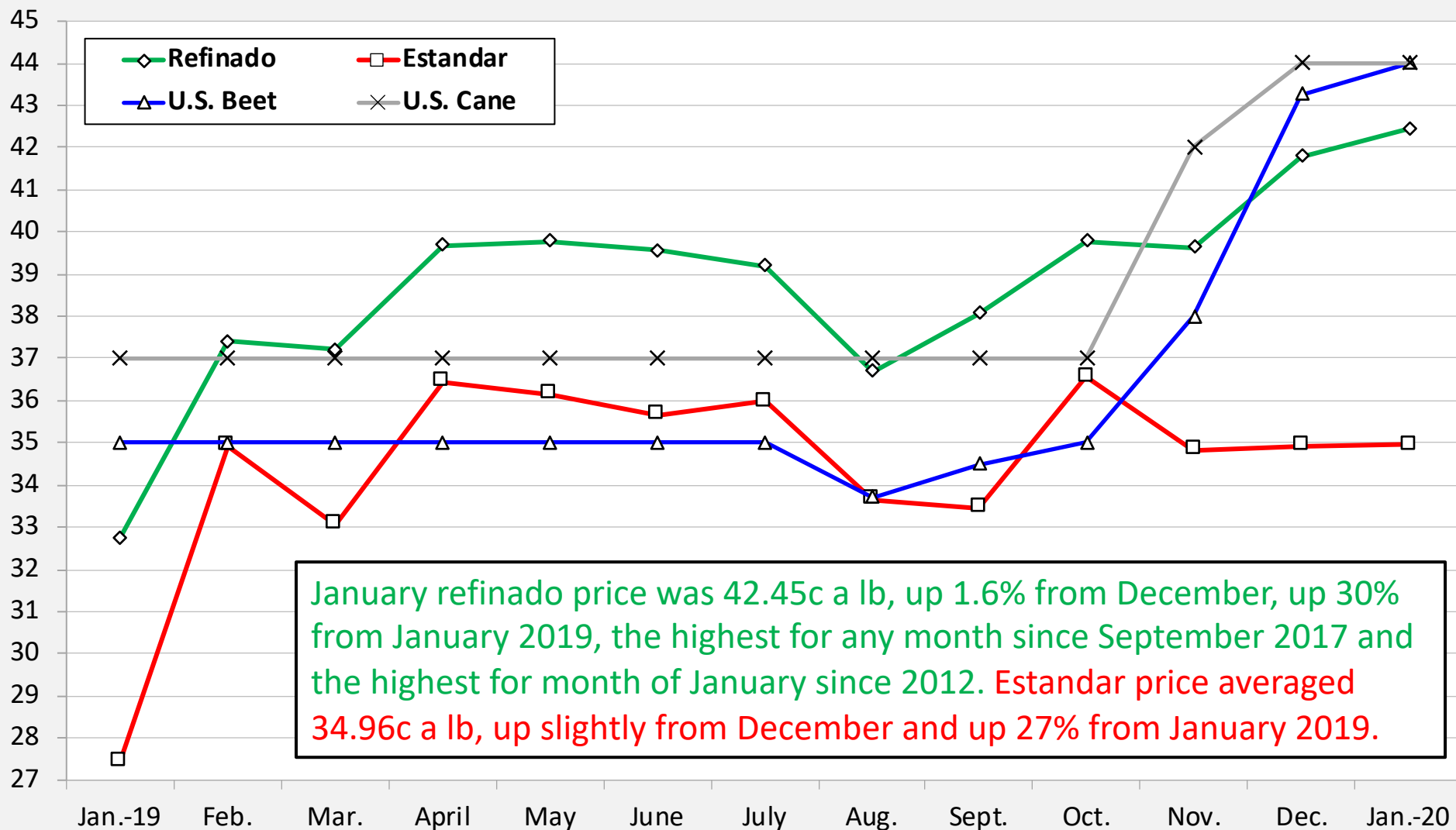
In 1,000 tonnes, actual weight. Source: U.S.D.A. Feb. 11, 2020, WASDE.

