

Sweetener Users Association Conference Call

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SUA August 2020: Presentation Overview

■ Domestic Sugar Market

- Minor changes to 2019-20 WASDE estimates. S-T-U ratio lowered slightly.
- Supply for 2020-21 raised based on big increase to beet sugar forecast.
- SMD June update – beet sugar deliveries up from May, cane sugar down.
- Non-reporters still a key factor in overall deliveries.
- Sugar beet harvest is underway – early.

■ Global Sugar Market

- Decade-low crop in Thailand, issues in Europe, others trim global forecasts.
- But record production, exports expected from Brazil mostly offset.
- Better demand indications in parts of Asia (China).
- Coronavirus still expected to be negative for demand.

■ Corn Sweetener Market

- Coronavirus expected to negatively impact HFCS demand.
- HFCS consumption in Mexico continues to decline from year ago.

■ Other factors affecting sugar

- GMO labeling challenge; California preemption lawsuit (soda taxes).

■ Conclusions

SUA August 2020: US Market Overview

■ Sugar supply/demand

- **2019-20** S-T-U ratio at 14.3%, down on lower production, imports.
- Imports: TRQ up 35,000 tons; high-tier down 50,000 tons.
- Production down 13,000 tons from July, 1 million from 2018-19.
- Deliveries for 2019-20 unchanged from July.
- Spot prices are unchanged, demand good, some supply tightness.
- **2020-21** S-T-U ratio raised to 14.6% on huge beet sugar increase.
- Domestic production forecast second highest on record.
- Delivery forecasts for 2020-21 unchanged from July.
- 2020-21 prices fluctuating, most recently firming.

■ Corn sweetener supply/demand

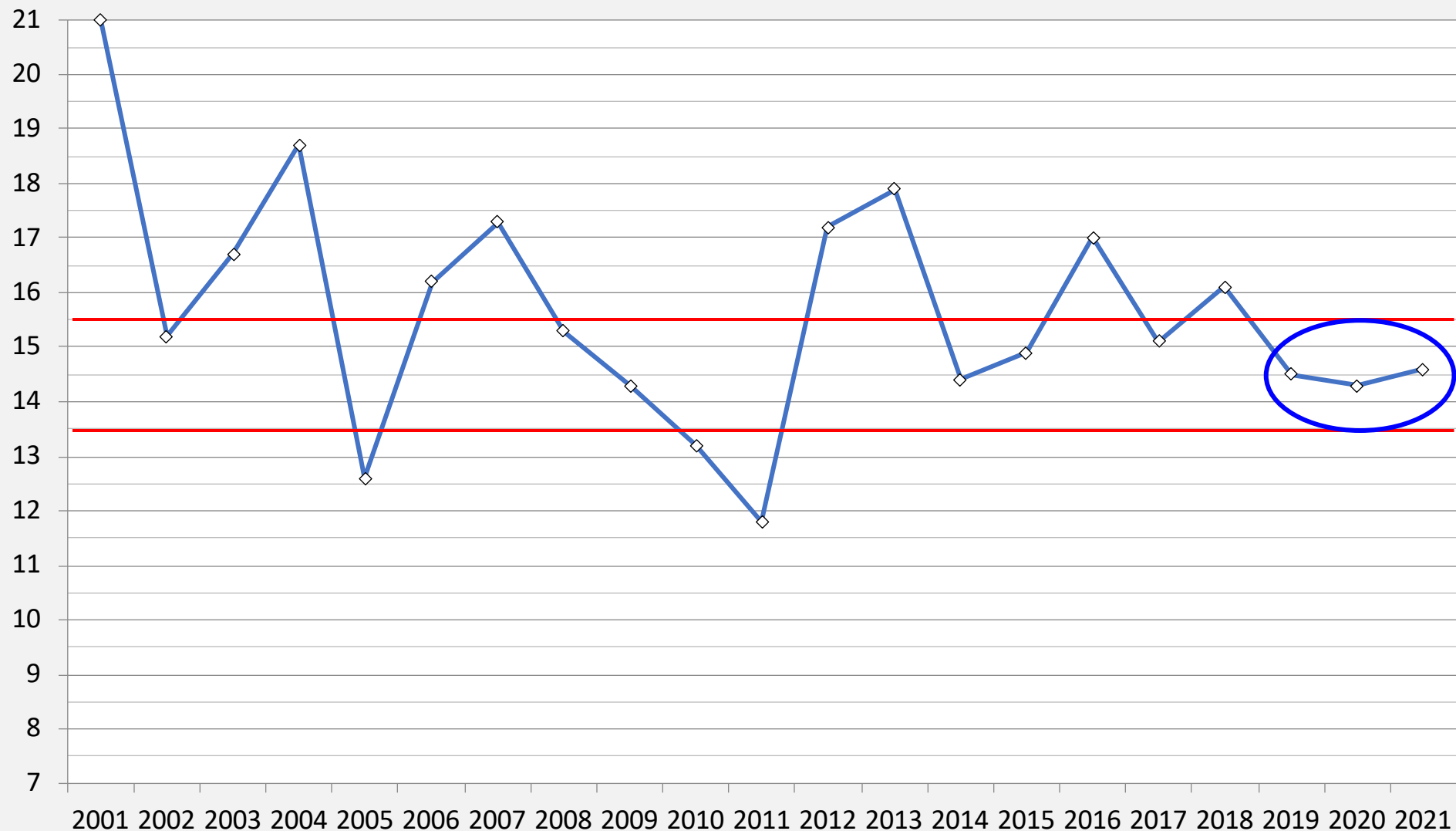
- Mexico forecast HFCS consumption for this year and next unchanged from July, but Oct.-June consumption down 9.6%.
- Early US contracting steady to weaker amid huge corn supply and demand uncertainty.

SUA August 2020: USDA 2019-20 WASDE

1,000 short tons raw value	August 18-19	August 19-20	Change from July Tons	%	Change from 18-19 Tons	%	August 20-21	From July
Begin. Stocks	2,008	1,783	-	0.0%	(225)	-11.2%	1,744	(28)
Production	8,999	7,989	(13)	-0.2%	(1,010)	-11.2%	9,265	175
Beet	4,939	4,244	(12)	-0.3%	(695)	-14.1%	5,199	199
Cane	4,060	3,745	(1)	0.0%	(315)	-7.8%	4,066	(24)
Imports	3,070	4,162	(16)	-0.4%	1,092	35.6%	3,044	(15)
T.R.Q.	1,541	2,238	35	1.6%	697	45.2%	1,565	(15)
Other Prog.	438	350	-	0.0%	(88)	-20.1%	350	-
Mexico	1,000	1,395	-	0.0%	395	39.5%	1,079	-
High Tier	92	180	(50)	-21.7%	88	95.7%	50	-
Ttl Supply	14,077	13,934	(28)	-0.2%	(143)	-1.0%	14,053	132
Exports	35	35	-	0.0%	-	0.0%	35	-
Deliveries	12,231	12,155	-	0.0%	(76)	-0.6%	12,230	-
Food	12,106	12,050	-	0.0%	(56)	-0.5%	12,125	-
Other	126	105	-	0.0%	(21)	-16.7%	105	-
Misc.	28	-	-	-100.0%	(28)	-	-	-
Total Use	12,294	12,190	-	0.0%	(104)	-0.8%	12,265	-
Ending Stocks	1,783	1,744	(28)	-1.6%	(39)	-2.2%	1,788	132
Stocks-to-use	14.5%	14.3%	-0.2		-0.2		14.6%	1.1

