

Sweetener Users Association Conference Call Board Meeting

March 11, 2022

Ron Sterk
Sosland Publishing Company
rsterk@sosland.com

SUA March 2022: What's Happening in Sugar?

- **Domestic 2021-22**
 - Most changes in WASDE made sense this time; more to come?
 - Mostly minor WASDE revisions except deliveries for food.
 - Strong deliveries continued into January, but N-R down sharply.
 - Some spot beet prices were raised; cane steady so far.
 - Mixed sales for 2022-23 ranging from over 50% by one processor to nearly nil; prices are firming.
- **Global 2021-22**
 - Strong production in India and higher exports (from India) offsetting lower-than-expected outturn in China, Thailand.
 - Brazil's Petrobras raises fuel prices sharply March 11, possibly shifting more sugar to ethanol.
 - World raw prices have moved higher.
- **Russia-Ukraine clearly top market mover; what's COVID?**

SUA March 2022: S/D Overview - Sugar

- **US Sugar supply/demand – March 2022**
 - Beet and total sugar production remain record high even though lowered slightly; more declines in beet?
 - USDA boosts deliveries for food 100,000 tons.
 - Mexico imports lowered only 15,000 tons.
 - High-tier imports raised (only) 25,000 tons.
 - TRQ imports raised 21,000 tons.
 - Total supply lowered 26,000 tons.
 - Ending stocks lowered 126,000 tons.
 - USDA sets S-T-U ratio at 13.6% instead of 13.5%.
- **USDA forecast 2022-23 US sugar production at 9,212,000 tons at Ag Outlook Forum**
 - March 31 Prospective Plantings report key for sugar beets as other crops compete for acres (to some degree).