	February	From	February	Change from	
	<u>18-19</u>	<u>Jan.</u>	<u>19-20</u>	<u>Jan.</u>	<u>18-19</u>
Beginning Stocks	1,395	-	1,169	-	(226)
Production	6,426	-	5,672	(100)	(754)
Imports	85	-	89	-	4
Total Supply	7,906	-	6,930	(100)	(976)
Exports	2,204	-	1,502	(101)	(702)
Domestic Use	4,532	-	4,492	-	(40)
Total Use	6,736	-	5,994	(101)	(742)
Ending Stocks	1,169	-	936	2	(233)
S-T-U (total)	17.4%	-	15.6%	+0.3	(1.8)
S-T-U (dom.)	25.8%	-	20.8%	-	(5.0)

The U.S.D.A. lowered its 2019-20 sugar production forecast for Mexico by 100,000 tonnes, actual weight, using a Feb. 5 CONADESUCA survey-based estimate. That number is more in line with trade expectations of the drought-reduced crop. Some suggest another 100,000 tonnes could come off, while others think it could increase slightly by the end of the season.

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

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

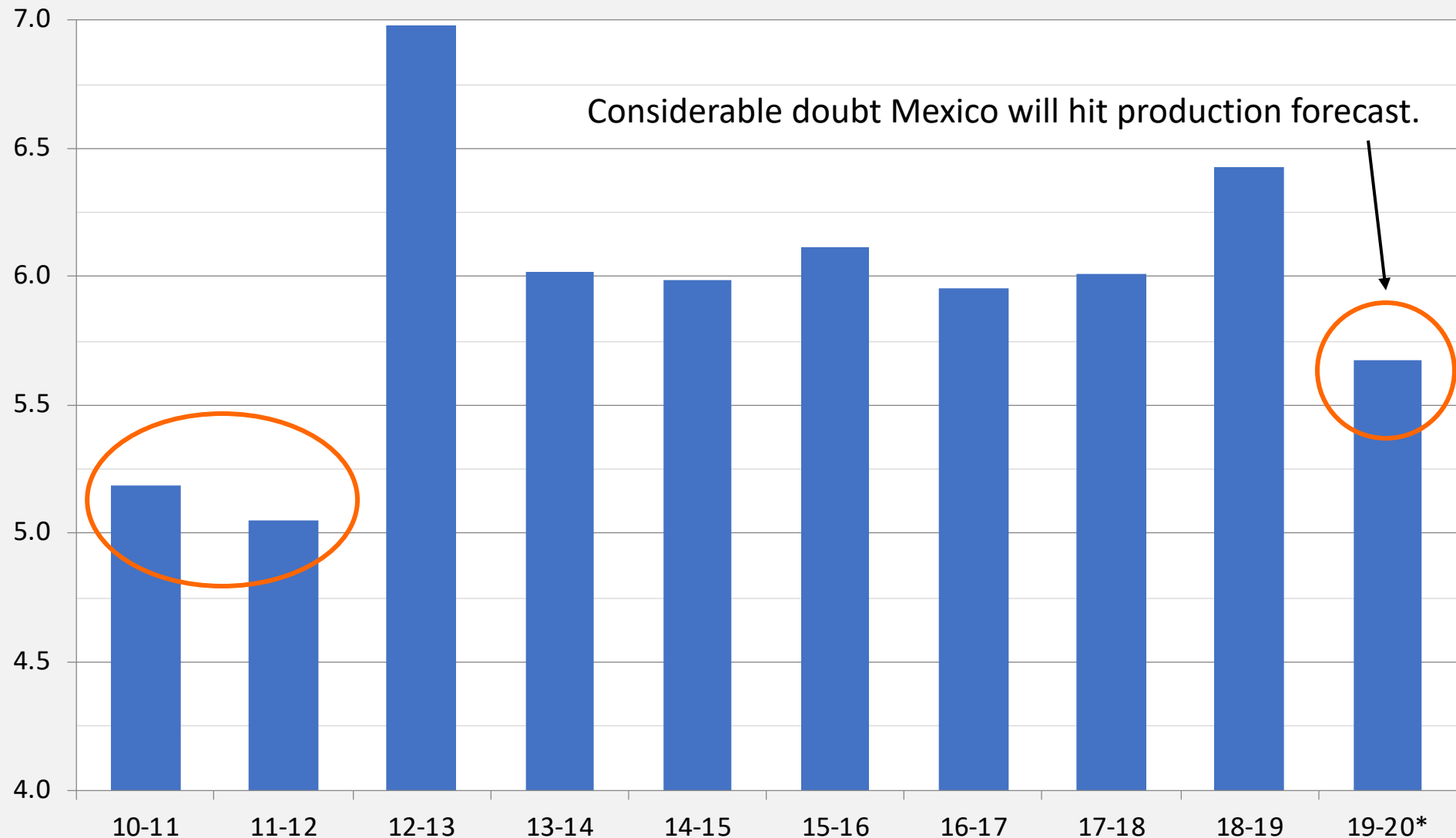


January refinado price was 42.45c a lb, up 1.6% from December, up 30% from January 2019, the highest for any month since September 2017 and the highest for month of January since 2012. Estandar price averaged 34.96c a lb, up slightly from December and up 27% from January 2019.

January U.S. spot beet and cane sugar averaged 44c a lb f.o.b., about flat from December but up 26% (beet) and 19% (cane) from year ago.

SUA February 2020: Mexico Sugar Production

In million tonnes, actual weight, as of Feb. 11, 2020. Source: U.S.D.A. and CONADESUCA.



Mexico's 2019-20 sugar production was forecast at 5,672,000 tonnes, down 1.7% from January, down 12% from 2018-19 and the lowest since 2011-12.

SUA February 2020: New York #16 Raw Futures

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

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESFK20 (D10)	26.95 S	0.10	27.00	26.90	26.95 S	1694	16	1:21:56 PM EST - 02/19/20