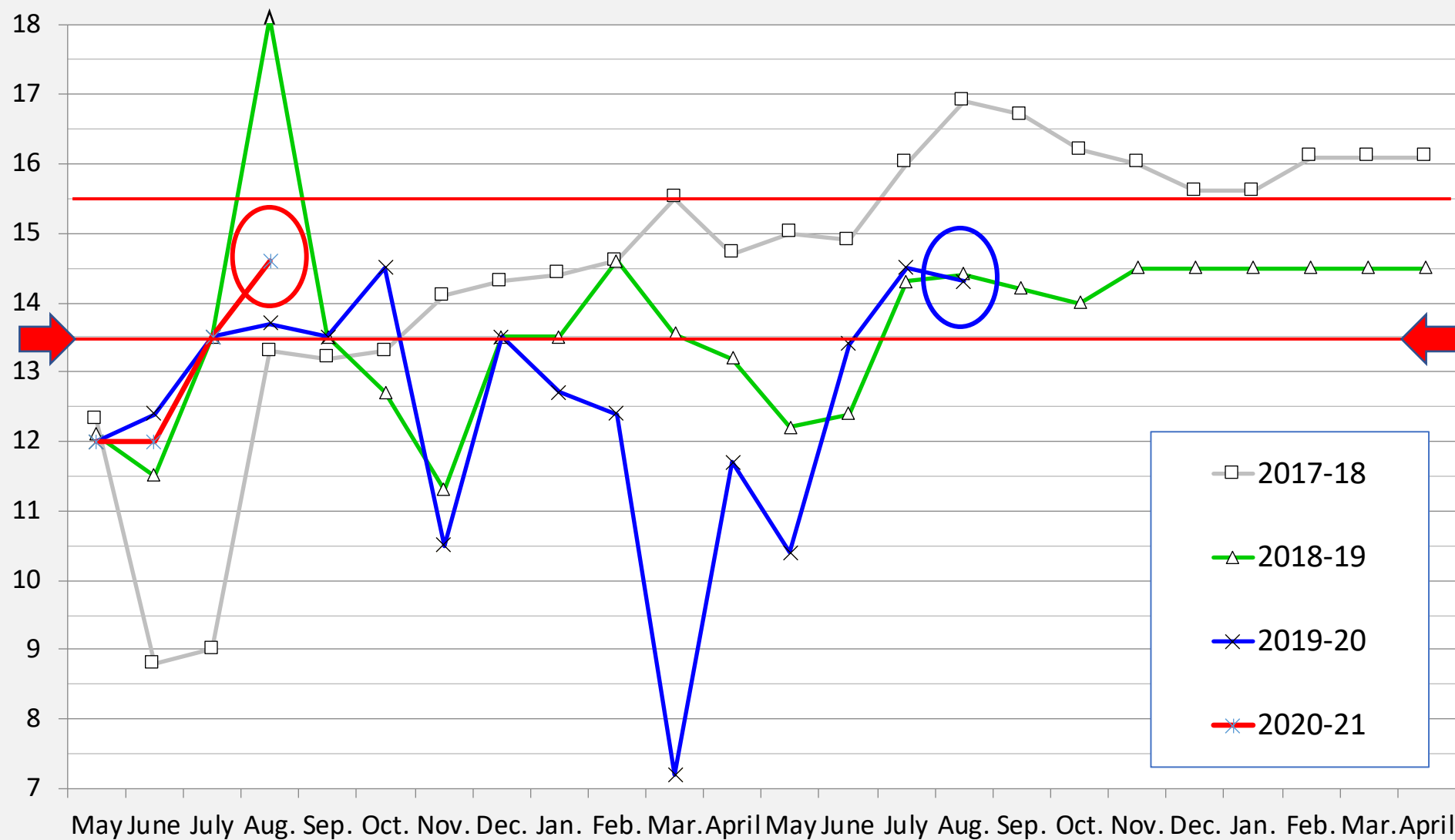
SUA August 2020: Annual S-T-U Ratios

Annual stocks-to-use ratios, in percent. 2019-20, 2020-21 forecast as of August 12.



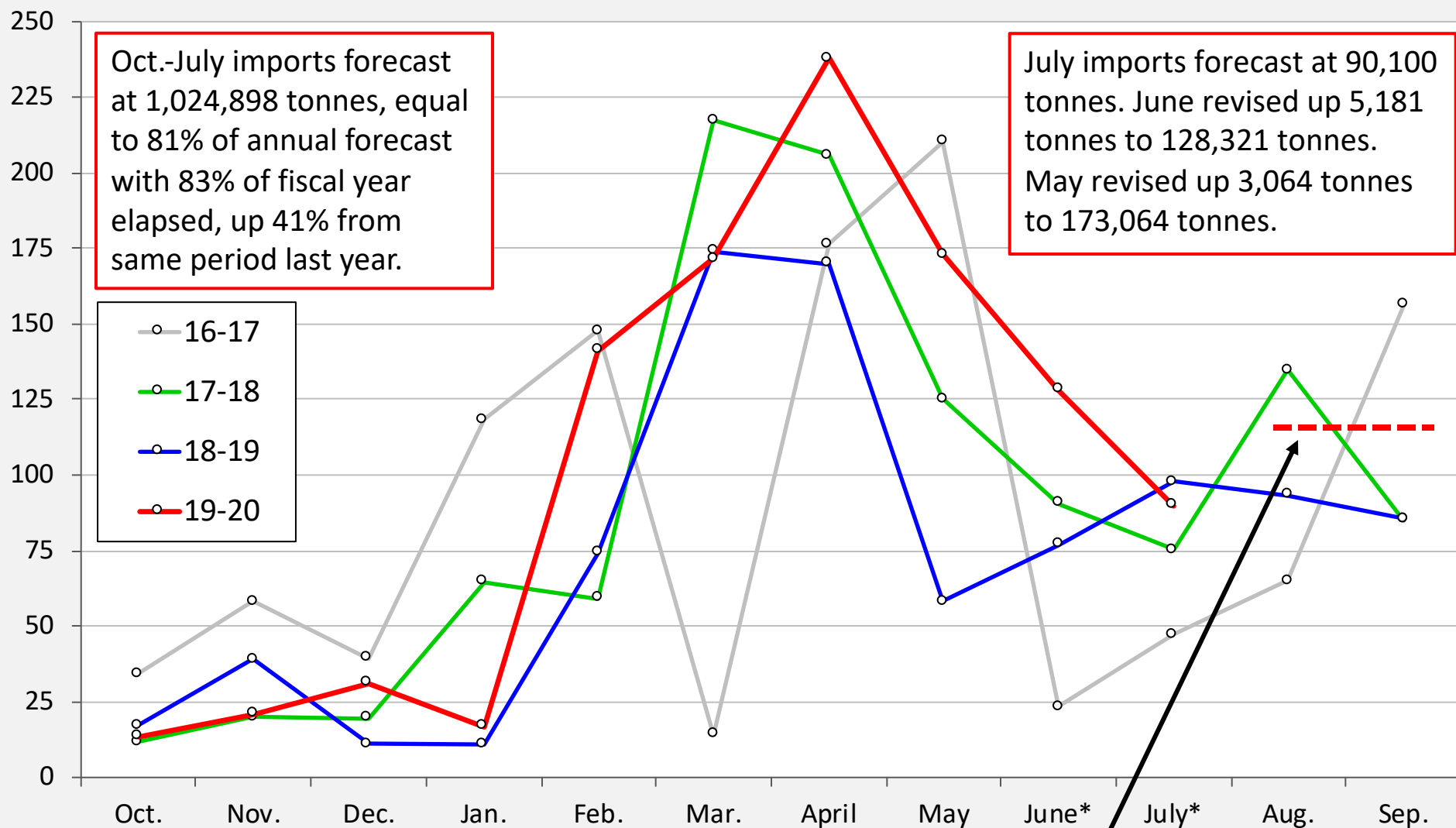
SUA August 2020: Monthly S-T-U Ratios

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



SUA August 2020: Monthly Imports from Mexico

In 1,000 tonnes, raw value. *2019-20 projected. Sources: USDA and US Census Bureau.



