

# **Sweetener Users Association Conference Call Board Meeting**

December 16, 2020

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# SUA December 2020: Market Overview

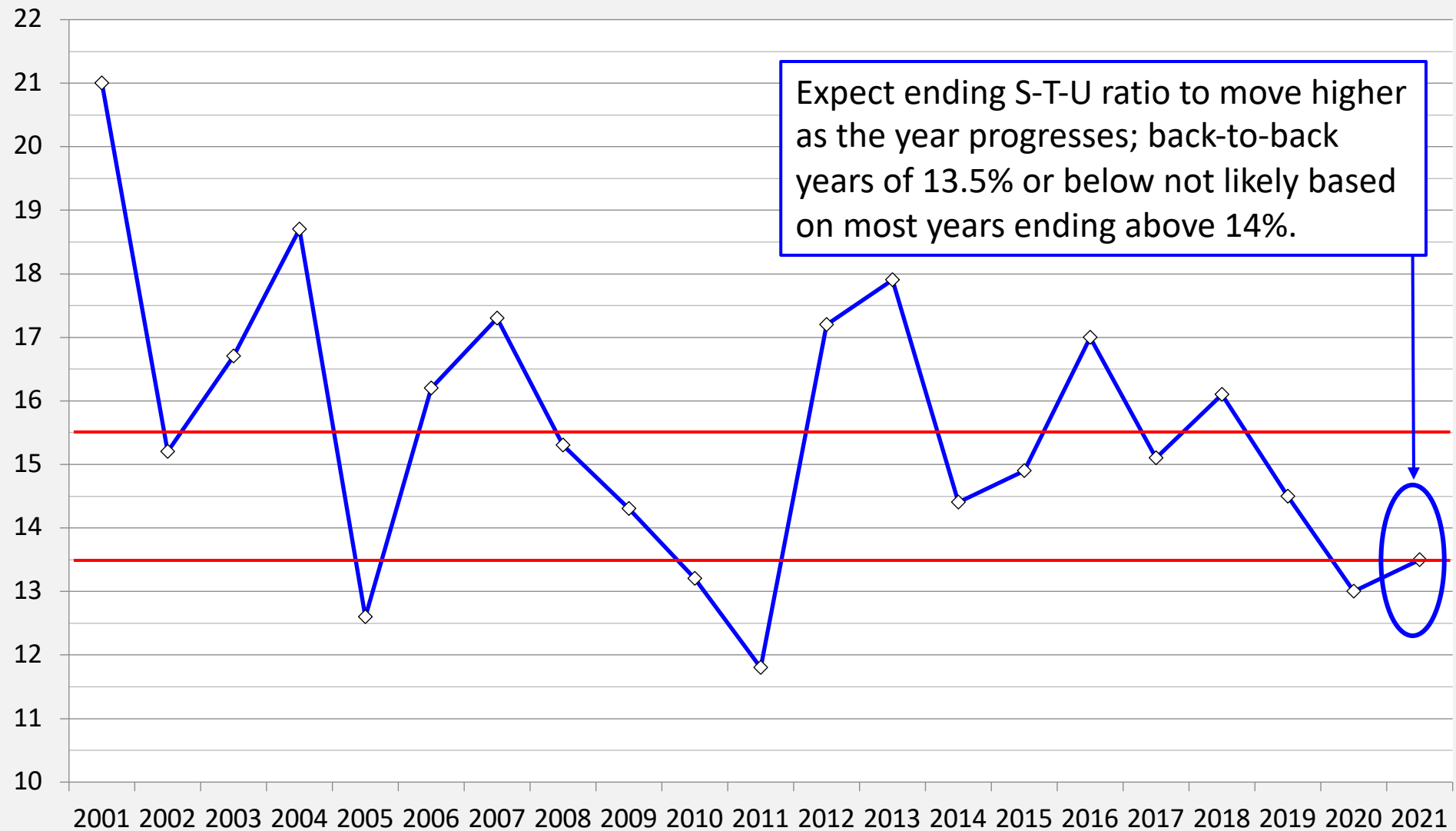
- **US Sugar supply/demand**
  - **2019-20** – minor changes from November estimates.
  - **2020-21** – S-T-U ratio adjusted to 13.5% as expected.
  - Imports raised 403,000 tons from November.
  - Large increase in imports from Mexico as expected/needed.
  - Demand amid COVID-19 spike, recovery? Deliveries unchanged.
  - Sugar supplies remain somewhat tight near term.
  - Prices are unchanged with firm undertone.
  - Market is significantly different from year ago.
- **Corn sweetener supply/demand**
  - Annual contracted completed at mostly rollover prices.
  - Mexico's 2020-21 HFCS consumption unchanged from Nov.
- **Global sugar supply/demand**
  - Mixed forecasts, but supplies are adequate.
  - Prices off Nov. highs as funds liquidate.

# SUA December 2019: USDA 2020-21 WASDE

Short tons raw value	Dec.	Dec.	Change from Nov.		Change from 19-20		RS-SPC
	<u>19-20</u>	<u>20-21</u>	<u>Tons</u>	<u>%</u>	<u>Tons</u>	<u>%</u>	<u>20-21</u>
<b>Begin. Stocks</b>	1,783	1,618	(5)	-0.3%	(165)	-9.3%	1,620
<b>Production</b>	8,149	8,960	(41)	-0.5%	811	10.0%	8,975
<b>Beet</b>	4,351	4,859	(40)	-0.8%	508	11.7%	4,850
<b>Cane</b>	3,798	4,101	-	0.0%	303	8.0%	4,125
<b>Imports</b>	4,154	3,428	403	13.3%	(726)	-17.5%	3,470
<b>T.R.Q.</b>	2,071	1,808	97	5.7%	(263)	-12.7%	1,800
<b>Other Prog.</b>	432	350	-	0.0%	(82)	-19.0%	350
<b>Mexico</b>	1,376	1,160	272	30.6%	(216)	-15.7%	1,200
<b>High Tier</b>	275	110	35	46.7%	(165)	-60.0%	120
<b>Total Supply</b>	14,085	14,006	357	2.6%	(79)	-0.6%	14,065
<b>Exports</b>	61	35	-	0.0%	(26)	-42.6%	35
<b>Deliveries</b>	12,333	12,305	-	0.0%	(28)	-0.2%	12,290
<b>Food</b>	12,235	12,200	-	0.0%	(35)	-0.3%	12,190
<b>Other</b>	98	105	-	0.0%	7	7.1%	100
<b>Misc.</b>	74	-	-	-	(74)	-100.0%	-
<b>Total Use</b>	12,468	12,340	-	0.0%	(128)	-1.0%	12,325
<b>Ending Stocks</b>	1,618	1,666	357	27.3%	48	3.0%	1,740
<b>Stocks-to-use</b>	13.0%	13.5%	+2.9		+0.5		14.1%