ESFN20 (D10)	27.30 S	0.00			27.30 S	2116	0	1:21:56 PM EST - 02/19/20
ESFU20 (D10)	27.60 S	0.00			27.60 S	2443	0	1:21:56 PM EST - 02/19/20
ESFX20 (D10)	27.45 S	0.00			27.45 S	666	0	1:21:56 PM EST - 02/19/20
ESFF21 (D10)	26.65 S	0.00			26.65 S	87	0	1:21:56 PM EST - 02/19/20
ESFH21 (D10)	26.45 S	0.00			26.45 S	240	0	1:21:56 PM EST - 02/19/20
ESFK21 (D10)	26.40 S	0.00			26.40 S	240	0	1:21:56 PM EST - 02/19/20
ESFN21 (D10)	26.40 S	0.00			26.40 S	240	0	1:21:56 PM EST - 02/19/20
ESFU21 (D10)	26.40 S	0.00			26.40 S	200	0	1:21:56 PM EST - 02/19/20
ESFX21 (D10)	26.40 S	0.00			26.40 S		0	1:21:56 PM EST - 02/19/20
ESFF22 (D10)	26.40 S	0.00			26.40 S		0	1:21:56 PM EST - 02/19/20

Nearby domestic raws moved up about 0.50c a lb when May became the spot month. There is a modest carry through November 2020, but a discount beginning in 2021, which assumes more normal beet and cane crops in 2020. Domestic raw futures continue to act as expected, with prices contained by reference prices in the U.S.-Mexico suspension agreements. Prices may firm if world raws continue to advance.

SUA February 2020: Global Sugar Overview

- **Global supply/demand - Thailand**
 - Sharply lower production forecast for Thailand (from Dubai sugar conference) added to already lower forecasts for several other countries, boosting forecasts for 2019-20 global deficit.
 - Smaller deficit in 2020-21 expected.
- **Brazil again takes on key role**
 - While production will be minimal until 2020-21 season begins April 1, current world raw pricing expected to pull some cane crush away from ethanol and back to sugar; very fluid at this point.
- **India finally expected to pick up export pace**
 - Recent indications are India exports may top 5 million tonnes.
 - Subsidy complaints still awaiting review at W.T.O.
- **Pricing**
 - World raw and London white sugar futures near two-year+ year highs.
- **Tighter global supply may impact U.S. imports**