Imports will need to average 120,267 tonnes monthly in final two months to meet USDA forecast of 1,265,432 tonnes for year.

SUA August 2020: SMD June

Source: USDA.

Short tons,	June	June	Change from 18-19	
Raw value	<u>2019-20</u>	<u>2018-20</u>	<u>Tons</u>	<u>%</u>
Beginning stocks	3,432,728	4,187,000	(754,272)	-18.0%
Total production	61,849	71,144	(9,295)	-13.1%
Beet	60,649	71,144	(10,495)	-14.8%
Cane	1,200	0	1,200	0.0%
Total imports	346,664	261,743	84,921	32.4%
Total supply	3,841,241	4,519,887	(678,646)	-15.0%
Total exports	12,431	2,106	10,325	490.3%
Total deliveries	984,631	1,042,386	(57,755)	-5.5%
Deliveries, human use	977,884	1,031,655	(53,771)	-5.2%
Misc. supply adj.	(1,249)	(52,315)	51,066	-98.0%
Total use	995,812	992,178	(3,634)	0.4%
Ending stocks	2,845,429	3,527,709	(682,280)	-19.3%

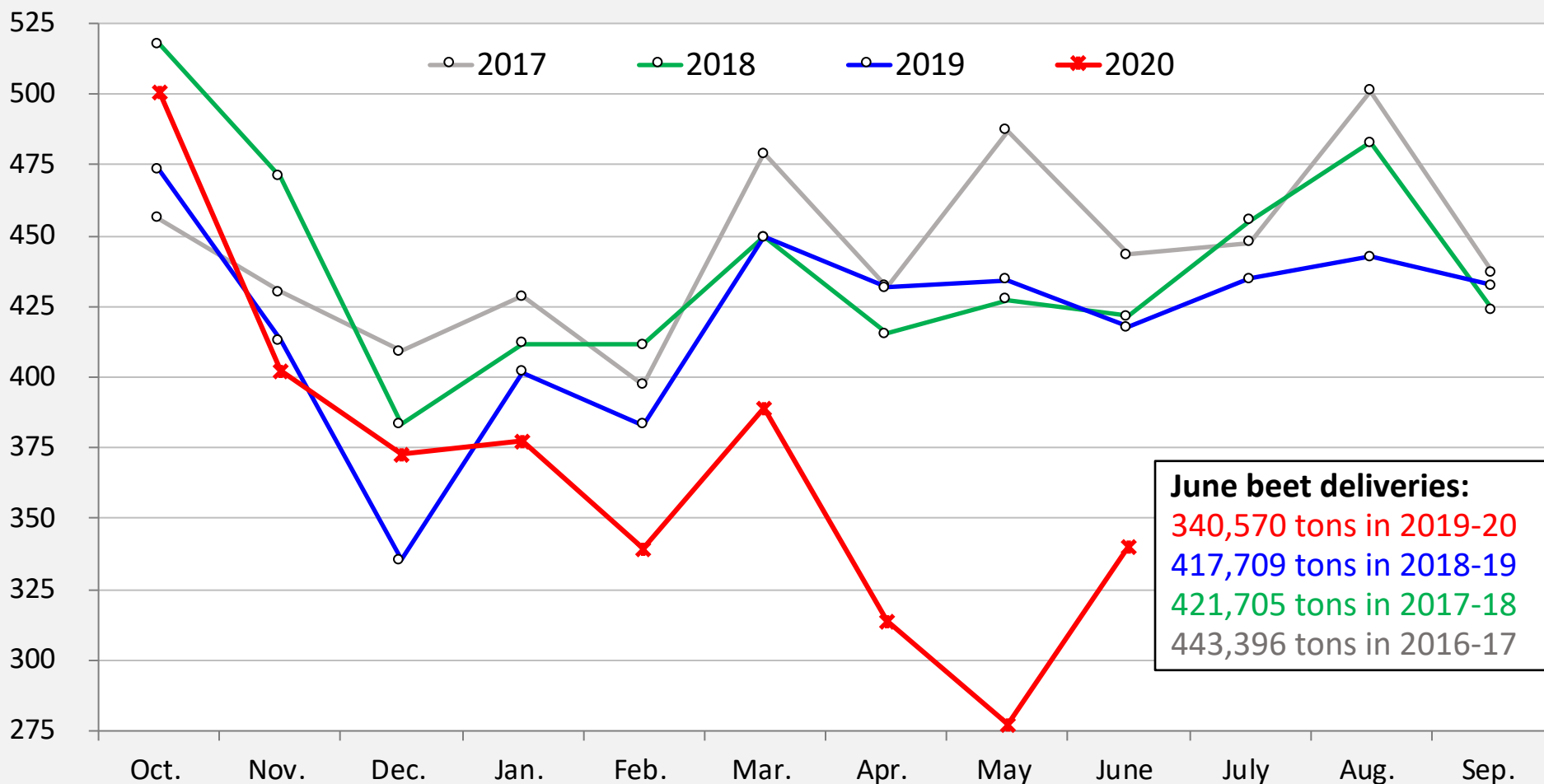
SUA August 2020: SMD October-June

Source: USDA.

<i>Short tons, Raw value</i>	Oct.-June 2019-20	Oct.-June 2018-19	Change from 18-19	
			Tons	%
Beginning stocks	1,782,548	2,007,901	(225,353)	-11.2%
Total production	7,245,647	8,306,277	(1,060,630)	-12.8%
Beet	3,549,261	4,309,453	(760,192)	-17.6%
Cane	3,696,386	3,996,822	(300,436)	-7.5%
Total imports	2,997,739	2,323,799	673,940	29.0%
Total supply	12,025,934	12,637,977	(612,043)	-4.8%
Total exports	27,671	26,972	(1,301)	-4.5%
Total deliveries	9,138,430	9,064,795	73,635	0.8%
Deliveries, human use	9,065,843	8,970,975	94,868	1.1%
Misc. supply adj.	14,404	16,497	(2,093)	-12.7%
Total use	9,180,505	9,110,267	70,238	0.8%
Ending stocks	2,845,429	3,527,709	(682,280)	-19.3%