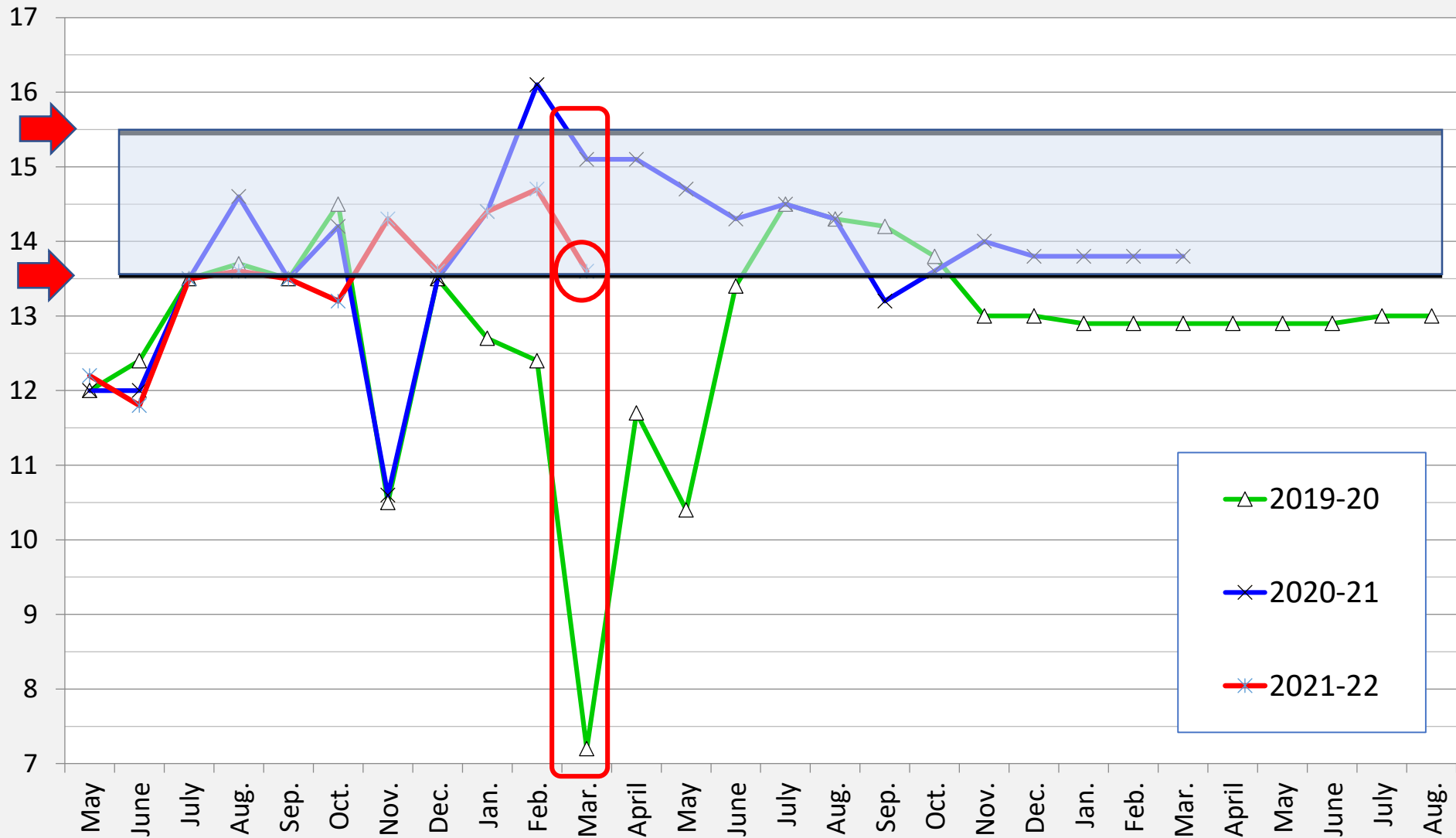
SUA March 2022: USDA March WASDE

1000 short tons	March	March	Change from Feb.		Change from 20-21		RS-SPC
raw value	<u>20-21</u>	<u>21-22</u>	<u>Tons</u>	<u>%</u>	<u>Tons</u>	<u>%</u>	<u>21-22</u>
Begin. Stocks	1,618	1,705	-	0.0%	87	5.4%	1,700
Production	9,233	9,384	(58)	-0.6%	151	1.6%	9,340
Beet	5,092	5,389	(12)	-0.2%	297	5.8%	5,350
Cane	4,141	3,996	(45)	-1.1%	(145)	-3.5%	3,990
Imports	3,195	3,043	31	1.0%	(152)	-4.8%	3,115
T.R.Q.	1,749	1,568	21	1.2%	(181)	-10.3%	1,600
Other Prog.	292	250	-	0.0%	(42)	-14.4%	250
Mexico	968	1,050	(15)	-1.5%	82	8.5%	1,065
High Tier	186	175	25	13.4%	(11)	-5.9%	200
Total Supply	14,046	14,132	(26)	-0.2%	86	0.6%	14,155
Exports	49	35	-	0.0%	(14)	-28.6%	35
Deliveries	12,252	12,405	100	0.8%	153	1.2%	12,430
Food	12,135	12,300	100	0.8%	165	1.4%	12,325
Other	116	105	-	0.0%	(11)	-9.5%	105
Misc.	40	-	-	-	(40)	-100.0%	-
Total Use	12,341	12,440	100	0.8%	99	0.8%	12,465
Ending Stocks	1,705	1,692	(126)	-7.4%	(13)	-0.8%	1,690
Stocks-to-use	13.8%	13.6%	-1.1		-0.2		13.6%

In RS-SPC, I have still lower beet and still higher deliveries, so import adjustments needed to get to 13.6%.

SUA March 2022: Monthly S-T-U Ratios

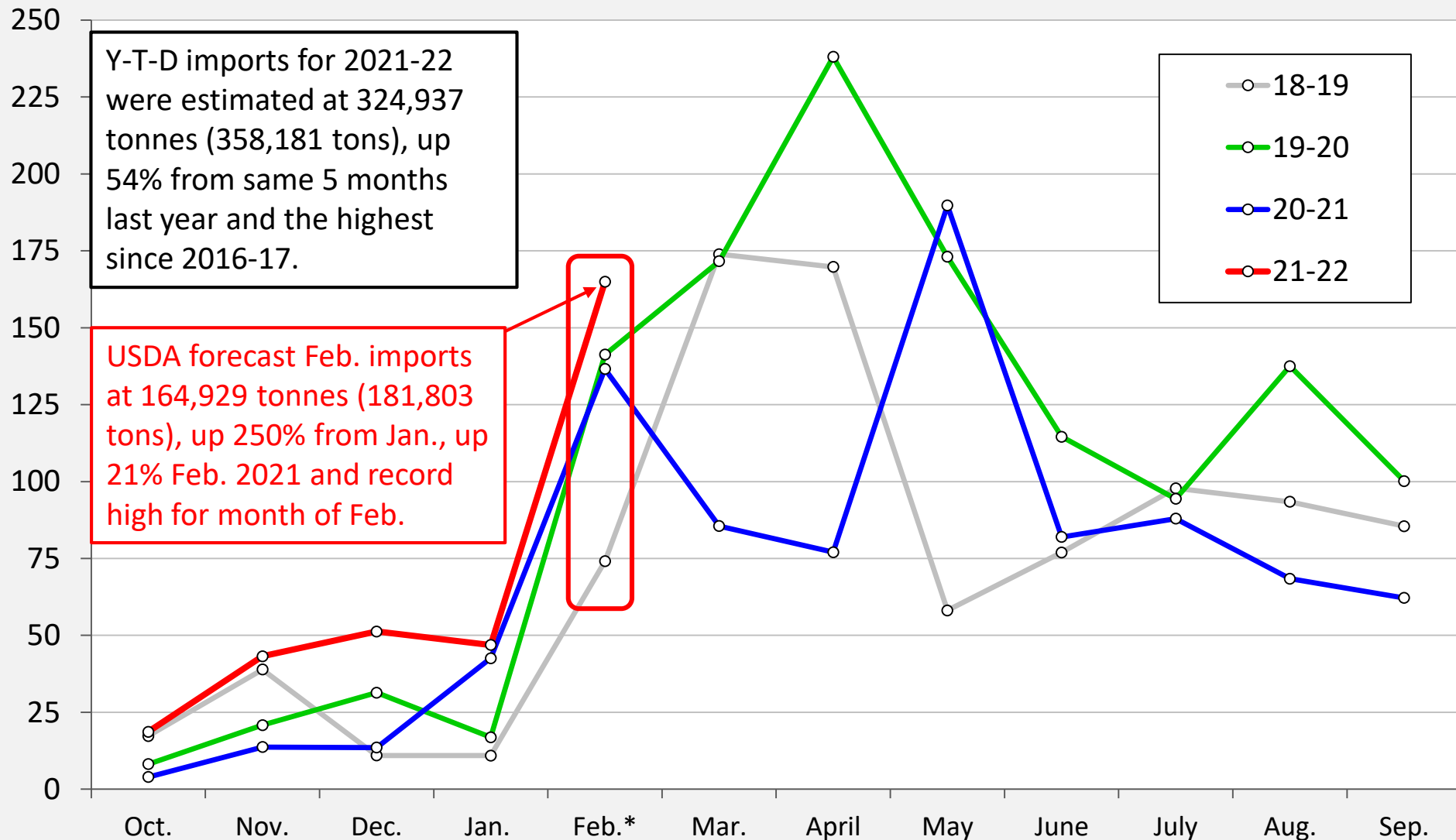
Monthly S-T-U ratios starting in May with initial USDA projection. In percent.



Sources: USDA.

SUA March 2022: Imports from Mexico

In 1,000 tonnes, raw value. *2021-22 forecast by USDA. Sources: USDA and US Census Bureau



SUA March 2022: Year-To-Date Sugar Imports

In short tons, raw value. Sources: USDA and US Census Bureau.