SUA February 2020: New York #11 Raw Futures

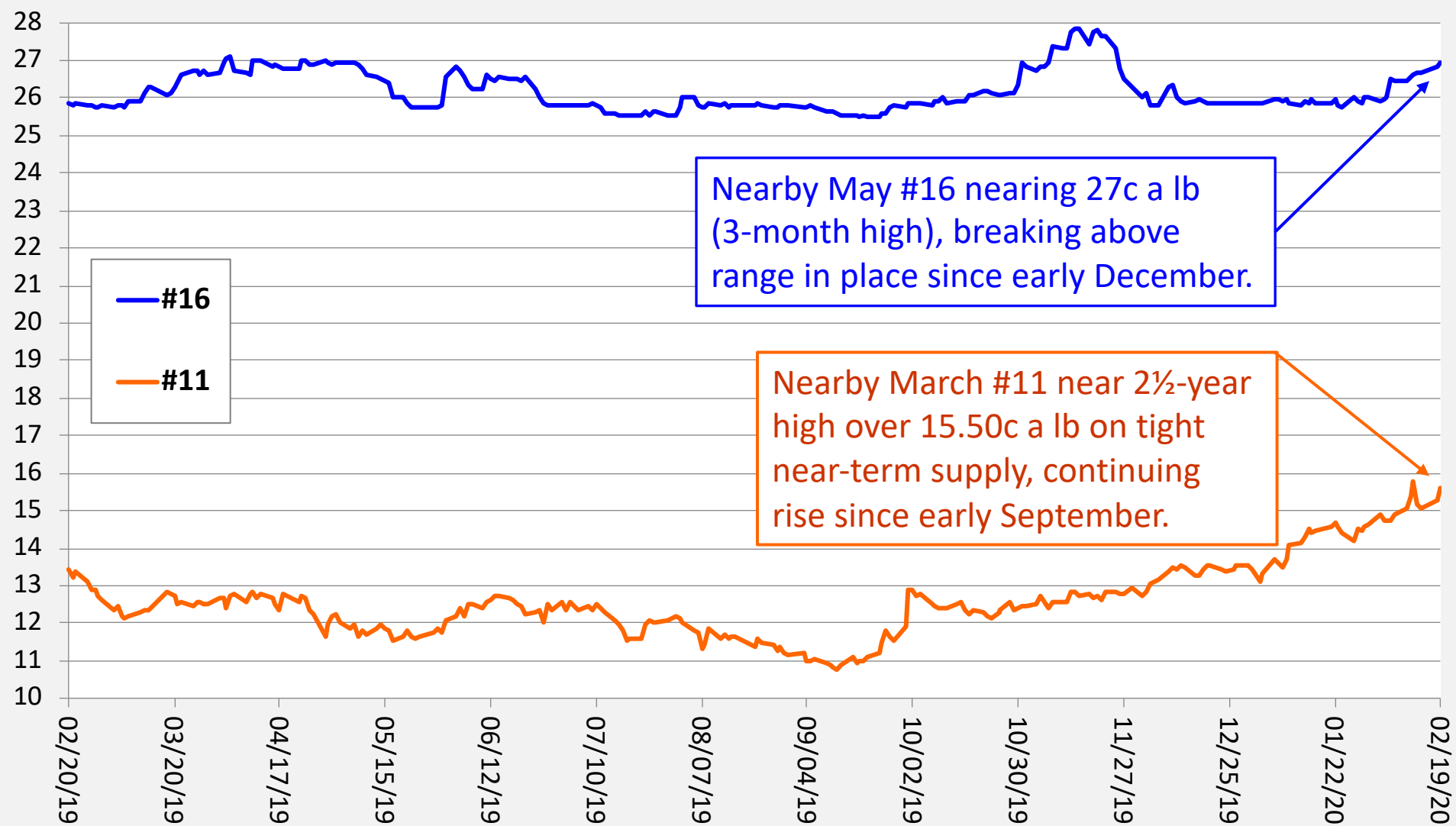
ICE world raw sugar futures as of Feb. 19, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Settlement	Open Interest	Volume	Time
ESBH20 (D10)	15.58 S	0.30	15.76	15.30	15.58 S	128805	54950	1:00:34 PM EST - 02/19/20
ESBK20 (D10)	15.08 S	0.21	15.20	14.87	15.08 S	446440	90359	1:00:34 PM EST - 02/19/20
ESBN20 (D10)	14.88 S	0.17	15.00	14.70	14.88 S	267622	42973	1:00:34 PM EST - 02/19/20
ESBV20 (D10)	14.82 S	0.11	14.91	14.67	14.82 S	197993	29687	1:00:34 PM EST - 02/19/20
ESBH21 (D10)	14.96 S	0.06	15.05	14.83	14.96 S	95138	14932	1:00:34 PM EST - 02/19/20
ESBK21 (D10)	14.44 S	0.02	14.54	14.32	14.44 S	23866	2463	1:00:34 PM EST - 02/19/20
ESBN21 (D10)	13.98 S	0.00	14.07	13.86	13.98 S	33357	1849	1:00:34 PM EST - 02/19/20
ESBV21 (D10)	13.89 S	0.01	13.99	13.76	13.89 S	28657	1287	1:00:34 PM EST - 02/19/20
ESBH22 (D10)	14.07 S	0.00	14.19	13.94	14.07 S	12919	355	1:00:34 PM EST - 02/19/20
ESBK22 (D10)	13.85 S	0.00	13.92	13.84	13.85 S	2201	39	1:00:34 PM EST - 02/19/20
ESBN22 (D10)	13.63 S	-0.01	13.74	13.58	13.63 S	3411	41	1:00:34 PM EST - 02/19/20
ESBV22 (D10)	13.63 S	-0.03	13.79	13.60	13.63 S	663	2	1:00:34 PM EST - 02/19/20