SUA August 2020: Beet Sugar Deliveries

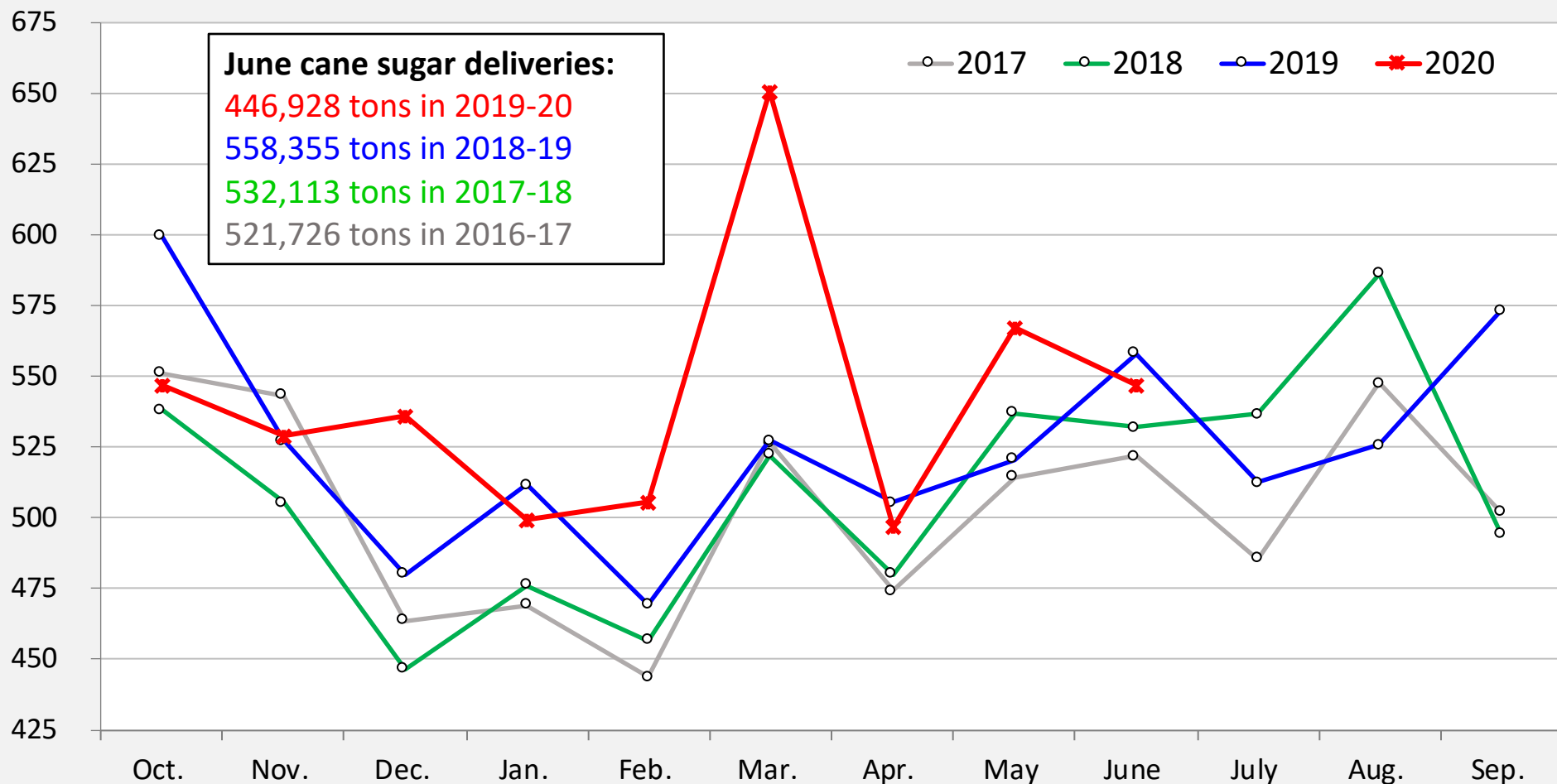
Monthly beet sugar deliveries, in 1,000 tons, raw value. Source: USDA



June beet sugar deliveries jumped 23% from May but were down 18% from June 2019 and were the lowest for the month since June 2002. Beet sugar deliveries typically decline in June as processing of the beet crop is completed and focus shifts to cane. Year-to-date deliveries are down 11.4% from a year ago.

SUA August 2020: Refined Cane Deliveries

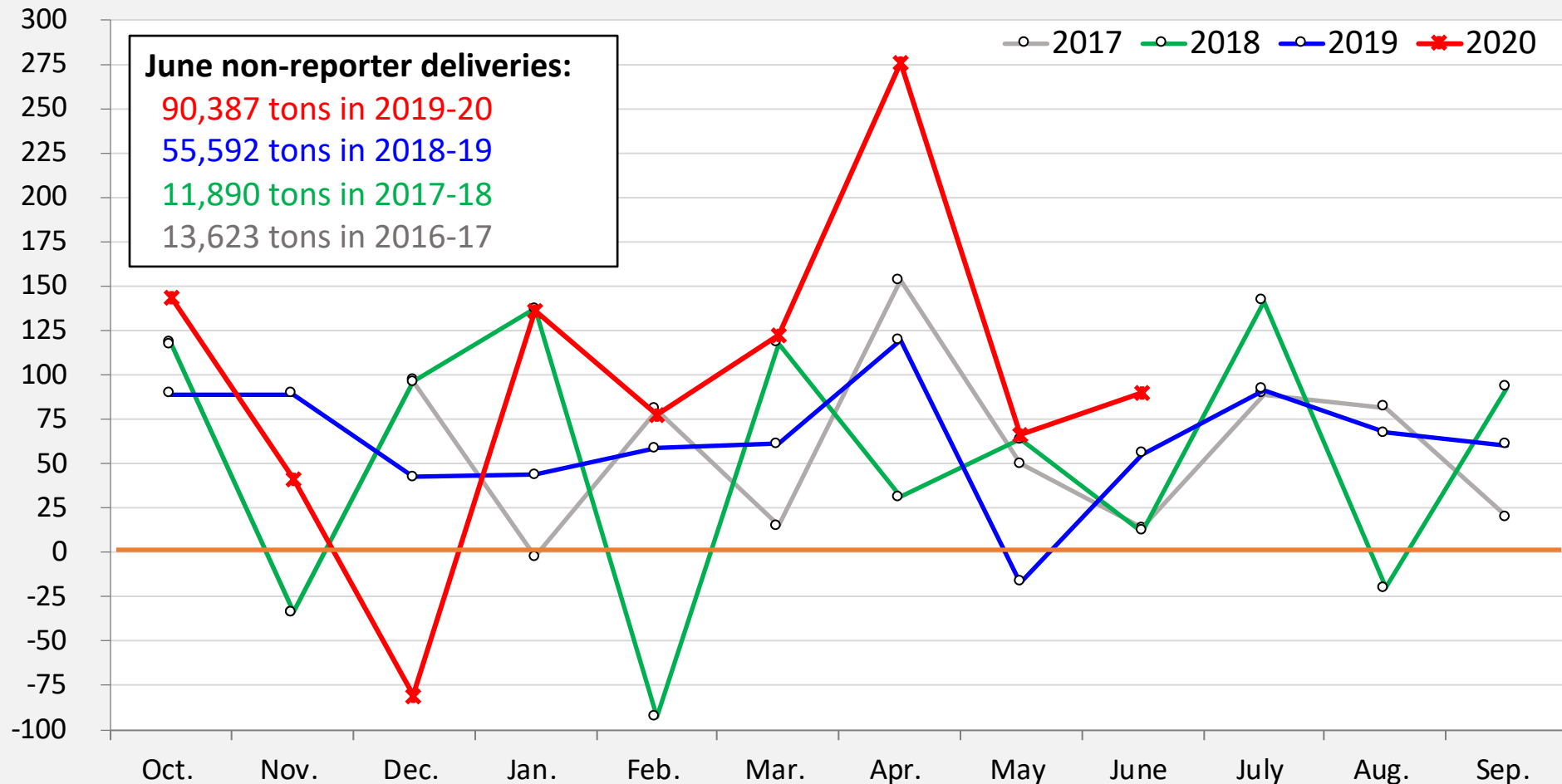
Monthly refined cane sugar deliveries, in 1,000 tons, raw value. Source: USDA



June cane sugar deliveries declined 3.5% from May and were down 2% from June 2019. Cane sugar deliveries typically increase in June, replacing declining beet sugar supplies. Decline in June likely reflected continued weak foodservice demand. Year-to-date deliveries were up 3.8%. **NOTE: Oct.-May deliveries all revised lower.**

SUA August 2020: Deliveries by Non-Reporters

Monthly non-reporter deliveries, in 1,000 tons, raw value. Source: USDA



Non-reporter deliveries in June increased 34% from May and were up 61% from Jun 2019. Non-reporter deliveries vary widely in June but typically are modest. Year-to-date non-reporter deliveries were up 331,000 tons, or 61%, from 2018-19, and remain a key factor limiting total delivery decline.