	Oct.-Feb. 2021-22	% of Projected	Full-year Forecast
42% of 2021-22 elapsed			
WTO Raw TRQ	686,678	63%	1,093,161
WTO Refined TRQ	144,720	60%	241,457
FTA Sugar in TRQs	94,443	40%	233,211
Total Quota	925,841	59%	1,567,829
Re-export Program	99,797	40%	250,000
Mexico	358,181	34%	1,050,212
High-duty Sugar	126,272	72%	175,000
Total Imports	1,510,091	50%	3,043,041

- Total USDA import forecast is up about 31,000 tons from February as increases in raw TRQ and high-duty more than offset lower Mexico.
- TRQ imports typically are “front loaded” in first half of year; remain strong.
- Mexico jumped from 17% in Oct.-Jan. to 34% in Oct. Feb.
- FTA sugar in TRQs nearly caught up from slow start.
- **High-duty imports at 72% of annual projection.**

SUA March 2022: SMD March 2022

Source: USDA.

-- Year-to-Date --

<i>Short tons,</i>	Oct.-Jan.	% change
<i>Raw value</i>	<u>2021-22</u>	<u>from 2020-21</u>
Beginning stocks	1,704,830	+5.4%
Total production	5,813,086	-2.5%
Beet	2,859,502	-4.1%
Cane	2,953,584	-0.9%
Total imports	1,175,973	+18.6%
Total supply	8,693,889	+1.4%
Total exports	7,294	-60.0%
Total deliveries	4,158,939	+6.4%
Deliveries, human use	4,117,716	+6.3%
Misc. supply adj.	17,834	-180.1%
Total use	4,184,068	+7.2%
Ending stocks	4,509,821	-3.4%

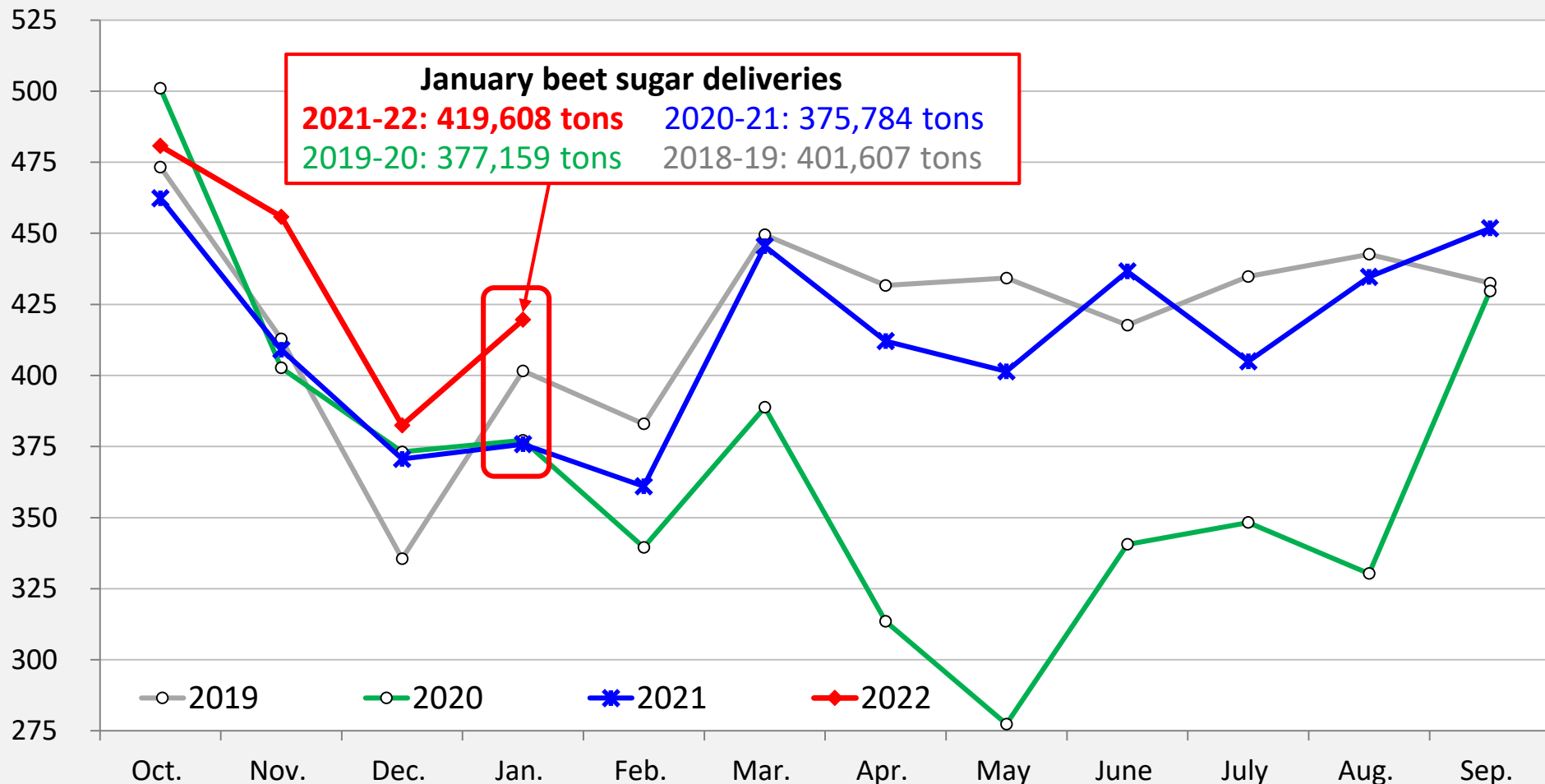
Oct.-Jan. production was down 2.5% from 2021 with January down 9.8%. Oct.-Jan. imports were up 18.6% with January down 6.7% (December up 85%).

Oct.-Jan. deliveries for food were up 6.3% from 2021 (Oct.-Dec. was up 9.6%) with January deliveries down 3.3% (December up 14.5%).

USDA was aware of slowing deliveries but raised deliveries for full year by 100,000 tons in WASDE. Sources indicate continued strong deliveries.