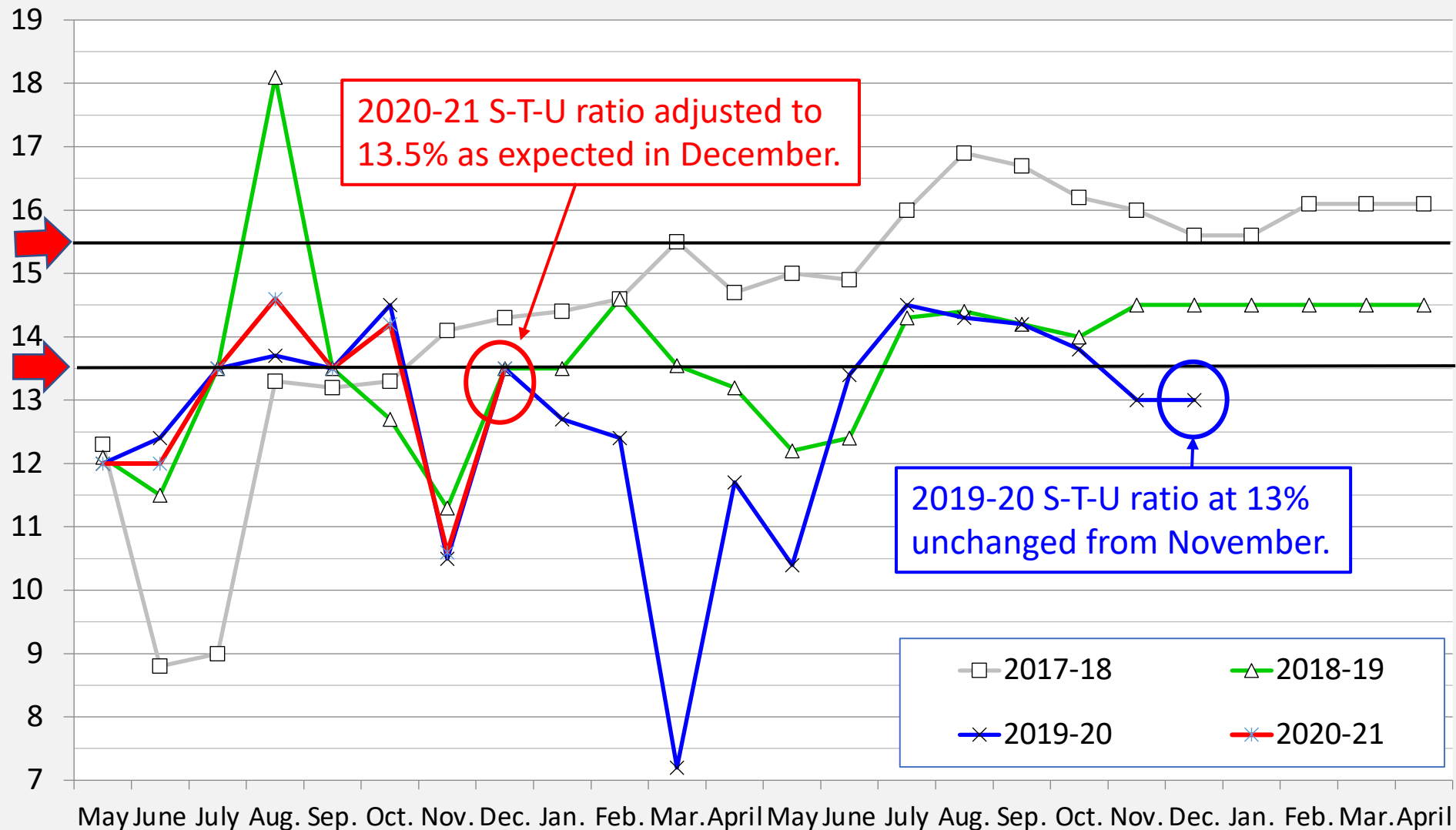
# SUA December 2020: Annual S-T-U Ratios

Annual ending stocks-to-use ratios, in per cent, fiscal year. Source: USDA.



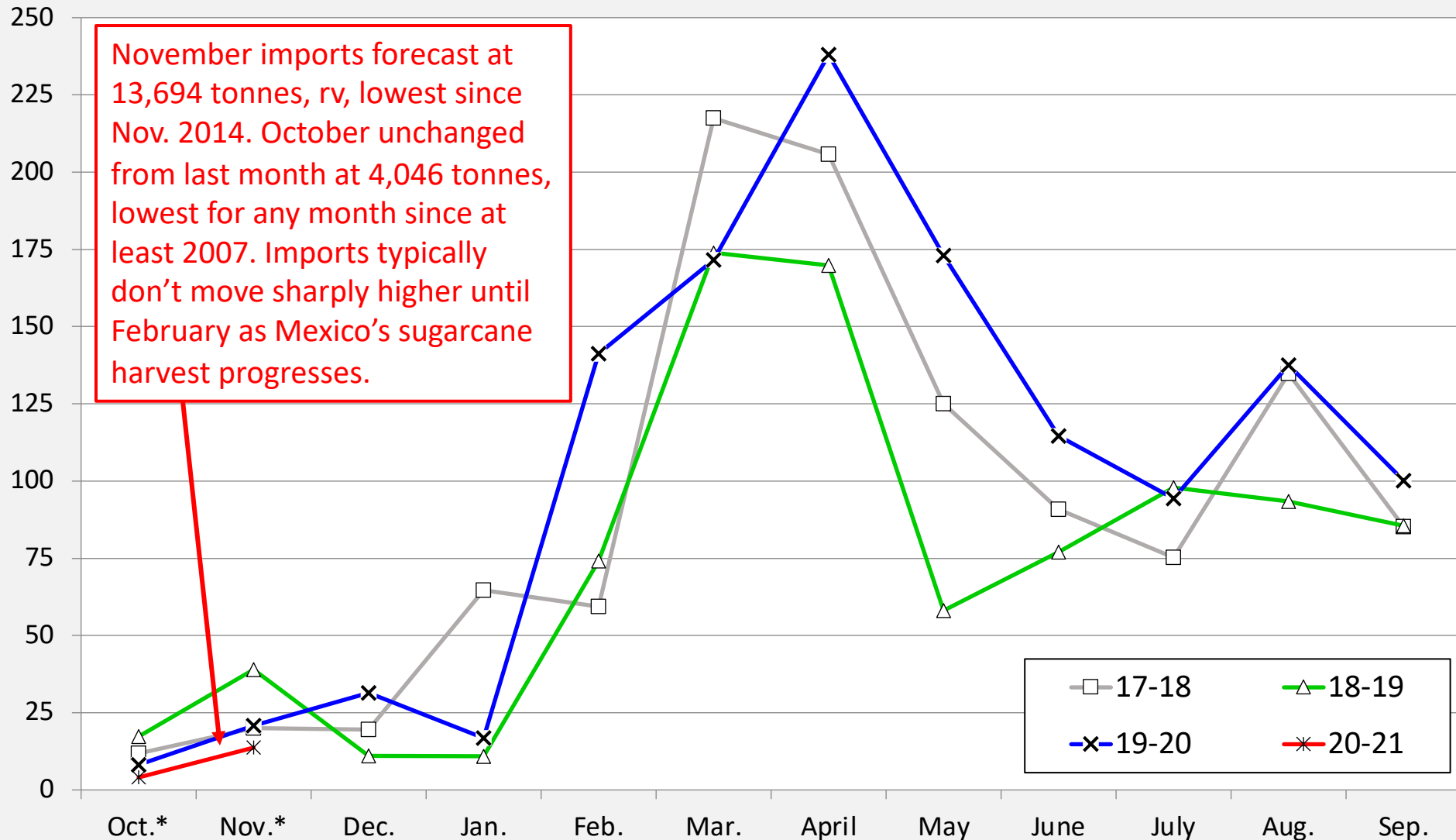
# SUA December 2020: Monthly S-T-U Ratios