SUA August 2020: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	FY 2020 <u>Oct.-June</u>	FY 2019 <u>Oct.-June</u>	Oct.-June <u>% change</u>	Oct.-May <u>% change</u>	
Total Deliveries/1 (short tons, <u>actual weight</u>)	7,710,388	7,945,596	-3.0	-1.9	
1-Bakery, cereal, and related products	1,794,036	1,844,688	-2.7	-2.2	★
5-Confectionery and related products	770,266	899,237	-14.3	-12.2	★
6-Ice cream and dairy products	567,621	554,431	2.4	2.5	★
7-Beverages	460,579	535,597	-14.0	-13.3	★
8-Canned, bottled and frozen foods	323,261	308,911	4.6	3.0	★
4-Multiple and all other food uses	777,308	845,632	-8.1	-7.6	★
10-Non-food uses	94,123	111,585	-15.6	-10.3	★
11-Hotels, restaurants, institutions	61,738	64,004	-3.5	-3.0	
2-Wholesale grocers, jobbers, dealers	1,655,357	1,657,662	-0.1	1.2	
3-Retail grocers, chain stores	974,098	890,452	9.4	11.3	★
12-Government agencies	9,121	9,912	-8.0	-9.3	
9-All other deliveries	222,880	223,483	-0.3	1.2	
Total Deliveries/1 (short tons, <u>raw value</u>)	8,250,115	8,501,788	-3.0	-1.9	
Crystalline:	7,103,510	7,348,942	-3.3	-2.3	
Consumer-size packages (retail)	1,684,596	1,643,925	2.5	5.2	★
Packages 50 lbs and greater	2,163,888	2,200,656	-1.7	-0.9	★
Unpackaged (bulk)	3,255,026	3,504,361	-7.1	-6.6	★
Non-crystalline/2	1,146,605	1,152,846	-0.5	0.5	

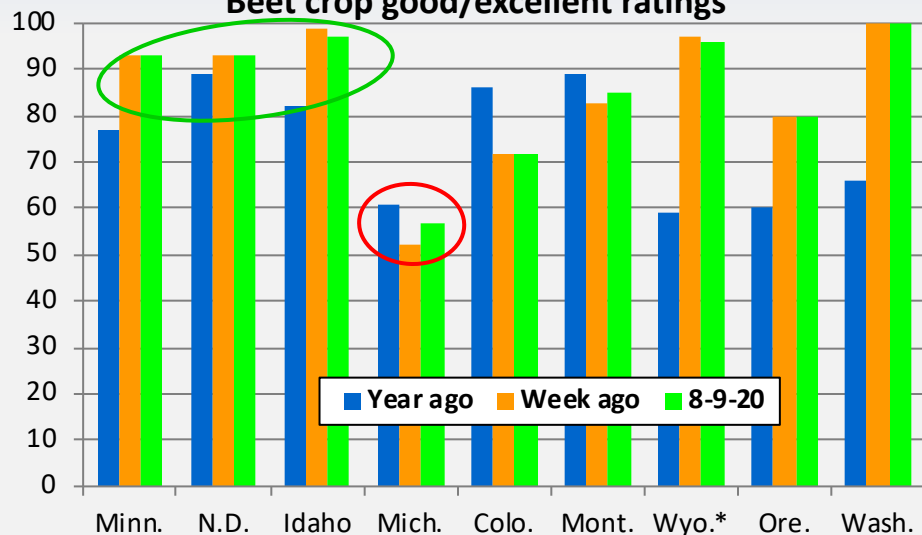
1/Deliveries from domestic sugar beet processors, sugar cane processors and refiners.

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

Source: USDA

SUA August 2020: Sugar beet ratings/production

Beet crop good/excellent ratings



Good-to-excellent ratings remain above 90% in five of the nine reporting states, including the top three. Only real concern has been Michigan, but growers there say the crop is better than reported. Harvest has begun in Michigan, the Red River Valley and in some other areas, about two weeks early in some cases. This may affect size of 2020-21 sugar supply.

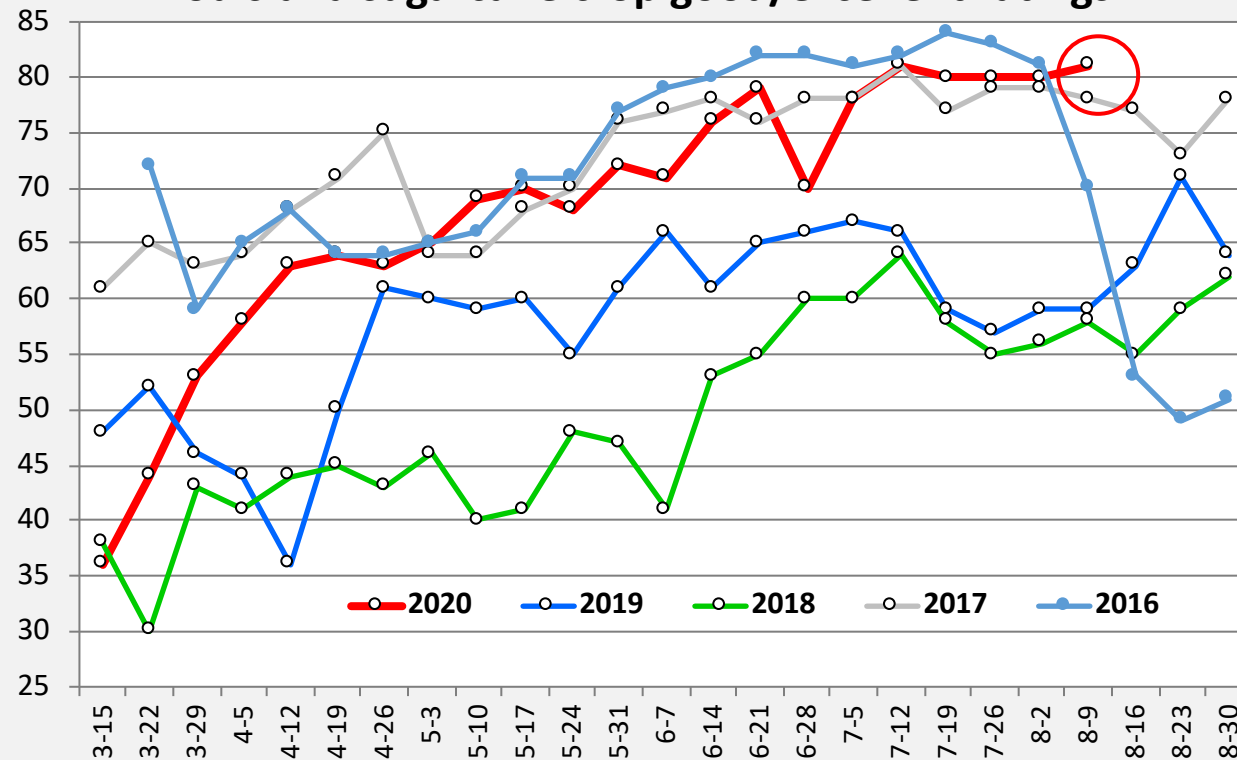
1,000 tons	August		From 2019	
Beet	2019	2020	Tons	%
Minnesota	8,400	12,180	3,780	45.0%
N. Dakota	4,420	6,014	1,594	36.1%
Idaho	6,435	6,607	172	2.7%
Michigan	4,147	4,499	352	8.5%
Nebraska	1,069	1,484	415	38.8%
Montana	1,153	1,385	232	20.1%
California	1,080	1,105	25	2.3%
Colorado	749	799	50	6.7%
Wyoming	679	876	197	29.0%
Oregon	377	358	(19)	-5.0%
Washington	91	86	(5)	-5.5%
U.S.	28,600	35,393	6,793	23.8%

Sugar beet production

In its Aug. 12 Crop Production report, USDA forecast 2020 US sugar beet production at 35,393,000 tons, up 24% from the weather-reduced 2019 crop, and the highest since 2016 but up only 4.4% from the five-year average. Total harvested are was forecast at 1,126,800 acres, up 15% from 2019, and average yield at 31.4 tons per acre, up 7.5%. Idaho is now the second largest beet producing state after Minnesota.

