

Sweetener Users Association Conference Call

September 16, 2022

Ron Sterk
Sosland Publishing Company
rsterk@sosland.com

SUA September 2022: What's Happening in Sugar?

■ Domestic

- S-T-U ratios lowered for 2021-22 and for 2022-23.
- Late-season weather has been very cooperative for beets, and lack of hurricanes has helped cane crops & cane refiners.
- Refined sugar deliveries slowed during the summer.
- Spot supplies limited by late start to beet harvest/processing.
- Beet processors likely to remain out of market for rest of 2022-23.
- Sellers note active inquiries.
- Beet and cane sugar sales continue for 2023-24.
- Spot beet and cane sugar prices holding steady through yearend.
- No. 11 & 16 raws in trading range; spot white contract surges.

■ Global

- Tight nearby white and raw supplies support spot prices.
- India to resume sugar exports in October.
- Lower gasoline taxes push cane to sugar in Brazil.
- Philippines won't ship TRQ in 2022-23.

SUA September 2022: S/D Overview - Sugar

- **US Sugar supply/demand – September 2021-22**
 - USDA lowers beet sugar production by 53,000 tons.
 - TRQ imports lower, high-tier imports higher.
 - Deliveries lowered by 50,000 tons.
 - Ending stocks lowered by 75,000 tons; S-T-U ratio to 13.8% from 14.3%.
 - Current market seems far tighter than 13.8% S-T-U.
- **US Sugar supply/demand – September 2022-23**
 - Beginning stocks lowered 75,000 tons.
 - Production lowered slightly; more downside to beet sugar supply.
 - TRQ imports raised on extended 2021-22 delivery period.
 - Regular 222,000-tonne specialty sugar TRQ announced (as expected) after WASDE; includes 200,000 tonnes of mostly organic sugar.
 - Mexico imports lowered to adjust for 13.5% S-T-U.
 - Deliveries unchanged from August.
 - Ending stocks lowered 104,000 tons from August.
 - Market is tight heading into next year.

SUA September 2022: USDA September 21-22

1000 short tons raw value	September	Change from August		Change from 20-21		RS-SPC
	<u>21-22</u>	<u>Tons</u>	<u>%</u>	<u>Tons</u>	<u>%</u>	<u>21-22</u>
Begin. Stocks	1,705	-	0.0%	87	5.4%	1,705
Production	9,065	(52)	-0.6%	(168)	-1.8%	9,040
Beet	5,102	(53)	-1.0%	10	0.2%	5,080
Cane	3,963	2	0.1%	(178)	-4.3%	3,960
Imports	3,673	(73)	-1.9%	452	14.0%	3,665
T.R.Q.	1,648	(118)	-6.7%	(101)	-5.8%	1,640
Other Prog.	300	-	0.0%	8	2.7%	300
Mexico	1,355	-	0.0%	387	40.0%	1,350
High Tier	370	45	13.8%	158	74.5%	375
Ttl Supply	14,443	(125)	-0.9%	371	2.6%	14,410
Exports	35	-	0.0%	(14)	-28.6%	35
Deliveries	12,655	(50)	-0.4%	378	3.1%	12,645
Food	12,550	(50)	-0.4%	389	3.2%	12,540
Other	105	-	0.0%	(11)	-9.5%	105
Misc.	-	-	-	(40)	-100%	-
Total Use	12,690	(50)	-0.4%	323	2.6%	12,680
Ending Stocks	1,753	(75)	-4.1%	48	2.8%	1,730
Stocks-to-use	13.8%	-0.5	-	-	-	13.6%

Green column – US sugar production should be known; beet sugar a bit lower due to late harvest; high-tier slightly above USDA; deliveries slightly below USDA.