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



# SUA December 2020: Imports from Mexico

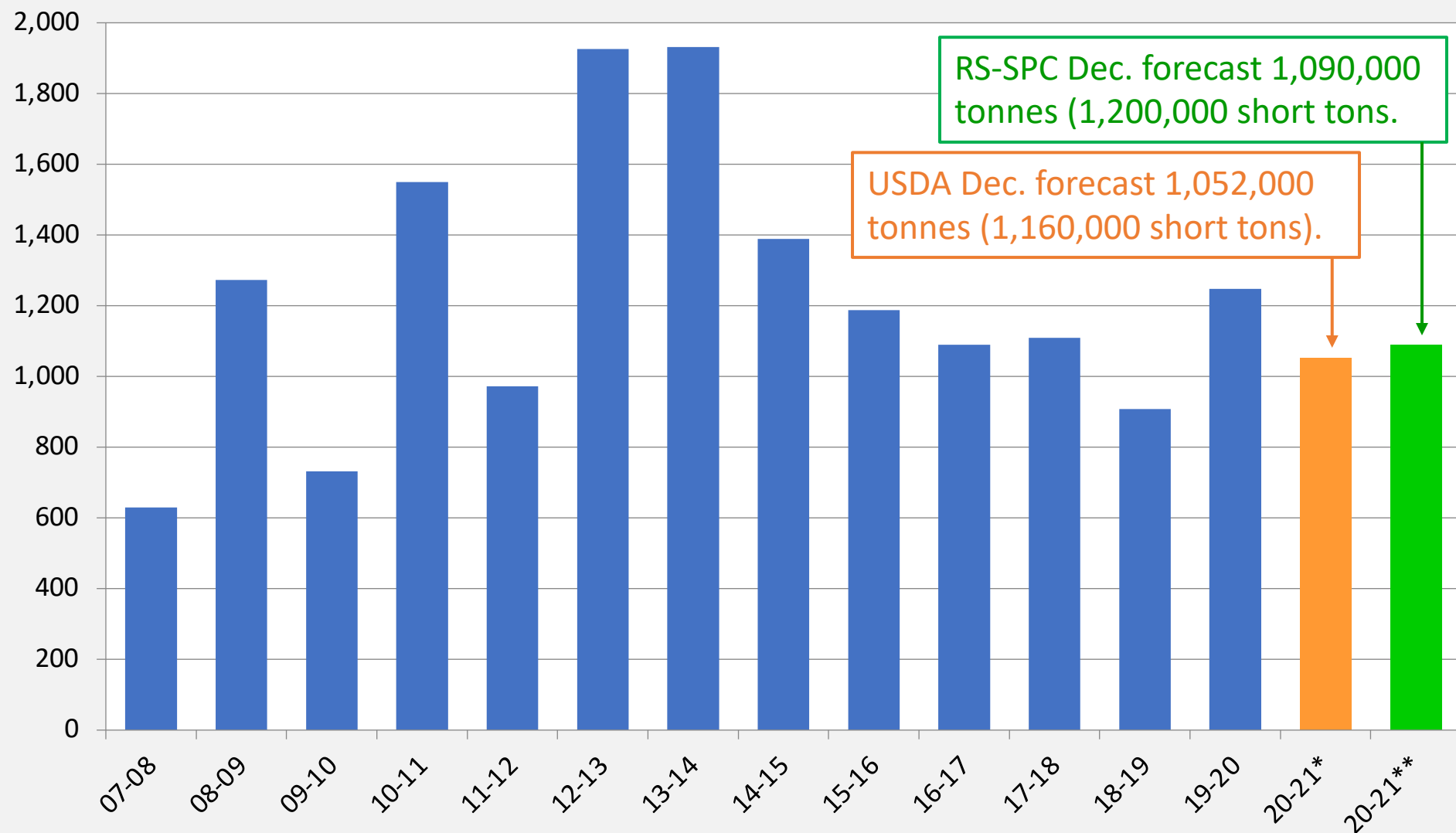
In 1,000 tonnes, raw value. \*2020-21 forecast. Sources: USDA and US Census Bureau.



At least one more month of tight sugar supplies.

# SUA December 2020: Annual Imports from Mexico

In 1,000 tonnes, raw value. \*USDA December WASDE forecast. \*\*RS-SPC forecast.



Current USDA forecast for 2020-21 is second lowest (after 2018-19) since 2011-12. Both US and Mexico crops are much better this year.

# SUA December 2020: SMD October 2020-21

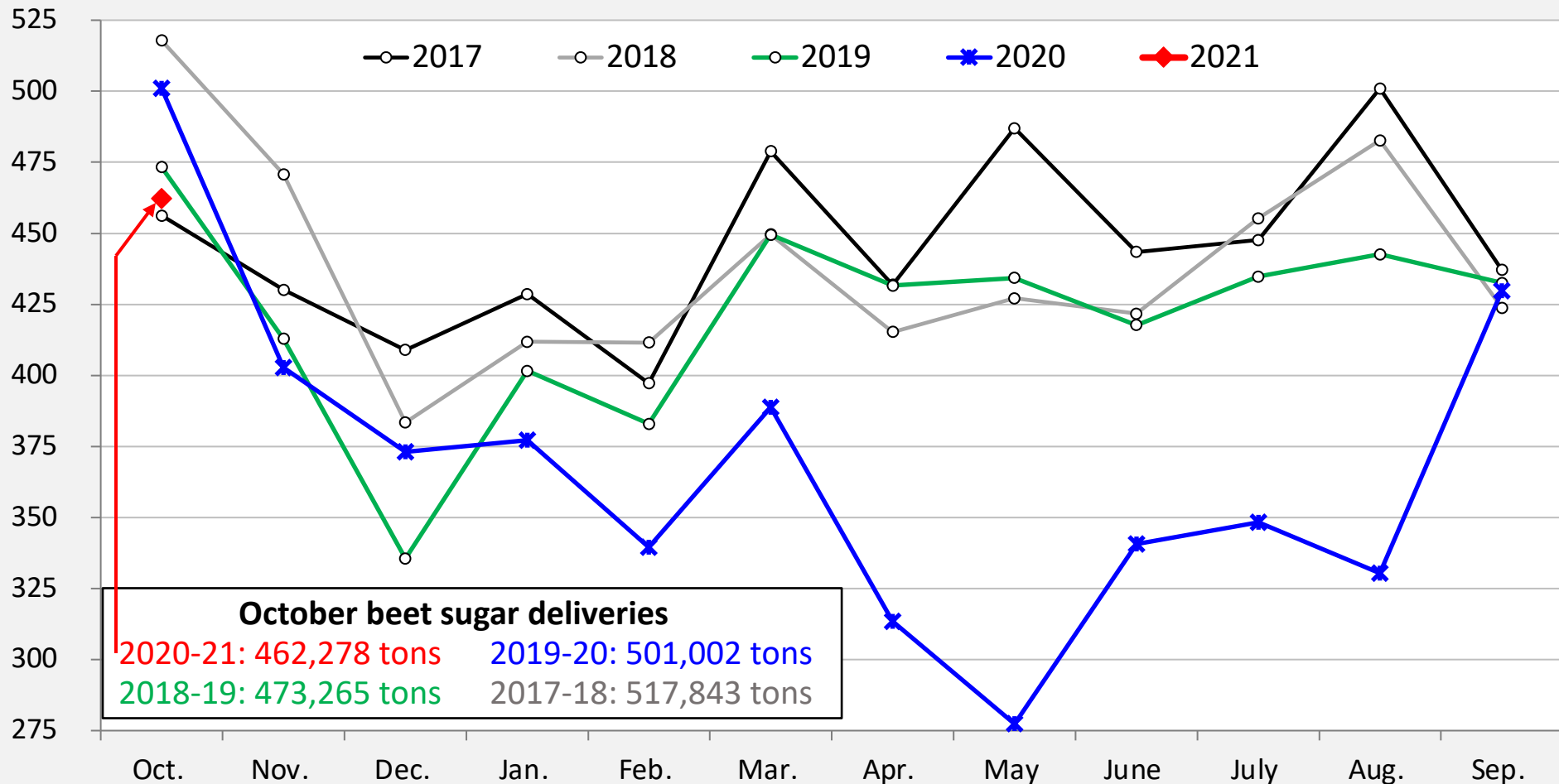
Source: USDA.