SUA March 2022: Beet Sugar Deliveries

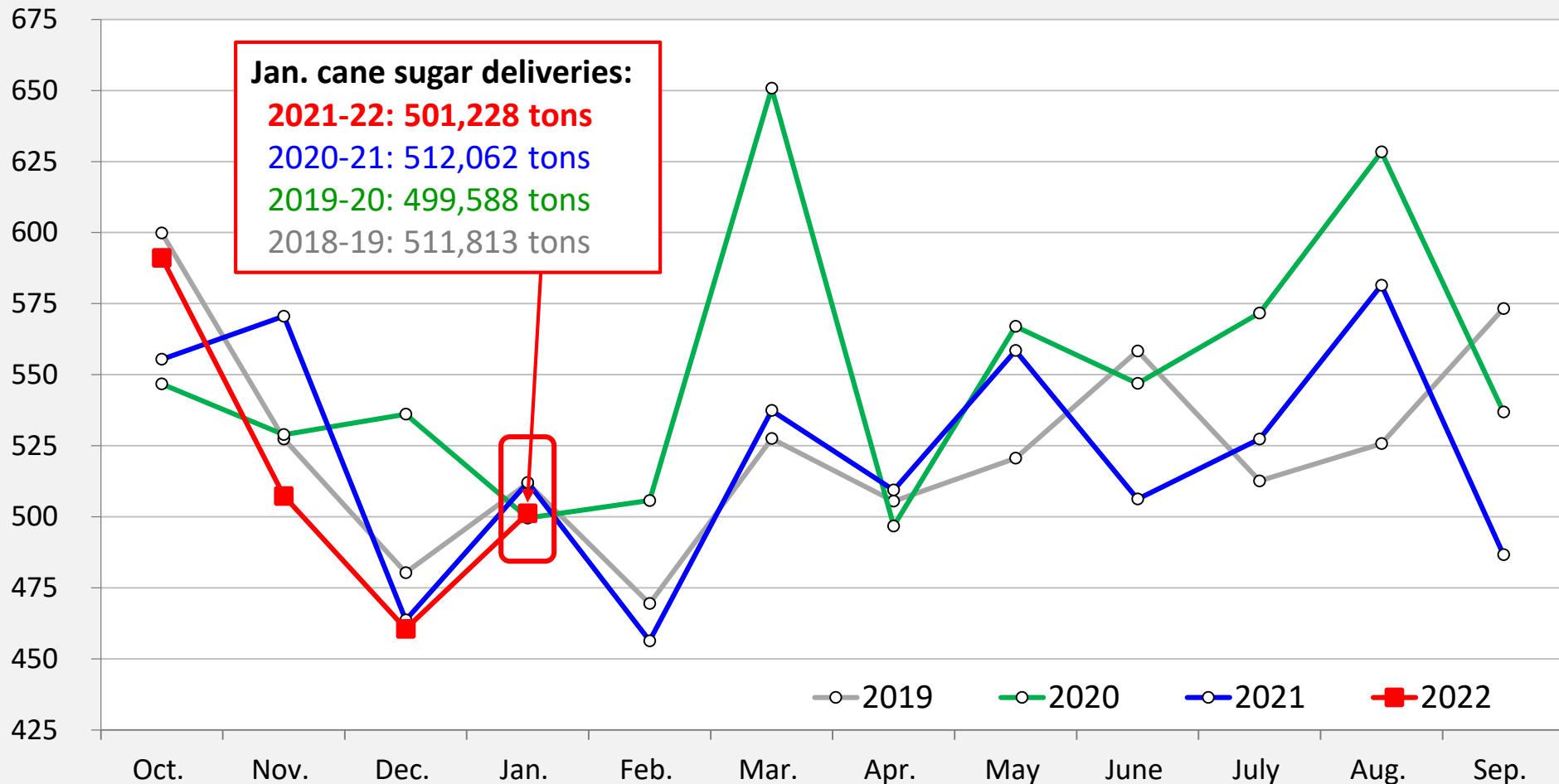
Monthly beet sugar deliveries, in 1,000 tons, raw value, fiscal year. Source: USDA



January beet sugar deliveries of 419,608 tons were up 10% from December, were up 12% from a year ago, were the highest for January since 2016-17 and the second highest on record for the month. Oct.-Jan. beet sugar deliveries were up 7% from a year earlier and were second highest on record for the period.