SUA September 2022: USDA September 22-23

1000 short tons	September	September	Change from July		Change from 21-22		RS-SPC
<i>raw value</i>	<u>21-22</u>	<u>22-23</u>	<u>Tons</u>	<u>%</u>	<u>Tons</u>	<u>%</u>	<u>22-23</u>
Begin. Stocks	1,705	1,753	(75)	-4.1%	48	2.8%	1,750
Production	9,065	9,141	(10)	-0.1%	76	0.8%	9,050
Beet	5,102	5,119	(19)	-0.4%	17	0.3%	5,025
Cane	3,963	4,021	8	0.2%	58	1.5%	4,025
Imports	3,673	3,481	(20)	-0.6%	(192)	-5.2%	3,625
T.R.Q.	1,648	1,562	117	8.1%	(86)	-5.2%	1,700
Other Prog.	300	250	-	0.0%	(50)	-16.7%	250
Mexico	1,355	1,619	(137)	-7.8%	264	19.5%	1,575
High Tier	370	50	-	0.0%	(320)	-86.5%	100
Ttl Supply	14,443	14,375	(104)	-0.7%	(68)	-0.5%	14,425
Exports	35	35	-	0.0%	-	0.0%	35
Deliveries	12,655	12,630	-	0.0%	(25)	-0.2%	12,605
Food	12,550	12,525	-	0.0%	(25)	-0.2%	12,500
Other	105	105	-	0.0%	-	0.0%	105
Misc.	-	-	-	-	-	-100.0%	-
Total Use	12,690	12,665	-	0.0%	(25)	-0.2%	12,640
Ending Stocks	1,753	1,710	(104)	-5.7%	(43)	-2.5%	1,785
Stocks-to-use	13.8%	13.5%	-0.8		-0.3		14.1%

Green column – I expect lower beet sugar production in 2022-23, slightly higher cane sugar. Imports are higher to account for specialty sugar TRQ (just announced). High-tier higher than USDA; deliveries lower than USDA; S-T-U at 14.1% (but tight market).

SUA July 2022: SMD July 2022 (Oct.-July data)

Source: USDA.

-- Year-to-Date --

<i>Short tons, Raw value</i>	Oct.-July 2021-22	% change from 20-21
Beginning stocks	1,704,830	+5.4%
Total production	8,521,238	-0.3%
Beet	4,602,771	+4.2%
Cane	3,918,468	-5.1%
Total imports	2,996,249	+7.2%
Total supply	13,222,317	+2.0%
Total exports	21,058	-52.6%
Total deliveries	10,454,604	+2.4%
Deliveries, human use	10,359,272	+2.4%
Misc. supply adj.	816	-96.6%
Total use	10,476,478	+1.9%
Ending stocks	2,745,839	2.5%

July beet production was down 14.3% from July 2021.

July total deliveries were down 7.5% with food down 7.3% from July 2021.