SUA August 2020: Sugarcane ratings/production

Louisiana sugarcane crop good/excellent ratings



Louisiana's cane condition has been outstanding, with the good-to-excellent rating on Aug. 9 at 81%, holding at 80% or above since July 12. The highly-rated 2016 crop tanked at this time that year due to floods and heavy rains, ending the season at 53% good to excellent. Now the crop is most like 2017.

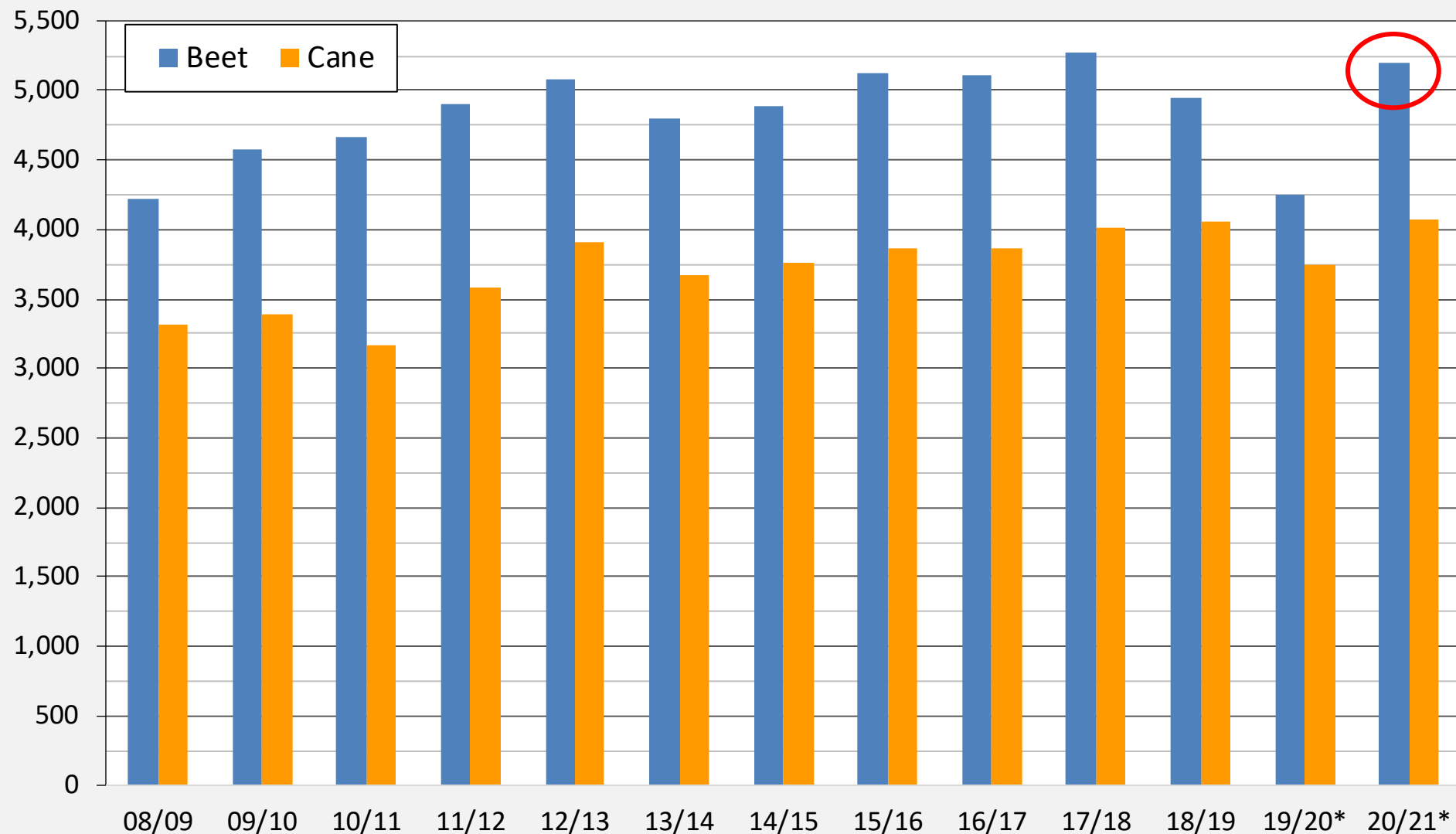
Sugarcane production

1,000 tons	August		From 2019	
	2019	2020	Tons	%
Florida	17,644	17,993	349	2.0%
Louisiana	13,161	14,688	1,527	11.6%
Texas	1,132	797	(335)	-29.6%
U.S.	31,937	33,478	1,541	4.8%

USDA forecast 2020 US production of sugarcane for sugar and seed at 33,478,000 tons, up 5% from last year, with harvested area at 924,400 acres, up slightly, and average yield at 36.2 tons per acre, up 3.4%. Louisiana production forecast up 11.6%.

SUA August 2020: Beet/cane sugar production

Marketing year sugar production in 1,000 tons, raw value. *Forecast. Source: USDA.



Beet sugar forecast is second highest ever, cane is third highest, total is second highest. Beet uncertain until late September-early October.

SUA August 2020: Cash sugar prices

Beet sugar 2019-20

Beet sugar prices remain nominal; Supply is increasing as new crop beets are being sliced but not offered on spot.

Cane sugar 2019-20

Prices in all regions at 46c f.o.b. from one major refiner, with capacity available. Prices haven't changed since February. Some supply available from other refiners.

Beet sugar 2020-21

Sugar has sold as low as 34c a lb f.o.b. Midwest (or even a bit lower), as prices weakened in July. But prices are beginning to firm with most beet sales in the 34.5c to 35.5c range. Some offers still as high as 36.5c.

Cane sugar 2020-21

Refined cane sugar prices eased in July, but now firming. Northeast and West Coast offered at 40c to 41c, steady. Gulf offered at 37c to 39c, steady but bottom coming up. Southeast offered at 37c to 39c, steady. Sugar probably can be bought below those levels.

SUA August 2020: Cash sugar situation

Recent developments and factors to watch in cash sugar market

- **For 2019-20**, impact from the coronavirus remains unclear, but refiners/processors indicate stronger June/July sales continuing into August, both retail and bulk. Sales/demand for Halloween a major concern.
- Beet harvest has started early with some new crop supply now available.
- Cane refiners have run hard with capacity available in some cases, but likely due to high price. Sales lost to foodservice during shutdown a factor.
- Lingering concerns that Mexico will not ship 100% of its export limit, and they already have dipped into their normal 2.5-month ending stocks supply. Shipments from Mexico have fallen sharply since April.
- **For 2020-21**, sales have increased noticeably in late July and August.
- Beet processors have 70% to 90% of prospective 2020-21 production sold.
- High percentage of sales will tend to offset large USDA beet sugar forecast.
- Sales surged during price weakness in June/July, but prices since have steadied and may firm slightly.
- One beet processor in particular has been very aggressive in pricing, even taking market share from other processors.
- Oct.-Dec. 2020 bookings appear very solid.