New York world raw sugar futures have been on a tear, hitting a 32-month high on Feb. 12 as talk of lower production in Thailand (from Dubai sugar conference) added to already lower forecasts for India, Brazil, Europe, Mexico, U.S. and others. Prices pulled back in part on profit taking after futures became overbought but has since resumed upward move. The market is reflecting limited near-term global supply. Prices quickly move to a discount in May and later months, reflecting ideas Brazil may shift more cane crush to sugar and India begins to export.

SUA February 2020: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of Feb. 19, 2020.



SUA February 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

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

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

Forecast use of corn for corn sweeteners and starch in 2019-20 was unchanged from Jan. in the Feb. WASDE. (after being lowered in Jan.). Corn use for HFCS, glucose/dextrose and starch all continue to decline.

October-December HFCS consumption in Mexico totaled 346,000 tonnes, dry basis, up 3.3% from from same period last year. Projected consumption for 2019-20 was unchanged at 1,520,000 tonnes. Some expect some Mexican bottlers will switch from sugar to HFCS if latter supply is available – leaving more sugar to export.

USDA forecasts lower use of corn for dextrose/glucose in 2019-20, thus lower production.

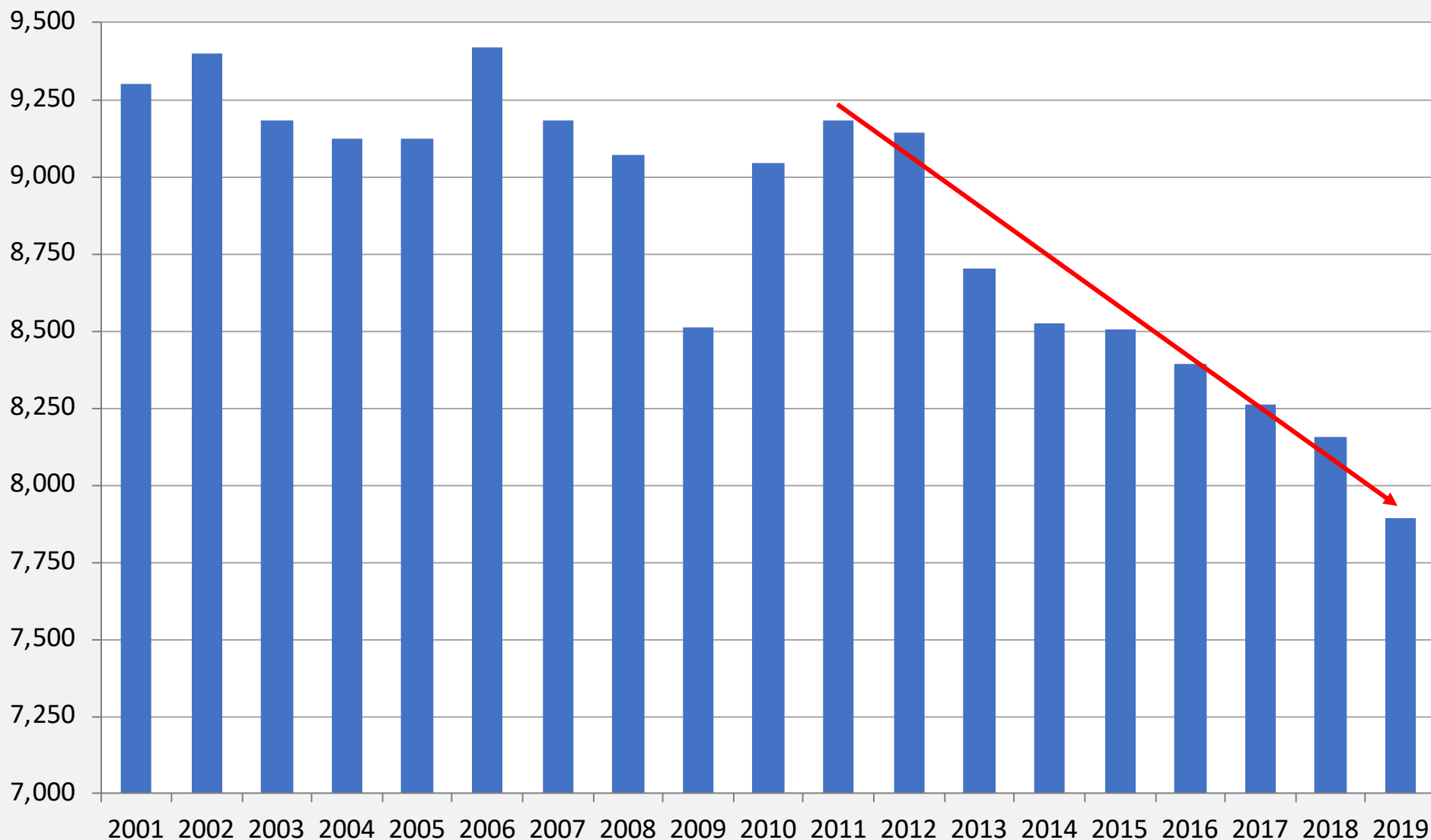
Dextrose Spot

	<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 left 2019-20 corn ending stocks unchanged in Feb. WASDE; lower exports (50 million bus) offset by higher use for ethanol.

SUA February 2020: Annual HFCS Production

In 1,000 short tons, dry weight. October-September fiscal year. Source: U.S.D.A.