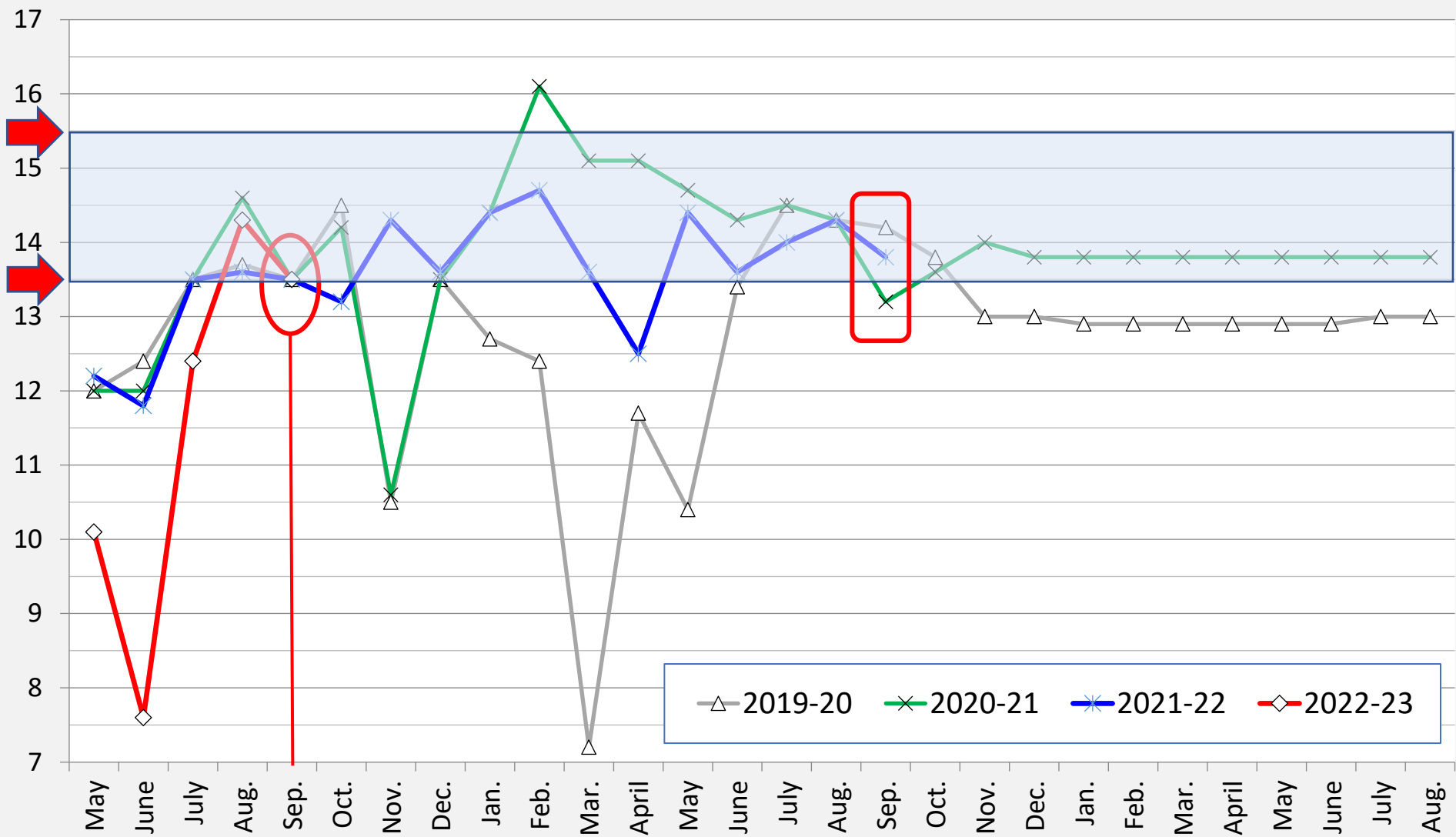
Total use in July was down 3.8% from July 2021.

Oct.-July deliveries still up 2.4% from 2021; total use up 1.9%.

Data reflects slowdown in deliveries during the summer; USDA lowered food deliveries in Sept. WASDE by 50,000 tons; total for year still up 389,000 tons, or 3.2%, from 2020-21.