SUA March 2022: Refined Cane Deliveries

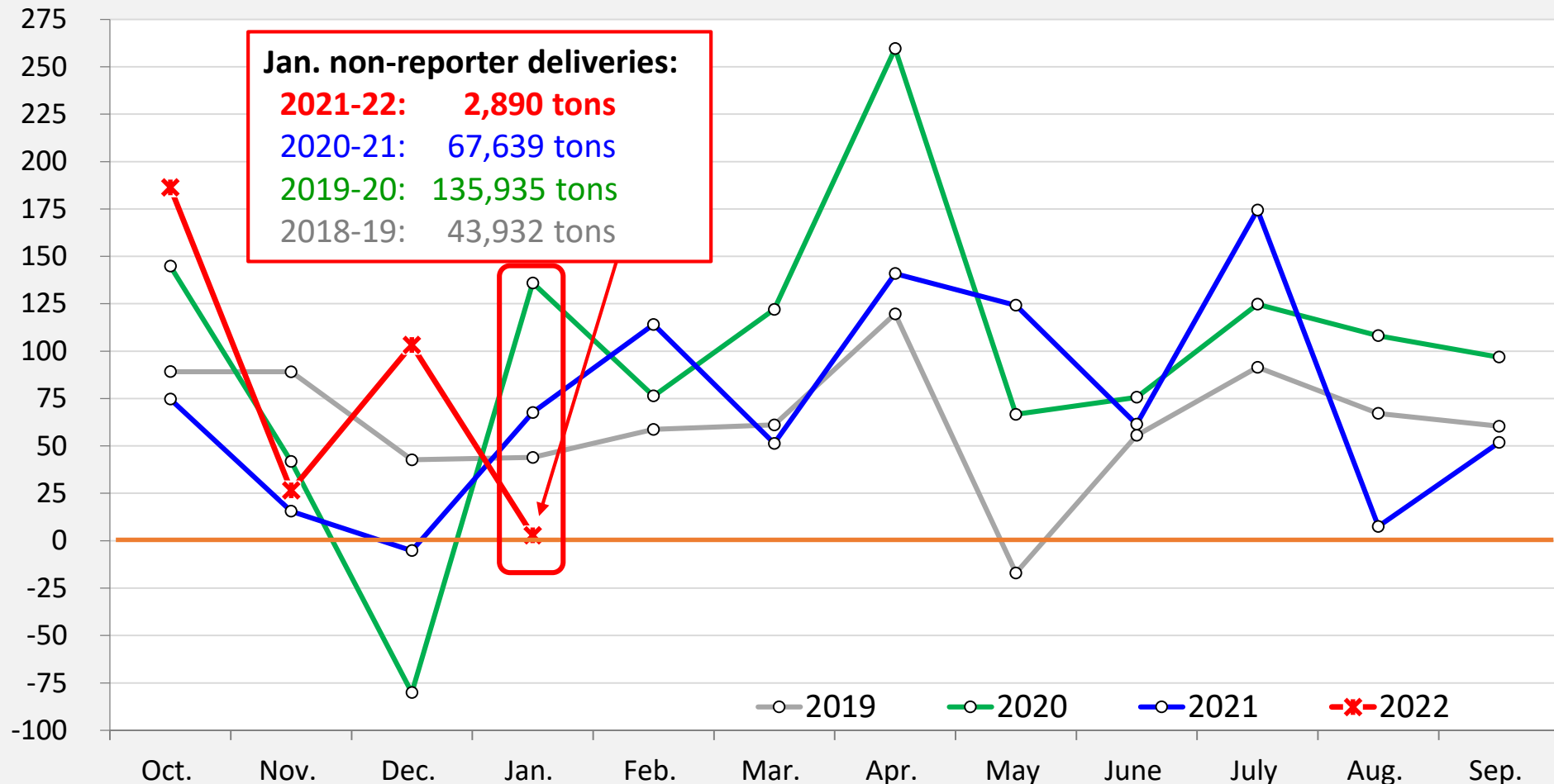
Monthly refined cane sugar deliveries, in 1,000 tons, raw value. Source: USDA



January cane sugar deliveries of 501,228 tons were up 9% from December but were down 2% from a year ago. Oct.-Jan. cane sugar deliveries were down 2% from a year earlier.

SUA March 2022: Non-Reporter Deliveries

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



January N-R deliveries of 2,890 tons were down 97% from December, were down 96% from year ago and were lowest since 2016-17. Oct.-Jan. N-R deliveries of 318,899 tons were down slightly from Oct.-Dec. due to revisions but were up 108% from a year earlier and highest on record (by slim margin).

SUA March 2022: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	FY 2022	FY 2021	Oct.-Jan.	Oct.-Dec.
	<u>Oct.-Jan.</u>	<u>Oct.-Jan.</u>	<u>% change</u>	<u>% change</u>
Total Deliveries/1 (short tons, <u>actual weight</u>)	3,578,875	3,501,303	2.2	1.8
1-Bakery, cereal, and related products	825,646	805,459	2.5	2.0
5-Confectionery and related products	380,874	342,693	11.1	12.3
6-Ice cream and dairy products	265,344	266,632	-0.5	-0.3
7-Beverages	234,479	212,661	10.3	6.9
8-Canned, bottled and frozen foods	135,332	127,038	6.5	4.4
4-Multiple and all other food uses	361,350	380,050	-4.9	-0.5
10-Non-food uses	39,093	41,415	-5.6	-3.3
11-Hotels, restaurants, institutions	31,875	30,661	4.0	3.6
2-Wholesale grocers, jobbers, dealers	788,126	747,123	5.5	3.2
3-Retail grocers, chain stores	427,935	447,774	-4.4	-5.4
12-Government agencies	5,561	5,562	0.0	-1.0
9-All other deliveries	83,260	94,235	-11.6	-11.4
Total Deliveries/1 (short tons, <u>raw value</u>)	3,829,397	3,746,394	2.2	1.8
Crystalline:	3,253,720	3,227,434	0.8	-0.2
Consumer-size packages (retail)	693,366	777,384	-10.8	-11.9
Packages 50 lbs and greater	1,069,037	944,299	13.2	13.5
Unpackaged (bulk)	1,491,317	1,505,752	-1.0	-2.6
Non-crystalline/2	575,677	518,960	10.9	14.6

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

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

Source: USDA

SUA March 2022: USDA 2022-23 Projections

<i>1,000 tons</i>	Mar.	Mar.	Mar.	Outlook	Change from 21-22	
<i>raw value</i>	<u>19-20</u>	<u>20-21</u>	<u>21-22</u>	<u>22-23</u>	<u>Tons</u>	<u>%</u>
Begin. Stocks	1,783	1,618	1,705	1,818	113	6.6%
Production	8,149	9,233	9,384	9,212	(172)	-1.8%
Beet	4,351	5,092	5,389	5,124	(265)	-4.9%
Cane	3,798	4,141	3,996	4,088	92	2.3%
Imports	4,165	3,195	3,043	3,060	17	0.6%
T.R.Q.	2,152	1,749	1,568	1,621	53	3.4%
Other Prog.	432	292	250	250	-	0.0%
Mexico	1,376	968	1,050	1,114	64	6.1%
High Tier	205	186	175	75	(100)	-57.1%
Ttl Supply	14,097	14,046	14,132	14,090	(42)	-0.3%
Exports	61	49	35	35	-	0.0%
Deliveries	12,344	12,252	12,405	12,379	(26)	-0.2%
Food	12,246	12,135	12,300	12,274	(26)	-0.2%
Other	98	116	105	105	-	0.0%
Misc.	74	40	-	-	-	-
Total Use	12,479	12,341	12,440	12,414	(26)	-0.2%
Ending Stocks	1,618	1,705	1,692	1,676	(16)	-0.9%
Stocks-to-use	13.0%	13.8%	13.6%	13.5%		