<i>Short tons, Raw value</i>	<b>October</b>	<b>October</b>	<b>Change from 19-20</b>	
	<b><u>2020-21</u></b>	<b><u>2019-20</u></b>	<b><u>Tons</u></b>	<b><u>%</u></b>
Beginning stocks	1,617,589	1,782,548	(164,959)	-9.3%
Total production	1,423,558	1,394,895	28,663	2.1%
Beet	799,796	683,503	116,293	17.0%
Cane	623,762	711,392	(87,630)	-12.3%
Total imports	369,333	387,737	(18,404)	-4.7%
Total supply	3,410,479	3,565,180	(154,701)	-4.3%
Total exports	10,653	1,912	8,741	457.2%
Total deliveries	1,091,210	1,203,275	(112,065)	-9.3%
Deliveries, human use	1,082,656	1,192,572	(109,916)	-9.2%
Misc. supply adj.	14,778	40,024	(25,246)	-63.0%
Total use	1,116,641	1,245,211	(128,570)	-10.3%
Ending stocks	2,293,838	2,319,968	(26,130)	-1.1%



# SUA December 2020: Beet Sugar Deliveries

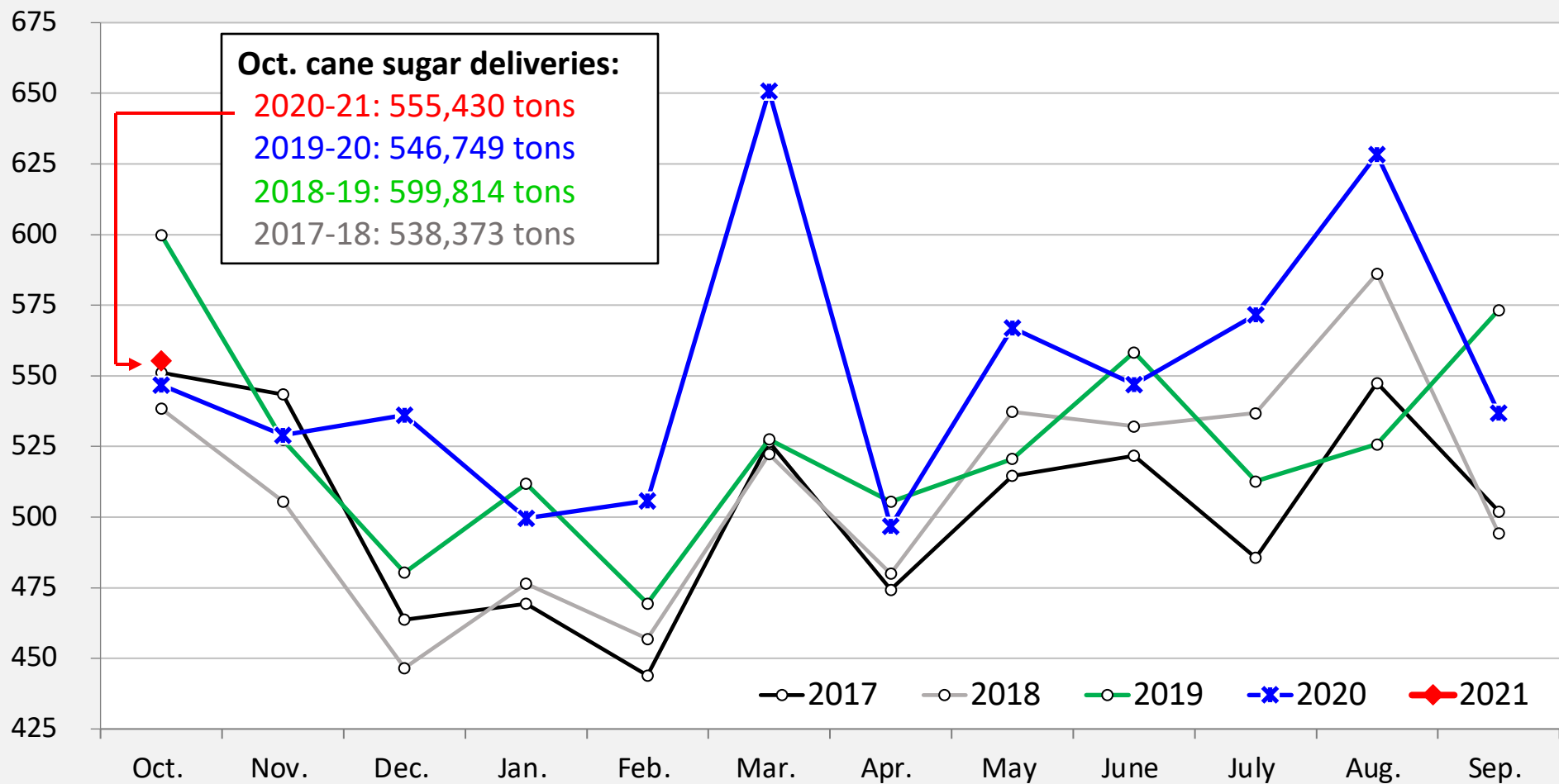
Monthly beet sugar deliveries, in 1,000 tons, raw value, fiscal year. Source: USDA



October beet sugar deliveries were up 7.6% from September but were down 7.7% from November 2019-20 and the lowest since 2016-17. Last year deliveries dropped sharply in November due to the force majeure and stayed low until September. This should be a much more normal year.

# SUA December 2020: Refined Cane Deliveries

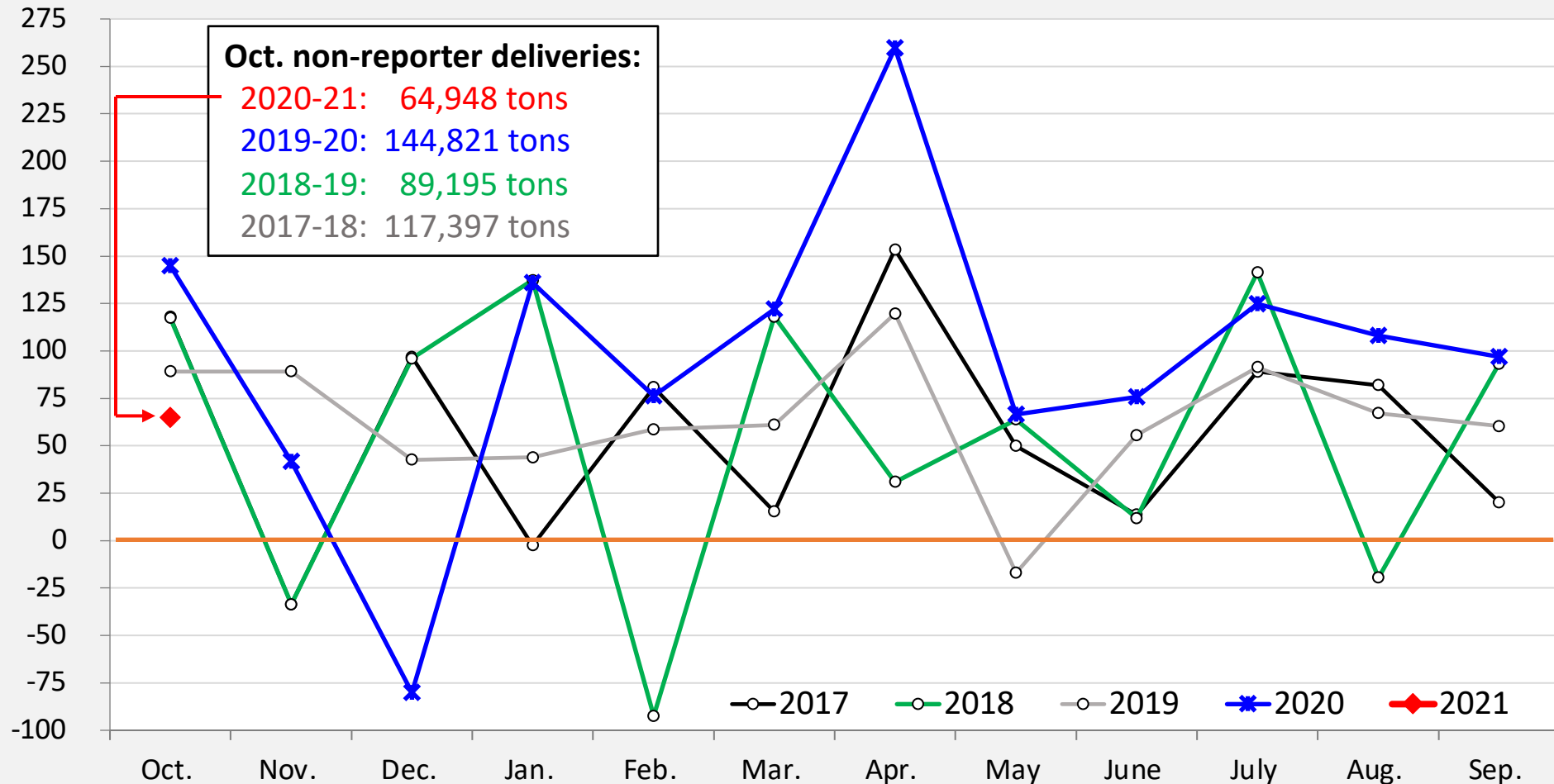
Monthly refined cane sugar deliveries, in 1,000 tons, raw value. Source: USDA