SUA September 2022: Monthly S-T-U Ratios

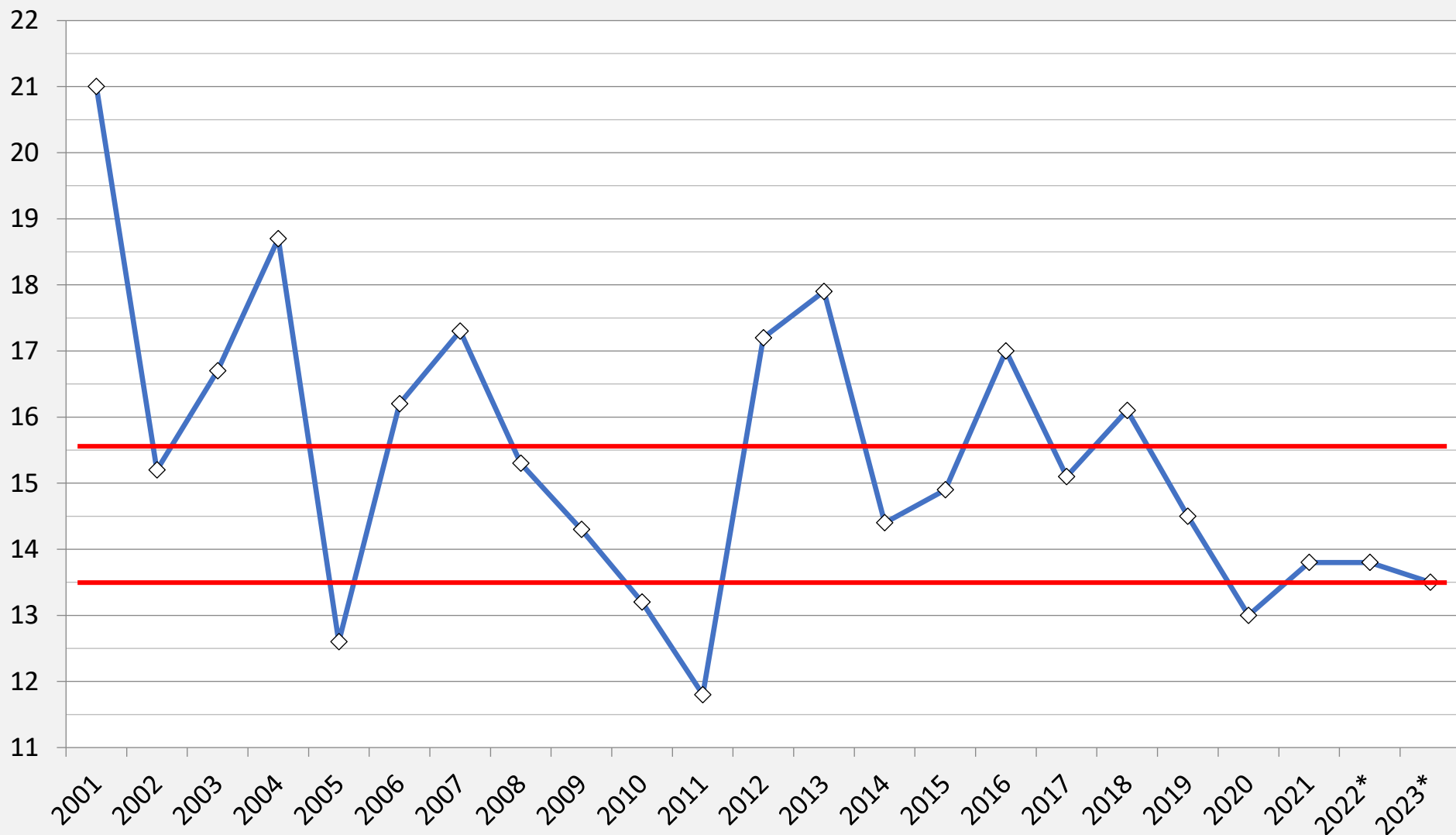
Monthly S-T-U ratios starting in May with initial USDA projection. In percent.



Source: USDA.