SUA August 2020: Mexico WASDE

In 1,000 tonnes, actual weight. Source: USDA August 12, 2020, WASDE

	August	Change from		August	Change from	
	<u>19-20</u>	<u>July</u>	<u>18-20</u>	<u>20-21</u>	<u>July</u>	<u>19-20</u>
Begin. Stocks	1,169	-	(226)	807	(122)	(362)
Production	5,278	(4)	(1,148)	6,000	(100)	722
Imports	91	2	6	89	-	(2)
Total Supply	6,538	(2)	(1,368)	6,896	(222)	358
Exports	1,233	-	(971)	1,497	(234)	264
Domestic Use	4,498	120	(34)	4,468	10	(30)
Total Use	5,731	120	(1,005)	5,965	(224)	234
Ending Stocks	807	(122)	(362)	931	2	124
S-T-U (total)	14.1%	(2.5)	(3.3)	16.6	1.6	2.5
S-T-U (domestic)	17.9%	(3.3)	(7.9)	20.8	-	2.9

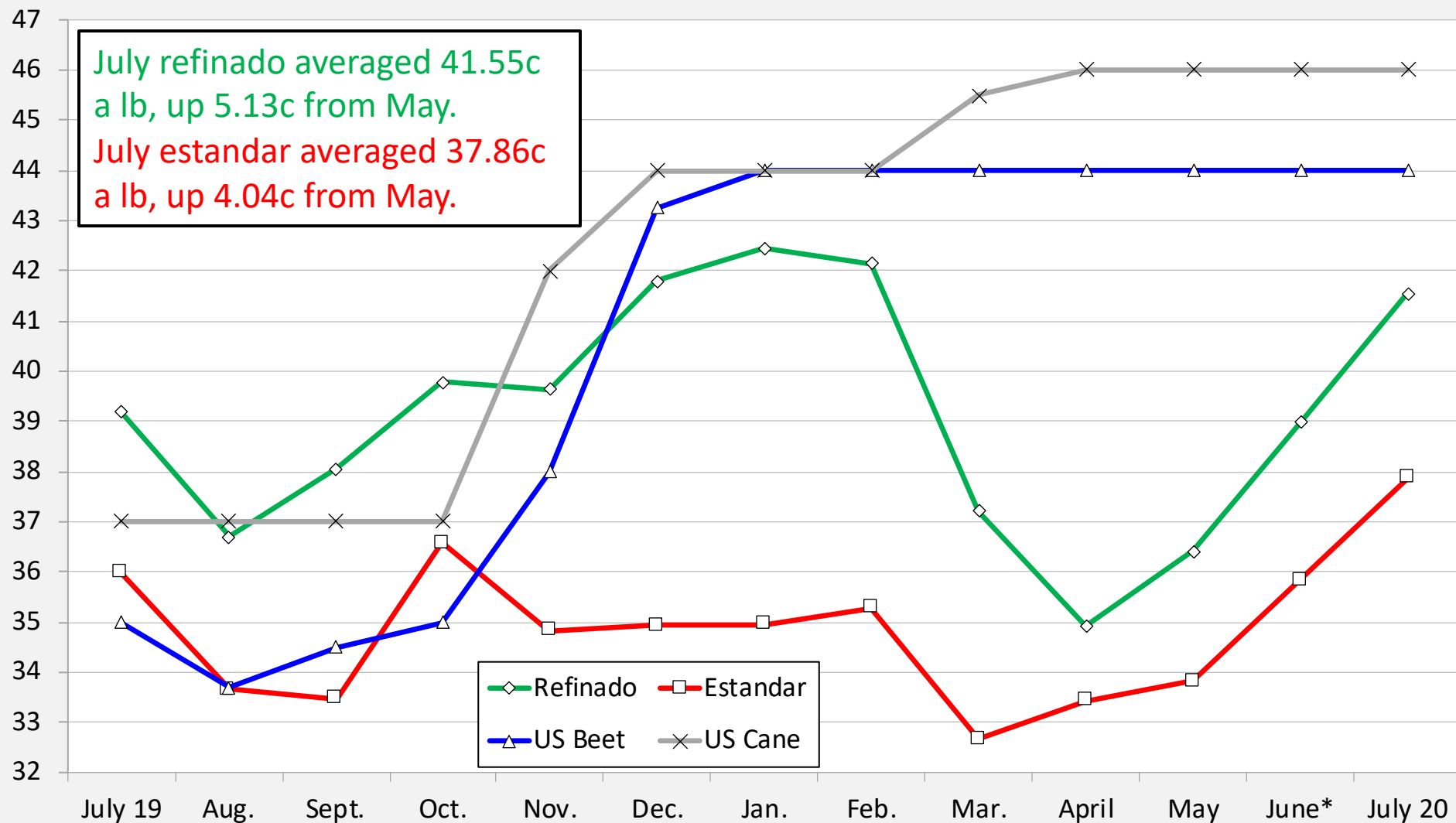
For 2019-20, domestic use was raised about 3% (still down from last year), while HFCS consumption continues to decline and sugar prices remain high.

NOTE: Lower ending stocks to 2.2 months from normal 2.5 months, an indication some suggest means Mexico may miss its current-year export target to US.

For 2020-21, production was lowered 100,000 tonnes. Watch to see if increased tropical storm forecast reduces lingering drought in some areas.

SUA August 2020: US & Mexico sugar prices

Average monthly cash prices in cents/lb. *June prices not available, used May-July average.



Sources: USDA and Sosland Publishing Company.

SUA August 2020: New York #16 Raw Futures

ICE domestic raw sugar futures as of August 12, 2020, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Volume	Open Interest	Time	Settlement
ESFX20 (D10)	27.25 S	0.05			0	2558	1:16:46 PM EDT - 08/12/20	27.25 S
ESFF21 (D10)	26.89 S	0.09	26.90	26.90	150	2002	1:16:46 PM EDT - 08/12/20	26.89 S
ESFH21 (D10)	26.85 S	0.05	26.85	26.85	200	1483	1:16:46 PM EDT - 08/12/20	26.85 S
ESFK21 (D10)	26.85 S	0.00			0	849	1:16:46 PM EDT - 08/12/20	26.85 S
ESFN21 (D10)	26.85 S	0.00			0	1544	1:16:46 PM EDT - 08/12/20	26.85 S
ESFU21 (D10)	26.85 S	0.00	27.05	27.05	5	1405	1:16:46 PM EDT - 08/12/20	26.85 S
ESFX21 (D10)	26.85 S	0.00			0	614	1:16:46 PM EDT - 08/12/20	26.85 S
ESFF22 (D10)	26.65 S	0.00			0		1:16:46 PM EDT - 08/12/20	26.65 S
ESFH22 (D10)	26.65 S	0.00			0		1:16:46 PM EDT - 08/12/20	26.65 S
ESFK22 (D10)	26.65 S	0.00			0		1:16:46 PM EDT - 08/12/20	26.65 S
ESFN22 (D10)	26.65 S	0.00			0		1:16:46 PM EDT - 08/12/20	26.65 S

The spot contract has moved above the 27c a lb range during August. There is no carry in the market, with 2021 and 2022 months at a discount, mainly due to expected adequate to ample sugar supplies next year. Nothing dramatic expected.

SUA August 2020: Global Sugar Overview

- **Global supply/demand**
 - Another small cane crop in Thailand, with production forecasts also trimmed for Russia (five-year low) and parts of Europe.
 - Cane and sugar production in Brazil remain at record pace.
 - Possible record sugar imports by China; Pakistan also buying.
 - Coronavirus remains a drag on global demand.
- **Some shifts in global balance**
 - Some analysts have shifted to net deficit for 2020-21; most still expect a global surplus due to Brazil production and coronavirus.
- **Pricing**
 - World raw prices have firmed over the past month, trading mostly in the 12.5c to 13c a lb range, with resistance evident near 13c a lb.
- **Full impact of coronavirus on demand still unknown.**