October cane sugar deliveries rose 3.5% from September, were up 1.6% from October 2019-20, were the highest since 2018-19 and the second highest for the month since 2014-15. Cane sugar deliveries tend to ease from November through March during the peak of the beet slicing campaign, then rise April forward.

# SUA December 2020: Deliveries by Non-Reporters

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



Non-reporter deliveries in October declined 33% from September, were down 55% from October 2019-20 and were the lowest since 2015-16. Remember how large non-reporter deliveries skewed the demand side of balance sheet last year. Should be smaller this year due to higher domestic supply, but still a factor.

# SUA December 2020: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	<b>FY 2021</b> <u>October</u>	<b>FY 2020</b> <u>October</u>	<b>October</b> <u>% change</u>	<b>Oct.-Sept.</b> <u>% change</u>
<b>Total Deliveries/1</b> (short tons, <u>actual weight</u> )	<b>957,340</b>	<b>987,327</b>	<b>-3.0</b>	<b>-2.9</b>
1-Bakery, cereal, and related products	223,235	226,570	-1.5	-2.5
5-Confectionery and related products	90,414	103,854	-12.9	-14.3
6-Ice cream and dairy products	71,503	72,464	-1.3	1.6
7-Beverages	55,525	59,646	-6.9	-15.1
8-Canned, bottled and frozen foods	36,857	40,096	-8.1	6.8
4-Multiple and all other food uses	100,184	111,492	-10.1	-9.3
10-Non-food uses	10,950	9,084	20.5	-7.0
11-Hotels, restaurants, institutions	7,859	6,776	16.0	1.0
2-Wholesale grocers, jobbers, dealers	205,101	200,209	2.4	1.0
3-Retail grocers, chain stores	128,878	124,929	3.2	6.4
12-Government agencies	1,470	561	161.9	6.7
9-All other deliveries	25,365	31,646	-19.8	3.2
<b>Total Deliveries/1</b> (short tons, <u>raw value</u> )	<b>1,024,354</b>	<b>1,056,440</b>	<b>-3.0</b>	<b>-2.9</b>
<b>Crystalline:</b>	885,694	919,964	-3.7	-3.5
<b>Consumer-size packages (retail)</b>	216,305	206,689	4.7	2.1
<b>Packages 50 lbs and greater</b>	249,543	275,224	-9.3	-2.9
<b>Unpackaged (bulk)</b>	419,846	438,052	-4.2	-6.6
<b>Non-crystalline/2</b>	138,660	136,476	1.6	1.2

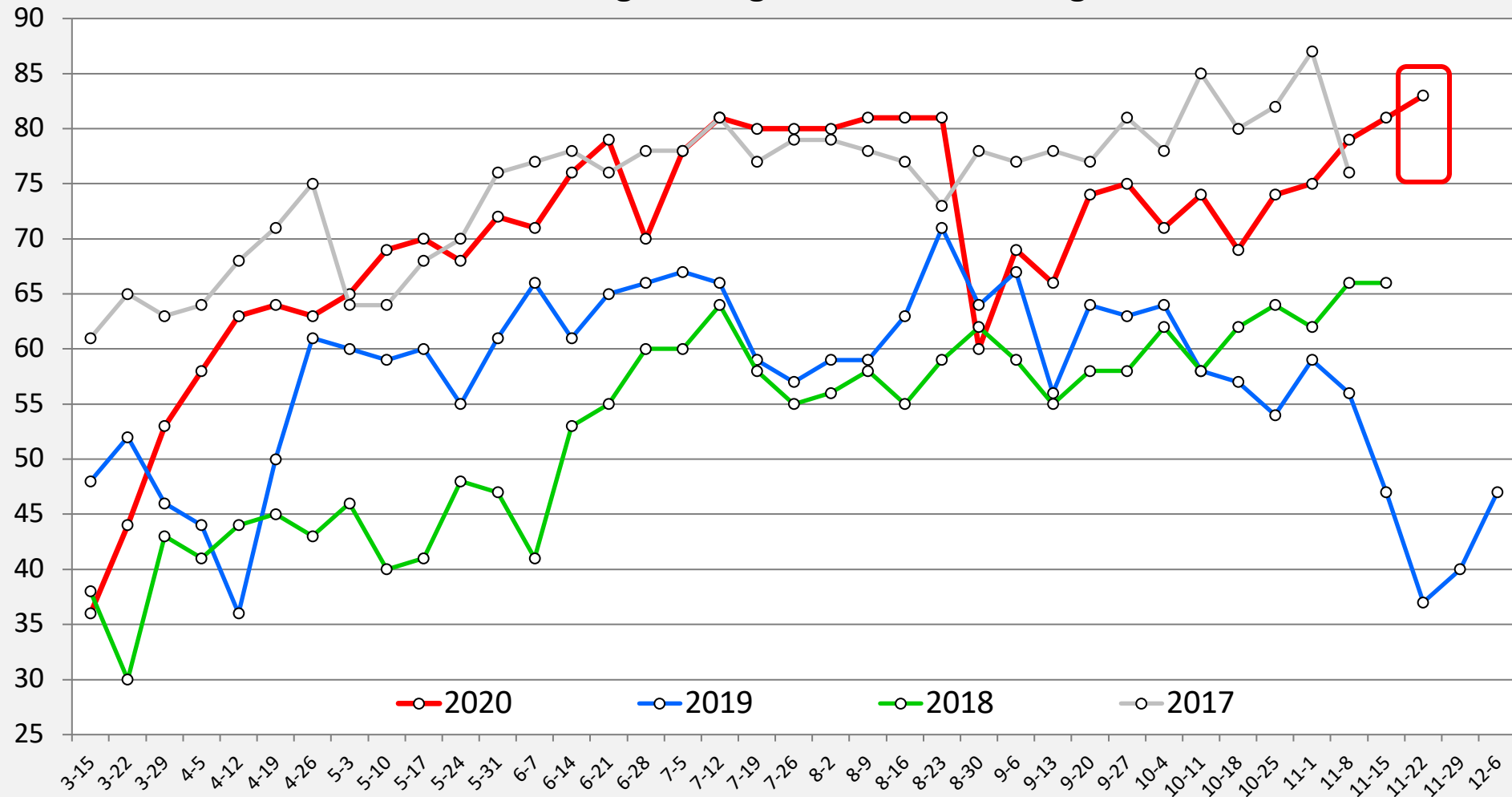
1/Deliveries from domestic sugar beet processors, sugar cane processors and refiners.

<sup>12</sup> 2/Includes all liquid, edible molasses, sugar syrups and cane juice.

Source: USDA

# SUA December 2020: Sugarcane Crop

## Louisiana sugarcane good/excellent ratings



The final Louisiana crop update was issued as of Nov. 22 with the good-to-excellent rating at 83%, the highest in several years. USDA raised Louisiana sugarcane production forecast by 1,065,000 tons, or 7%, in Dec. crop report, but left 2020-21 sugar production unchanged from November.