SUA September 2022: Annual S-T-U Ratios

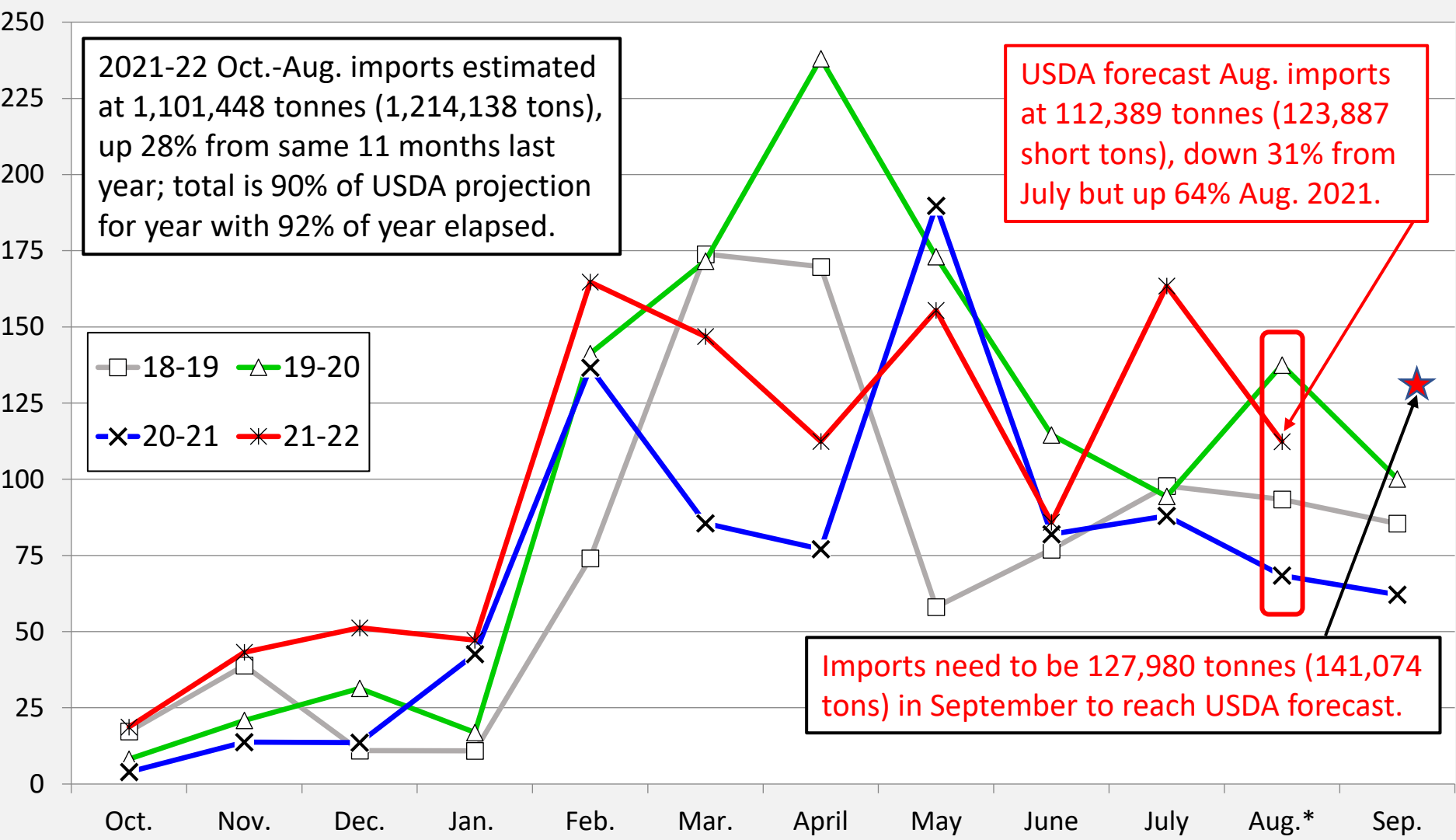
Annual S-T-U ratios; *2022 and 2023 forecast by USDA as of September WASDE.



Source: USDA.