Fiscal 2018-19 (Oct.-Sept.) production of 7,891,000 tons was down 3.3% from 2017-18 and has declined 14% since 2010-11.

SUA February 2020: Other Issues & Trends

- **Trade** – Phase One U.S.-China trade deal went into effect Feb. 15 as coronavirus held center stage. Global sugar supplies tightening.
- **G.M.O. and Added Sugars Labeling** – Nothing new.
- **Sugar/beverage taxes** – New taxes began first of year in some countries. Indonesia considering new taxes.
- **Consumer Sugar Perception/Reduction** – Recent NPD Group study says 50% of U.S. adults seeking to lose weight; Unilever to change marketing of food and beverages to children.
- **Reformulation** – Food and beverage makers continue to cut sweeteners globally in response to consumer preferences and to avoid taxes. Will U.S. sugar supply/price impact use?
- **W.H.O.** – New W.H.O. report calls for more regulation on social media ads for fast food, tobacco, alcohol, gaming and sugary food and beverages.

SUA February 2020: Conclusions

■ Domestic Sweetener Market

- Oct.-Dec. sugar deliveries weakened from Oct.-Nov. due to non-report impact.
- Force majeure are in effect.
- Worst may be yet to come on supply (April-August).
- February WASDE showed imports need to shift from Mexico.
- Can Mexico deliver reduced target? T.R.Q. increase is needed.
- High-tier imports playing a larger role.
- Complete fill-in buying NOW to avoid logistics issues.
- Spot refined sugar prices remain at 7-year highs.
- Pricing for 2020-21 is moving higher.

■ Global Sugar Market

- Nearby world raw prices hit 2½-year highs on tightening supply.
- Deficit forecasts for 2019-20 are rising and supporting prices.
- Brazil to shift from ethanol to sugar; Thailand tighter; India exports likely to increase.