SUA March 2022: Cash Sugar Prices - Steady

- Beet sugar 2021-22** Offered at 42c to 44c a lb f.o.b. Midwest, steady to up 3c; West Coast at 42c a lb f.o.b. and above; Michigan is sold out.
- Cane sugar 2021-22** Offered Northeast and West Coast at 52c a lb f.o.b.; Southeast and Gulf both around 46c to 51c a lb f.o.b.
- Pricing for 2022-23** Midwest beet mostly offered at 38c to 39c a lb f.o.b., at least one processor set to raise prices in a week or so; Southeast cane offered at 43c a lb f.o.b.; Gulf cane offered around 45c a lb f.o.b.;

Recent developments and factors to watch in cash sugar market

- Some beet processors raised spot prices this week; increases for 2022-23 soon?
- One beet processor is out of market, thought to be oversold.
- Strong sugar output by one processor partly offsetting lower prod. at two others.
- Cane refiners range from sold out to having capacity available.
- Large cane premium to beet narrows in 2022-23 but still well above typical level.
- One beet processor already 50% sold for 2022-23; most just starting but expect to move quickly in next few weeks.
- Higher freight costs may add considerably to delivered prices.

SUA March 2022: New York #16 Raw Futures

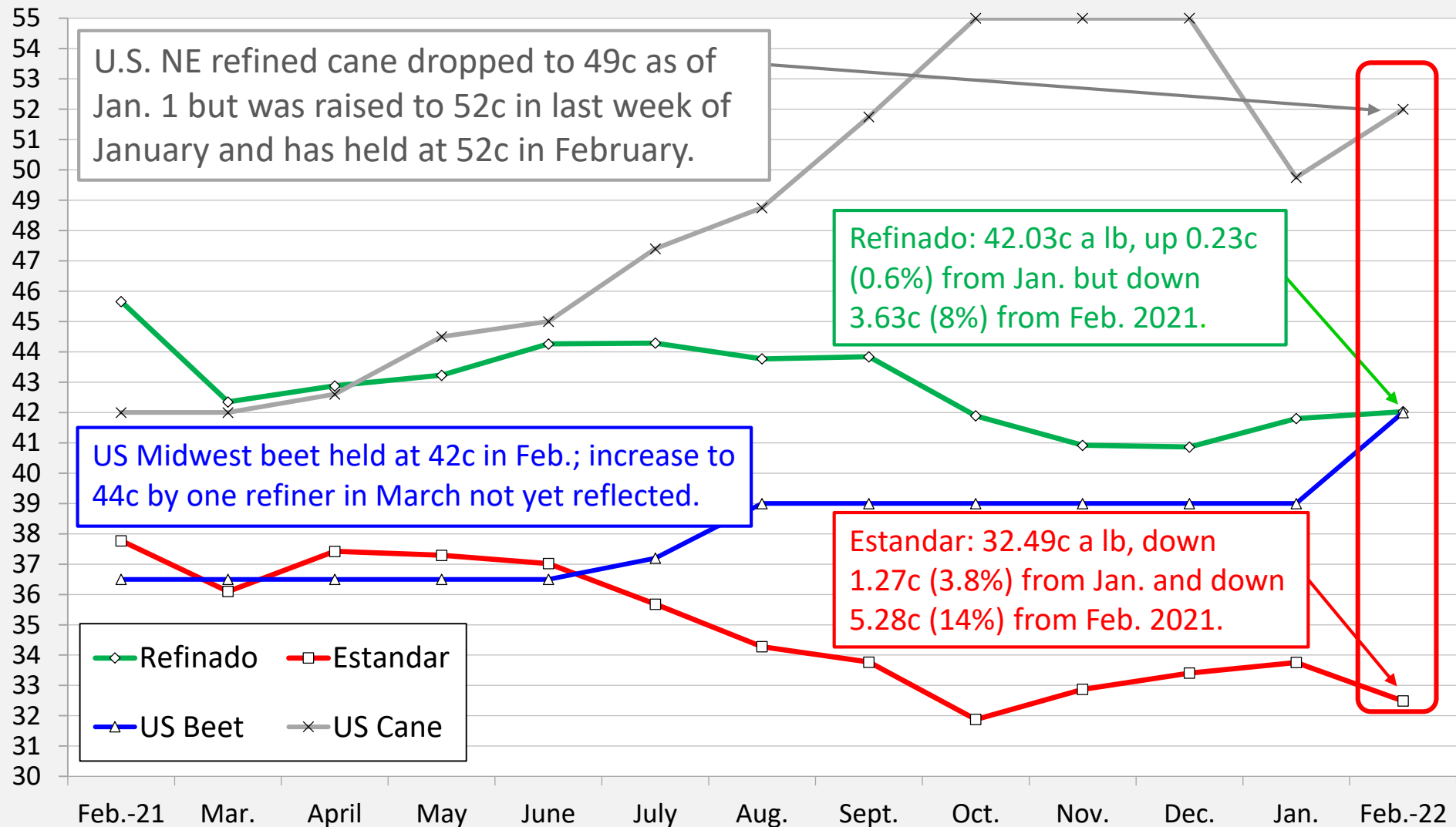
ICE domestic raw sugar futures as of March 9, 2022, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Volume	Open Interest	Time	Settlement
ESFK22 (D10)	36.55 S	0.15	36.55	36.15	659	2724	1:35:33 PM EST - 03/09/22	36.55 S
ESFN22 (D10)	36.60 S	0.10	36.70	36.50	161	1808	1:35:33 PM EST - 03/09/22	36.60 S
ESFU22 (D10)	36.50 S	0.00	36.74	36.50	125	1085	1:35:33 PM EST - 03/09/22	36.50 S
ESFX22 (D10)	35.85 S	0.00			0	1359	1:35:33 PM EST - 03/09/22	35.85 S
ESFF23 (D10)	34.00 S	0.00			0	790	1:35:33 PM EST - 03/09/22	34.00 S
ESFH23 (D10)	34.00 S	0.00			0	1177	1:35:33 PM EST - 03/09/22	34.00 S
ESFK23 (D10)	34.00 S	0.00			0	1045	1:35:33 PM EST - 03/09/22	34.00 S
ESFN23 (D10)	34.00 S	0.00			0	1210	1:35:33 PM EST - 03/09/22	34.00 S
ESFU23 (D10)	34.00 S	0.00			0	500	1:35:33 PM EST - 03/09/22	34.00 S
ESFX23 (D10)	33.60 S	0.00			0	35	1:35:33 PM EST - 03/09/22	33.60 S
ESFF24 (D10)	33.40 S	0.00			0	9	1:35:33 PM EST - 03/09/22	33.40 S