13 Sugar production is probably above USDA's forecast for the state.

# SUA December 2020: Cash sugar prices

- Beet sugar 2020-21** Prices for 2020-21 are firm at 36.5c to 37c a lb f.o.b. in the Midwest, 39c in Michigan and near 40c on the West Coast.
- Cane sugar 2020-21** One refiner still offering cane sugar at 46c a lb nationwide thru Dec., but is at 42c a lb in the Northeast and West Coast for Jan.-Sept.  
Southeast offered at 38.50c to 39.50c for 2020-21.  
Gulf offered at 38c to 39.50c for 2020-21.
- Beet & cane 2021-22** Fair amount of Oct.-Dec. 2021 beet sugar sold.

## Recent developments and factors to watch in cash sugar market

- Beet processors are very well sold or sold out for 2020-21 as most have less sugar to sell than expected due to smaller beet crops (but much larger than last year).
- Domestic supplies are tight but cane sugar is available at a price.
- Most beet sugar sold at 33c to 35c for 2020-21; higher numbers for last 5% to 10%.
- Imports from Mexico will pick up in January-March.
- Supply in Mexico is currently tight, and prices are high.
- Limited upside potential to US refined sugar prices barring problem in Mexico or processor/refinery breakdown.

# SUA December 2020: Mexico WASDE

In 1,000 tonnes, actual weight. Source: USDA Dec. 10, 2020, WASDE

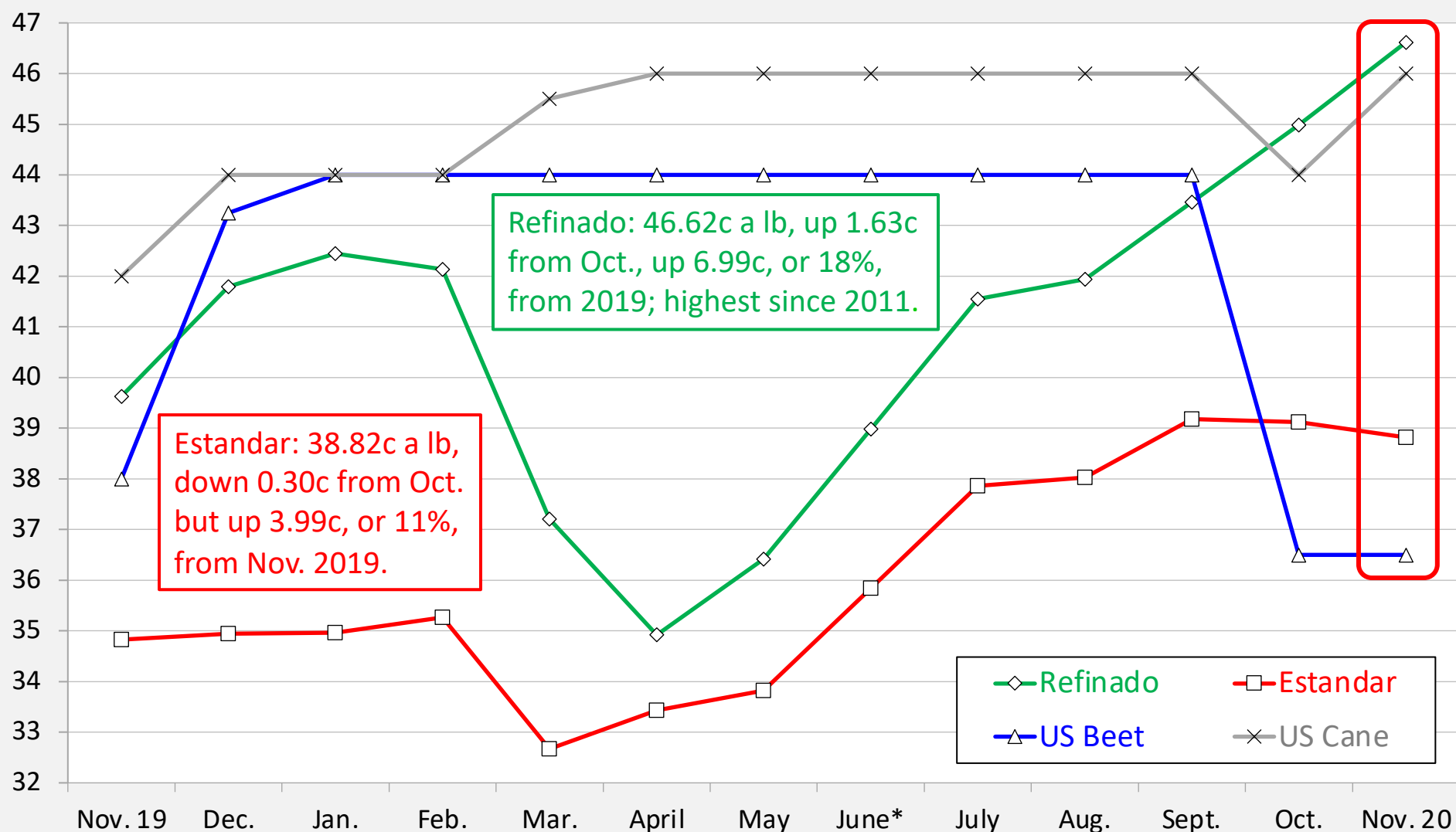
	December			December		
	<u>19-20</u>	<u>Nov.</u>	<u>18-19</u>	<u>20-21</u>	<u>Nov.</u>	<u>19-20</u>
Begin. Stocks	1,169	-	(226)	858	-	(311)
Production	5,278	-	(1,148)	5,950	-	672
Imports	77	-	(8)	105	19	28
Total Supply	6,524	-	(1,382)	6,913	19	389
Exports	1,212	-	(992)	1,490	19	278
Domestic Use	4,455	-	(77)	4,488	-	33
Total Use	5,667	-	(1,069)	5,978	19	311
Ending Stocks	858	-	(311)	935	-	77
S-T-U (total)	15.1%	-	-2.5	15.6	-0.1	+0.5
S-T-U (domestic)	19.3%	-	-6.8	20.8	-	+1.5

**For 2019-20:** No changes from November.

**For 2020-21:** Minor changes were 19,000-tonne increase in imports offset by 19,000-tonne increase in exports, leaving ending stocks unchanged. Exports to US (at 992,683 tonnes) were increased by shifting residual exports from other countries (at 496,824 tonnes) to United States. Crop appears to be doing well, esp. compared with last year.

# SUA December 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 December 2020: New York #16 Raw Futures

ICE domestic raw sugar futures as of Dec. 14, 2020, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Volume	Open Interest	Time	Settlement
ESFH21 (D10)	28.35 S	0.00	28.40	28.30	19	3004	1:09:33 PM EST - 12/14/20	28.35 S
ESFK21 (D10)	28.85 S	0.10	28.85	28.80	135	1458	1:09:33 PM EST - 12/14/20	28.85 S
ESFN21 (D10)	28.96 S	0.01			0	2216	1:09:33 PM EST - 12/14/20	28.96 S
ESFU21 (D10)	28.96 S	0.01			0	1299	1:09:33 PM EST - 12/14/20	28.96 S
ESFX21 (D10)	28.01 S	0.01			0	1080	1:09:33 PM EST - 12/14/20	28.01 S
ESFF22 (D10)	27.01 S	0.01			0	265	1:09:33 PM EST - 12/14/20	27.01 S
ESFH22 (D10)	27.01 S	0.01			0	255	1:09:33 PM EST - 12/14/20	27.01 S
ESFK22 (D10)	27.01 S	0.01			0	185	1:09:33 PM EST - 12/14/20	27.01 S
ESFN22 (D10)	27.01 S	0.01			0	190	1:09:33 PM EST - 12/14/20	27.01 S
ESFU22 (D10)	27.01 S	0.01			0	145	1:09:33 PM EST - 12/14/20	27.01 S
ESFX22 (D10)	27.01 S	0.01			0		1:09:33 PM EST - 12/14/20	27.01 S

Nearby domestic raw futures down about 1.5c a lb from their Nov. 4-23 highs, trading mostly in a narrow range of about 28.25c to 28.50c a lb during December after concerns about imported raws about a month ago. January went off the board Dec. 8 at 27.95c a lb with 326 lots (about 18,000 tons) delivered. Spot March is at a discount to May-September, with later months at about a 1c to 2c a lb discount to that period. Raw sugar may weaken as imports from Mexico gain momentum later in the first calendar quarter, especially with domestic supply well above year ago levels.