SUA August 2020: New York #11 Raw Futures

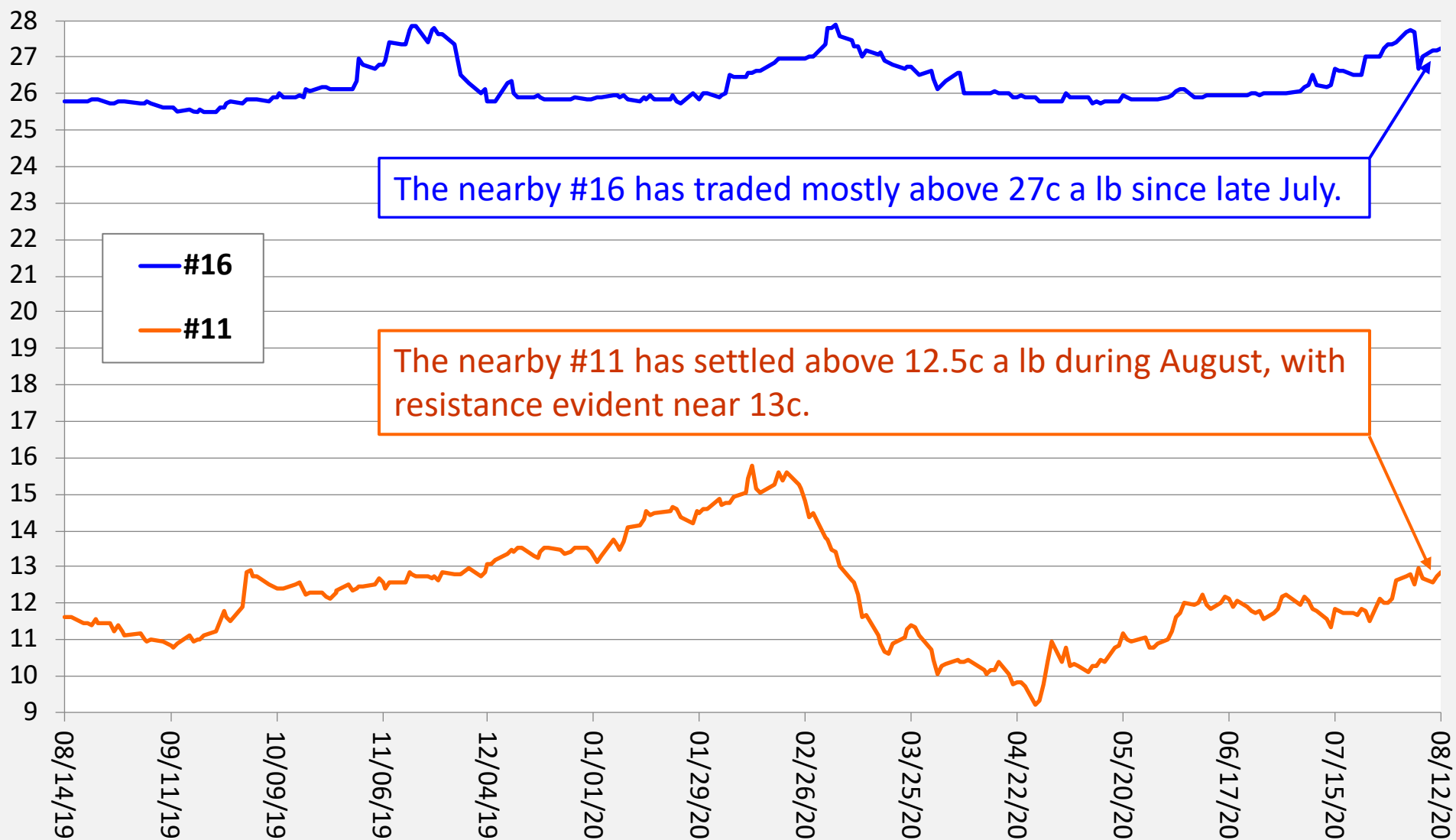
ICE world raw sugar futures as of August 12, 2020, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Volume	Open Interest	Time	Settlement
ESBV20 (D10)	12.84 S	0.10	12.93	12.65	43238	371959	1:20:31 PM EDT - 08/12/20	12.84 S
ESBH21 (D10)	13.40 S	0.08	13.48	13.25	27258	237188	1:20:31 PM EDT - 08/12/20	13.40 S
ESBK21 (D10)	13.08 S	0.03	13.16	12.99	15808	120985	1:20:31 PM EDT - 08/12/20	13.08 S
ESBN21 (D10)	12.72 S	-0.02	12.84	12.65	10799	90603	1:20:31 PM EDT - 08/12/20	12.72 S
ESBV21 (D10)	12.54 S	-0.06	12.69	12.47	4782	70752	1:20:31 PM EDT - 08/12/20	12.54 S
ESBH22 (D10)	12.68 S	-0.09	12.87	12.60	3287	42264	1:20:31 PM EDT - 08/12/20	12.68 S
ESBK22 (D10)	12.33 S	-0.12	12.53	12.25	3691	24216	1:20:31 PM EDT - 08/12/20	12.33 S
ESBN22 (D10)	12.07 S	-0.15	12.28	11.99	3037	21820	1:20:31 PM EDT - 08/12/20	12.07 S
ESBV22 (D10)	12.00 S	-0.16	12.17	11.92	888	16006	1:20:31 PM EDT - 08/12/20	12.00 S
ESBH23 (D10)	12.22 S	-0.20	12.23	12.15	321	6082	1:20:31 PM EDT - 08/12/20	12.22 S
ESBK23 (D10)	12.07 S	-0.19	12.05	12.01	50	359	1:20:31 PM EDT - 08/12/20	12.07 S
ESBN23 (D10)	11.97 S	-0.21			6	219	1:20:31 PM EDT - 08/12/20	11.97 S

Nearby world raws remain in current trading range but have moved up a notch within that range nearer 13c a lb, where there is resistance due to expected record Brazilian production. Fairly large and growing speculative long position has provided support but could be a pressuring factor at some point. Market is more positive than in the past couple of months due to lower production in some key countries and improved demand in China. Forward months at a discount to nearby months even as some analysts switch to deficit forecast.

SUA August 2020: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of August 12, 2020.



SUA August 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

Annual contracting of corn sweeteners is underway but in very early stages as some were waiting for Wednesday's crop report, which gave mixed signals of record production but lower-than-expected ending stocks. Some early business done at rollover pricing from 2019, with most expecting rollover to slightly lower.

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-June HFCS consumption in Mexico was estimated at 1,033,000 tonnes, dry basis, down 9.6% from same period last year. Forecast consumption for 2019-20 and for 2020-21 was unchanged from July, with both years at 1,470,000 tonnes, down 3.8%, from 2018-19. At same time, sugar consumption in Mexico was forecast higher, suggesting some substitution for HFCS.

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

Corn sweetener demand fell early in the coronavirus period. Shipments have since recovered, though not made up lost volume. Loss of foodservice (esp. sporting events) remains a concern.

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

USDA forecast record large 2020 corn crop in August crop report. In WASDE, avg. corn price lowered 25c (July) and 50c (year ago).

SUA August 2020: Other Issues & Trends

- Sugar and corn sweetener demand appears to have recovered from shelter-at-home period, tough overall negative impact on demand still is expected due to ongoing number of cases and cancelaton of major events (sports, concerts, reduced dining out, etc.)
- **Trade** – Mexico: Watch 2019-20 imports and 2020-21 crop.
- **Labeling, US** – The Sugar Association FDA Citizen Petition.
- **Labeling, GMO** – Lawsuit challenges exclusion of highly-refined ingredients and other aspects of USDA GMO labeling rule.
- **Sugar taxes** – California lawsuit challenges preemption laws that stopped/slowed city and metro soda taxes since 2018.
- **Labeling, Mexico** – 3-stage, front-of-package begins Oct. 1.
- **Dietary Guidelines for Americans** – Sugar in crosshairs.
- **Weather** – NOAA raises tropical storm forecast.

SUA August 2020: Conclusions

■ Domestic Sugar Market

- Sugar and corn sweetener shipments have increased from declines seen early in pandemic period, creating some tightness in sugar, but early beet harvest/sugar production may offset to some degree.
- Beet processors are 70% to 90% sold for 2020-21, which should limit downside price potential going forward even with large beet production forecast in August WASDE.
- Oct.-Dec. coverage solid, sellers “comfortable” with calendar 2021 sales to date.
- Fingers crossed for no repeat of last year’s weather debacle (not in forecast) and no major hurricanes (forecast number raised).

■ Global Sugar Market

- Raws have turned somewhat more bullish despite record production expected in Brazil.