- Nearby No. 16 domestic raws (May-September) are up about 1c from a month ago; 2023 months are about 0.75c higher month-over-month.
- Deferred (2023 months) are at about a 2.5c discount to 2022.
- Trading volume has varied but has been active in nearby months recently.
- The board offers little indication of significantly lower sugar prices through the 2022-23 marketing year.

SUA March 2022: US & Mexico Sugar Prices

Average monthly cash prices, cents/lb. Sources: USDA and Sosland Publishing Co.



SUA March 2022: Mexico WASDE

In 1,000 tonnes, actual weight. Source: USDA March 2022 WASDE.

	March	March	2021-22 change from			
	<u>20-21</u>	<u>21-22</u>	<u>Feb.</u>	<u>%</u>	<u>20-21</u>	<u>%</u>
Begin. Stocks	858	1,053	-	0.0%	195	22.7%
Production	5,715	5,979	-	0.0%	264	4.6%
Imports	65	50	(4)	-7.4%	(15)	-23.1%
Total Supply	6,638	7,082	(4)	-0.1%	444	6.7%
Exports	1,165	1,751	(4)	-0.2%	586	50.3%
Domestic Use	4,420	4,412	-	0.0%	(8)	-0.2%
Total Use	5,585	6,163	(4)	-0.1%	578	10.3%
Ending Stocks	1,053	919	-	0.0%	(134)	-12.7%
S-T-U (total)	18.9%	14.9%	-		-4.0	
S-T-U (dom.)	23.8%	20.8%	-		-3.0	

2021-22: Very minor, offsetting changes from February resulting in unchanged ending stocks.

Trade buzz that prices are high enough in Mexico that export interest may be limited, but certainly better than going to world market.

- **Global supply/demand fundamentals**
 - India's cane harvest seen record large, strong exports offsetting lower-than-expected production in China, Thailand.
 - India's unsubsidized export sales reach 6.4 million tonnes; 7.5 million expected (vs 7.2 million last year of which 6 million was subsidized).
 - Brazil's 2022-23 harvest starting slow but expected up from 2021-22.
 - Petrobras boosted gasoline prices 18.9%, diesel 24.9% as of March 11.
 - COVID far overshadowed by Russia-Ukraine, although latter impact on sugar mostly indirect via energy.
- **Pricing**
 - Nearby raws have firmed, more after Petrobras announcement.
 - Funds have slowly been adding to net long in world raws.
 - Crude oil prices near 14-year highs offer support.
 - Strong exports from India offer resistance (19c to 20c draw exports).
 - Colloquium speakers were pretty bullish on prices for sugar (and about everything else).