# SUA December 2020: Global Sugar Overview

## ■ Global supply/demand fundamentals (2020-21)

- Brazil harvest winding down earlier than year ago, but production to date has been record high at 38.1 million tonnes, up 44% from last year due to massive switch from ethanol (down 9%), and sugar exports are forecast up 70% from last year.
- Still production concerns in Thailand, Russia, EU, some others.
- Still awaiting India's 2020-21 export subsidy announcement; lack of was supportive but talk has resurfaced and now bearish.
- Coronavirus impact on demand still unknown but expected to lessen in 2021 with advent of vaccine; must get through current second phase.

## ■ Global supply/demand balance

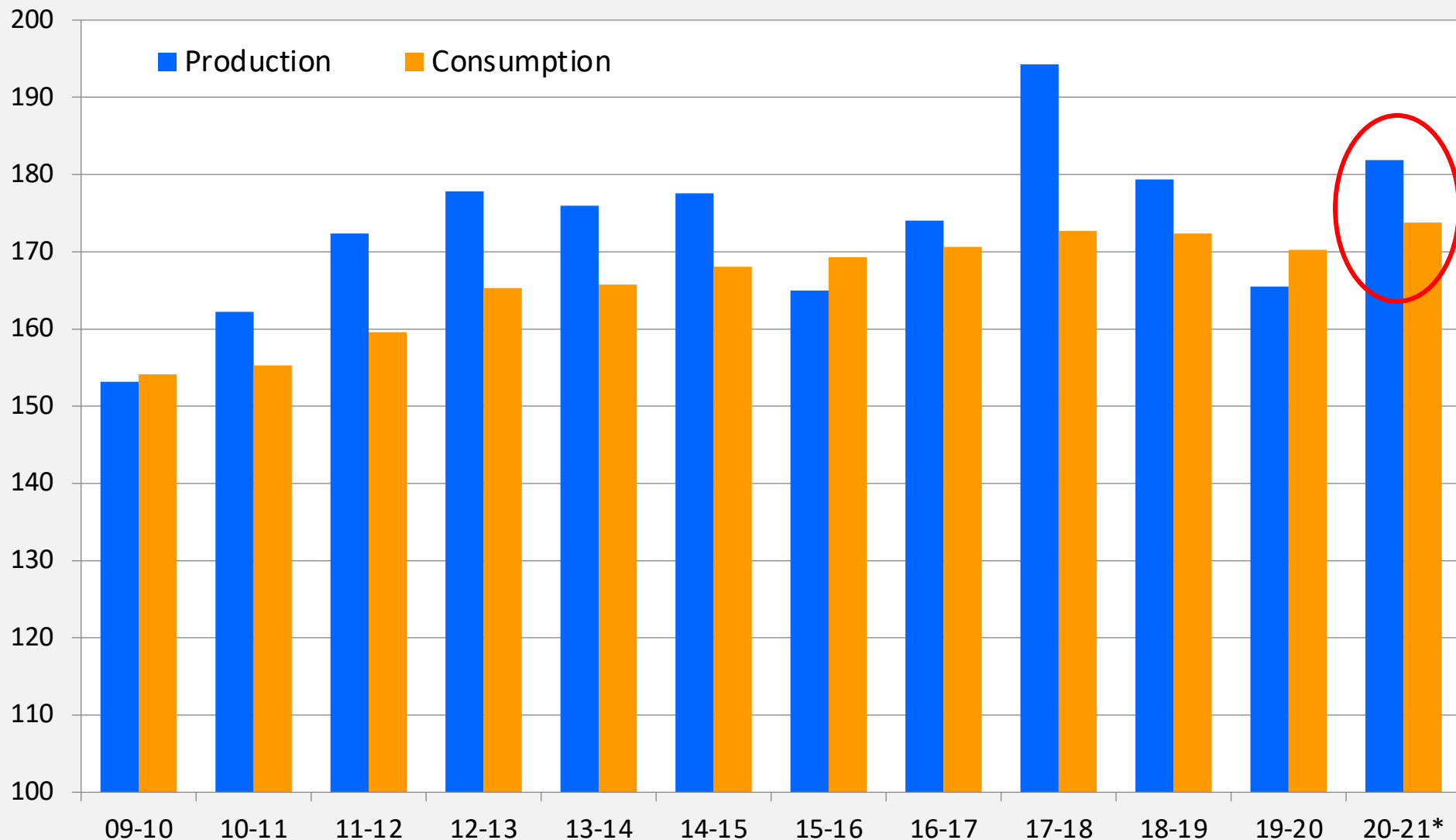
- A global sugar deficit still is expected.

## ■ Pricing

- Nearby world raw sugar prices are well off November highs mainly due to speculative fund long liquidation past few weeks. Current outlook is to hold near 14c a lb, if India export subsidy happens.

# SUA December 2020: World Sugar S/D

In million tonnes, raw value. Source: USDA November Sugar: World Markets and Trade.



Production forecast at 181,866,000 tonnes, up 10% from 19-20;  
Consumption forecast at 173,760,000 tonnes, up 2.1% from 19-20.