SUA March 2022: New York #11 Raw Futures

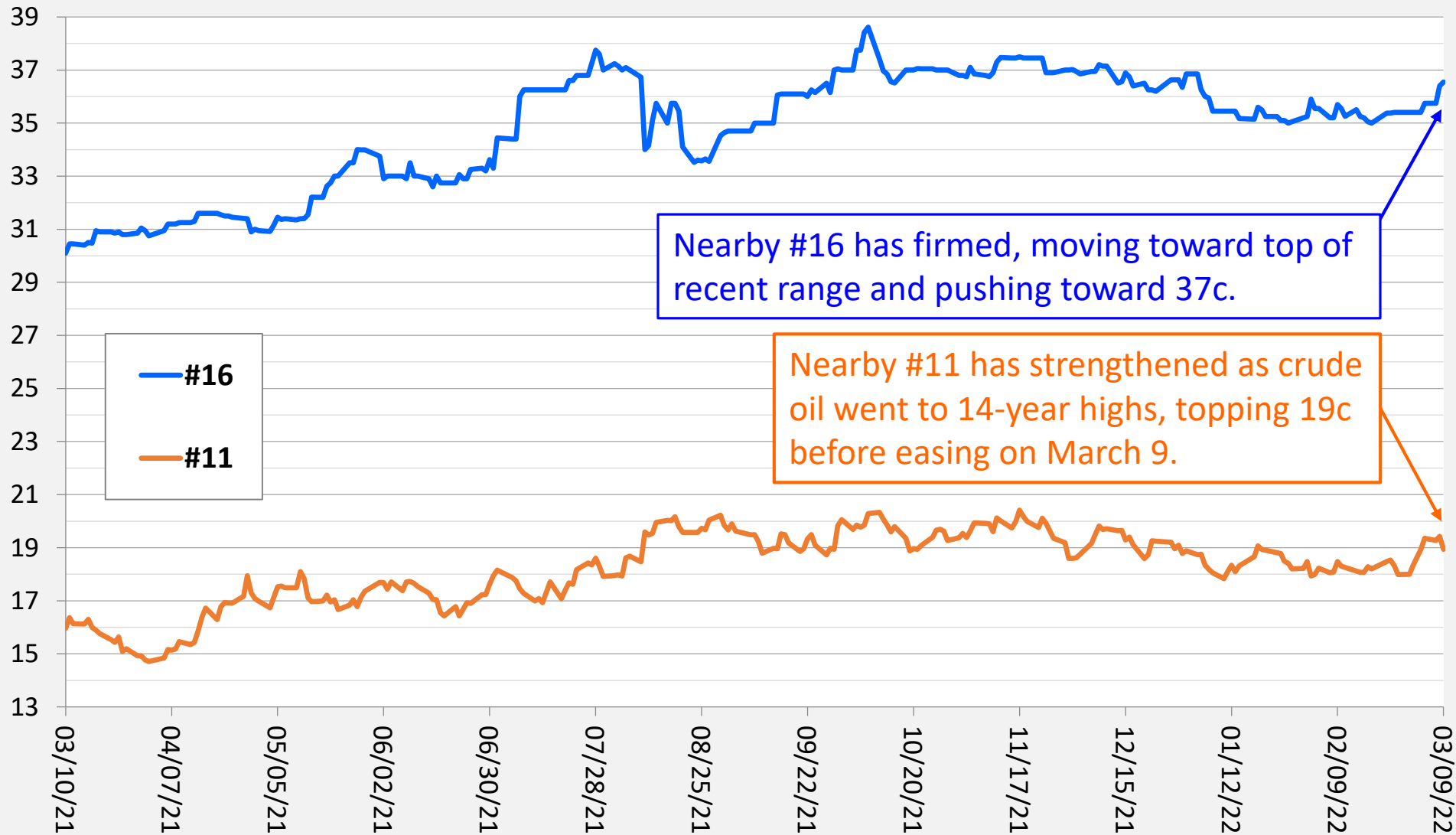
ICE world raw sugar futures as of March 9, 2022, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Volume	Open Interest	Time	Settlement
ESBK22 (D10)	18.94 S	-0.49	19.63	18.91	75186	331812	1:03:25 PM EST - 03/09/22	18.94 S
ESBN22 (D10)	18.92 S	-0.39	19.46	18.86	46200	170460	1:03:25 PM EST - 03/09/22	18.92 S
ESBV22 (D10)	19.07 S	-0.28	19.48	19.00	22272	126157	1:03:25 PM EST - 03/09/22	19.07 S
ESBH23 (D10)	19.29 S	-0.18	19.56	19.20	10917	90266	1:03:25 PM EST - 03/09/22	19.29 S
ESBK23 (D10)	18.46 S	-0.06	18.59	18.33	3416	39128	1:03:25 PM EST - 03/09/22	18.46 S
ESBN23 (D10)	17.92 S	0.02	17.96	17.78	1701	34424	1:03:25 PM EST - 03/09/22	17.92 S
ESBV23 (D10)	17.58 S	0.08	17.61	17.41	1474	25558	1:03:25 PM EST - 03/09/22	17.58 S
ESBH24 (D10)	17.51 S	0.08	17.54	17.38	316	9603	1:03:25 PM EST - 03/09/22	17.51 S
ESBK24 (D10)	16.97 S	0.07	17.00	16.93	51	2760	1:03:25 PM EST - 03/09/22	16.97 S
ESBN24 (D10)	16.63 S	0.07	16.66	16.60	53	5068	1:03:25 PM EST - 03/09/22	16.63 S
ESBV24 (D10)	16.58 S	0.08	16.62	16.45	50	2177	1:03:25 PM EST - 03/09/22	16.58 S

- World raws are up sharply from month ago mainly following crude oil.
- Global production forecasts remain strong but shifting more to India and away from Thailand and China with Brazil an unknown (up from 2021-22 but draw for ethanol uncertain – likely higher).
- Trading volume has varied, mostly moderate to active.
- Fund net long increasing but still far below a few months ago.
- Colloquium speakers were bullish on world raw futures.

SUA March 2022: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of March 9, 2022.



SUA March 2022: Corn Sweeteners

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

42% HFCS Spot

	<u>2022</u>	<u>2021</u>
Midwest	25½-29	25½-26
Northeast	27-30½	27-27½
Southeast	27¼-30¾	27¼-27¾
South	26¾-30¼	26¾-27¼
West	27½-31¾	27½-28¾

55% HFCS Spot

	<u>2022</u>	<u>2021</u>
Midwest	32¾-38¾	32¾-33¾
Northeast	34¼-40¼	34¼-35¼
Southeast	34¼-40¼	34¼-35¼
South	34-40	34-35
West	34¾-40¾	34¾-35¾

Corn Syrup Spot

	<u>2022</u>	<u>2021</u>
Midwest	37-43	36¾-37¼
Northeast	39-45	39-39½
Southeast	39-45	39-39½
South	40-46	40-40½
West	41-47	41-41½

Demand for dextrose and glucose remains strong, with the dextrose situation still critical and distributors indicating supplies are rationed.

USDA left annual forecasts for HFCS consumption in Mexico unchanged from February. Oct.-Jan. consumption was down 3% from year earlier vs Oct.-Dec. down 3.6%. USDA has noted consistently that sweetener consumption, both sugar and HFCS, is continuing to decline in Mexico.

There were no changes from February for US corn use for sweeteners indicated in March WASDE. Corn use for ethanol and corn exports were raised for 2021-22, and farm price was raised 20c a bu. Tolling customers will be paying more. March 31 Prospective Plantings report will be big for corn (and all crops).

Dextrose Spot

	<u>2022</u>	<u>2021</u>
East	50-55	42-42½
Midwest	49-54	41-41½
South	51-56	43-43½
West	52-57	44-44½

SUA March 2022: Conclusions

- **Domestic Sweetener Market**
 - Sugar supplies are highly committed for 2021-22, but sugar is available at a price, especially cane. Spot prices are firming.
 - Strong deliveries appear to be continuing but slowing.
 - Sales for 2022-23 vary widely from 50% to less than 5%; but expected to advance rapidly soon; prices are firming.
 - No. 16 prices rising again; support refined values.
 - Trapped stocks again likely in Louisiana.
 - Logistics, outside markets boosting delivered prices.
 - Watch March 31 Prospective Plantings report for beets.
- **Global Sugar Market**
 - No. 11 raws have strengthened, underpinned by energy.
 - Global sugar supplies are improving with India critical.
 - Russia-Ukraine conflict clearly replaces covid as market wild card; may give a boost to sugar and corn sweetener prices amid major impacts on other markets.