# SUA December 2020: New York #11 Raw Futures

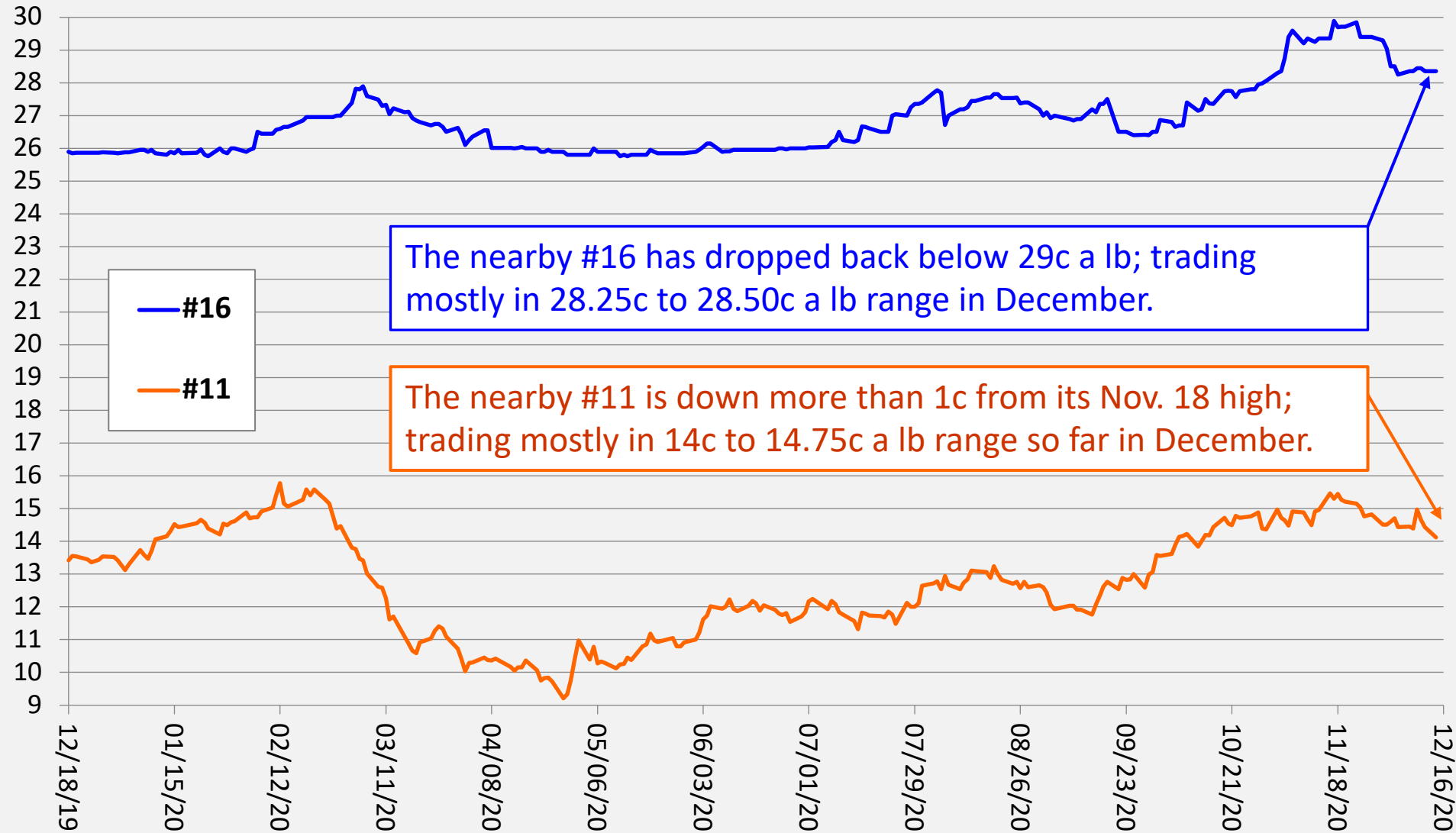
ICE world raw sugar futures as of Dec. 14, 2020, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Volume	Open Interest	Time	Settlement
ESBH21 (D10)	14.12 S	-0.31	14.45	14.09	51476	398006	1:00:28 PM EST - 12/14/20	14.12 S
ESBK21 (D10)	13.55 S	-0.23	13.81	13.53	18405	222652	1:00:28 PM EST - 12/14/20	13.55 S
ESBN21 (D10)	13.26 S	-0.15	13.45	13.23	11812	136473	1:00:28 PM EST - 12/14/20	13.26 S
ESBV21 (D10)	13.26 S	-0.12	13.45	13.23	5454	107479	1:00:28 PM EST - 12/14/20	13.26 S
ESBH22 (D10)	13.58 S	-0.12	13.80	13.54	1954	66737	1:00:28 PM EST - 12/14/20	13.58 S
ESBK22 (D10)	13.18 S	-0.12	13.30	13.16	702	43142	1:00:28 PM EST - 12/14/20	13.18 S
ESBN22 (D10)	12.94 S	-0.12	13.06	12.92	536	36253	1:00:28 PM EST - 12/14/20	12.94 S
ESBV22 (D10)	12.90 S	-0.11	13.02	12.89	145	32778	1:00:28 PM EST - 12/14/20	12.90 S
ESBH23 (D10)	13.08 S	-0.12	13.22	13.08	87	11761	1:00:28 PM EST - 12/14/20	13.08 S
ESBK23 (D10)	12.76 S	-0.12	12.91	12.75	193	4806	1:00:28 PM EST - 12/14/20	12.76 S
ESBN23 (D10)	12.53 S	-0.11	12.58	12.57	150	5945	1:00:28 PM EST - 12/14/20	12.53 S
ESBV23 (D10)	12.49 S	-0.10	12.54	12.54	5	2124	1:00:28 PM EST - 12/14/20	12.49 S

World raw sugar futures have dropped from their Nov. 16-24 highs above 15c a lb into the lower 14c range mainly as funds began to liquidate long positions that had swelled to over 200,000 contracts. Adding pressure was expectation that India soon would announce export subsidies, and improved weather in Brazil (mainly for next year's cane crop). Nearby months hold a 1c to 1.5c premium to deferreds. Fund liquidation will limit gains with ideas prices will hold nearer 14c a lb; improved demand as world comes out of COVID-19 restrictions in 2021 may provide support.

# SUA December 2020: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of Dec. 14, 2020.



# SUA December 2020: Corn Sweetener Prices

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

## 42% HFCS Spot

	<u>2021</u>	<u>2020</u>
Midwest	25½-26	25½-26
Northeast	27-27½	27-27½
Southeast	27¼-27¾	27¼-27¾
South	26¾-27¼	26¾-27¼
West	27½-28¾	27½-28¾

## 55% HFCS Spot

	<u>2021</u>	<u>2020</u>
Midwest	32¾-33¾	32¾-33¾
Northeast	34¼-35¼	34¼-35¼
Southeast	34¼-35¼	34¼-35¼
South	34-35	34-35
West	34¾-35¾	34¾-35¾

## Corn Syrup Spot

	<u>2021</u>	<u>2020</u>
Midwest	36¾-37¼	36¾-37¼
Northeast	39-39½	39-39½
Southeast	39-39½	39-39½
South	40-40½	40-40½
West	41-41½	41-41½

Annual contracting of corn sweeteners for 2021 is complete but for the normal stragglers. Pricing mostly was at rollover from 2020 contracted levels. Toll buyers probably paid higher prices due to higher corn prices this year. Demand remains uncertain with COVID-19 still a factor for 55% HFCS. Would expect usual decline in 42% HFCS to resume. Capacity well adjusted.

No changes from Nov. to use of corn for any corn sweetener.

USDA reported Mexico's October HFCS consumption at 118,000 tonnes, dry weight, down 2,000 tonnes from year ago.

December forecast for 2020-21 was unchanged from Nov. at 1,377,000 tonnes, down less than 1% from 2019-20.

Dextrose and glucose contracting for 2021 followed same pattern as other corn sweeteners, except for ongoing good demand and firm prices.

## Dextrose Spot

	<u>2021</u>	<u>2020</u>
East	42-42½	42-42½
Midwest	41-41½	41-41½
South	43-43½	43-43½
West	44-44½	44-44½

No update from USDA for corn crop in Dec. No changes in Dec. WASDE but world supply numbers were lowered - bullish.

# SUA December 2020: Other Issues & Trends

- **Political transition in WDC. What does it mean for policy, trade?**
- **Labeling** – Added Sugars on Nutrition Panel; GMO lawsuit; Mexico and Brazil “warning” labels.
- **The Sugar Association FDA Citizen Petition** – Nothing yet, 180-day FDA response period was up Dec. 3. Nothing expected short term.
- **Sugar taxes** – California lawsuit challenges preemption laws that stopped/slowed city and metro soda taxes since 2018.
- **Dietary Guidelines for Americans** – Less sugar recommended? Expected by end of year.
- **Transportation** – Spot prices rising as freight demand increases.
- **Aluminum** – Tightness of cans.
- **Mideast study finds stevia negatively impacts gut microbes**
- **USDA’s Johansson to ASA**

# SUA December 2020: Conclusions

- **Domestic Sweetener Market**
  - Market in holiday lull with focus on delivering contracted supply.
  - Current stocks are highly committed buy supply available.
  - Awaiting imports from Mexico from February forward.
  - Demand remains uncertain due to spike in coronavirus cases.
  - Prices are unchanged with limited upside potential.
  - Though prices still high and supply moderately tight, market has a distinctly different feel from same time last year.
  - A fair amount of Oct.-Dec. 2021-22 sugar has been sold.
  - Corn sweetener annual contracting is completed.
- **Global Sugar Market**
  - World raw prices have eased as specs have been liquidating long positions in past few weeks, but still sizable net long.
  - Supply concerns have eased with India poised to announce export subsidy and strong Brazilian production/exports, though harvest there is winding down a bit early.