SUA September 2022: Imports from Mexico

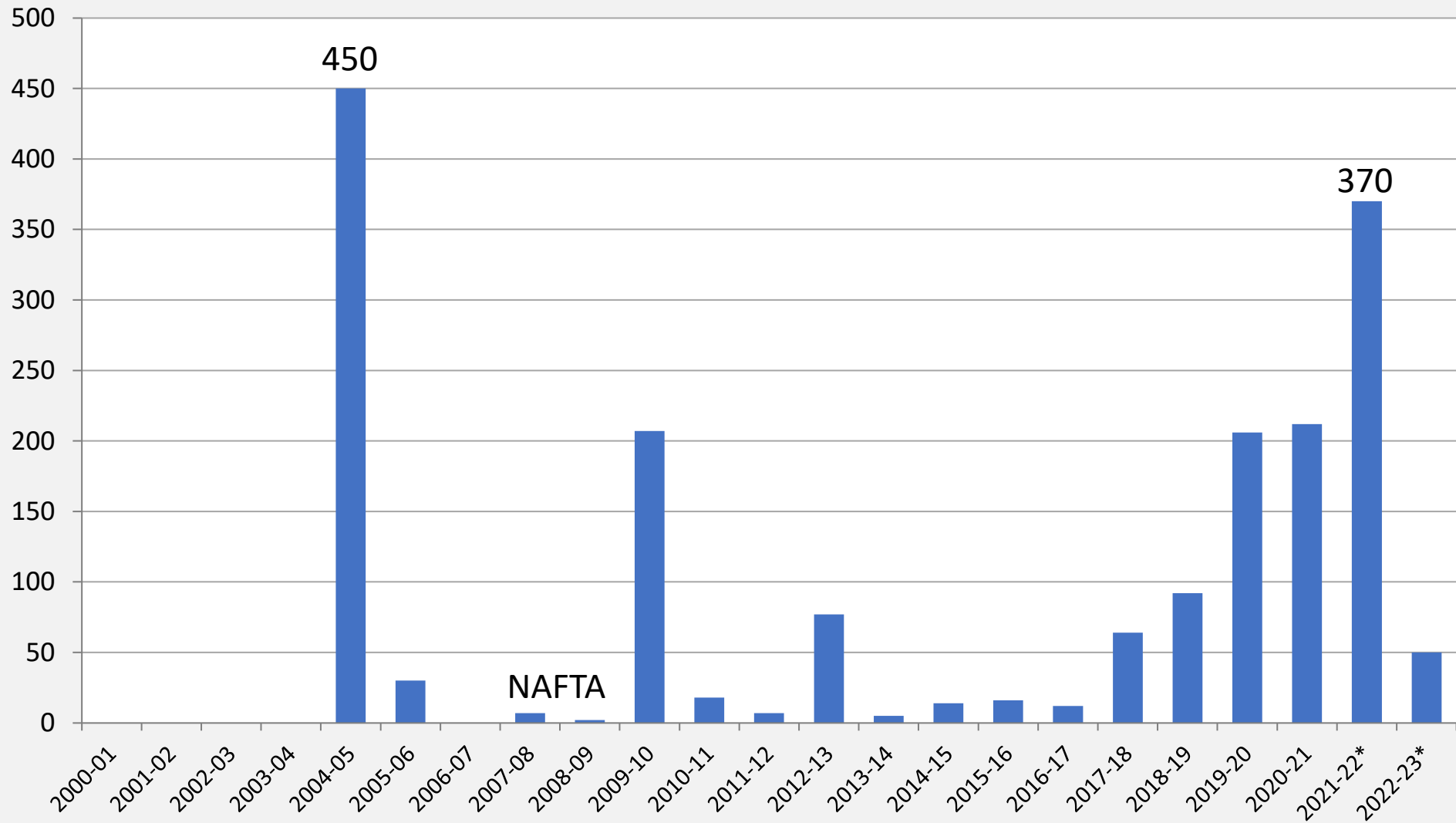
In 1,000 tonnes, raw value. *2021-22 forecast by USDA. Sources: USDA and US Census Bureau.



While the September import amount is high historically, it's certainly doable, unless drop in August is indication of tightness in Mexico.

SUA August 2022: Annual High-Tier Imports

In 1,000 short tons, raw value. Source: USDA WASDE reports.



High-tier imports weren't broken out from "other" in WASDE footnote until 2004-05, but total "other" was usually quite small.

SUA September 2022: Year-To-Date Sugar Imports

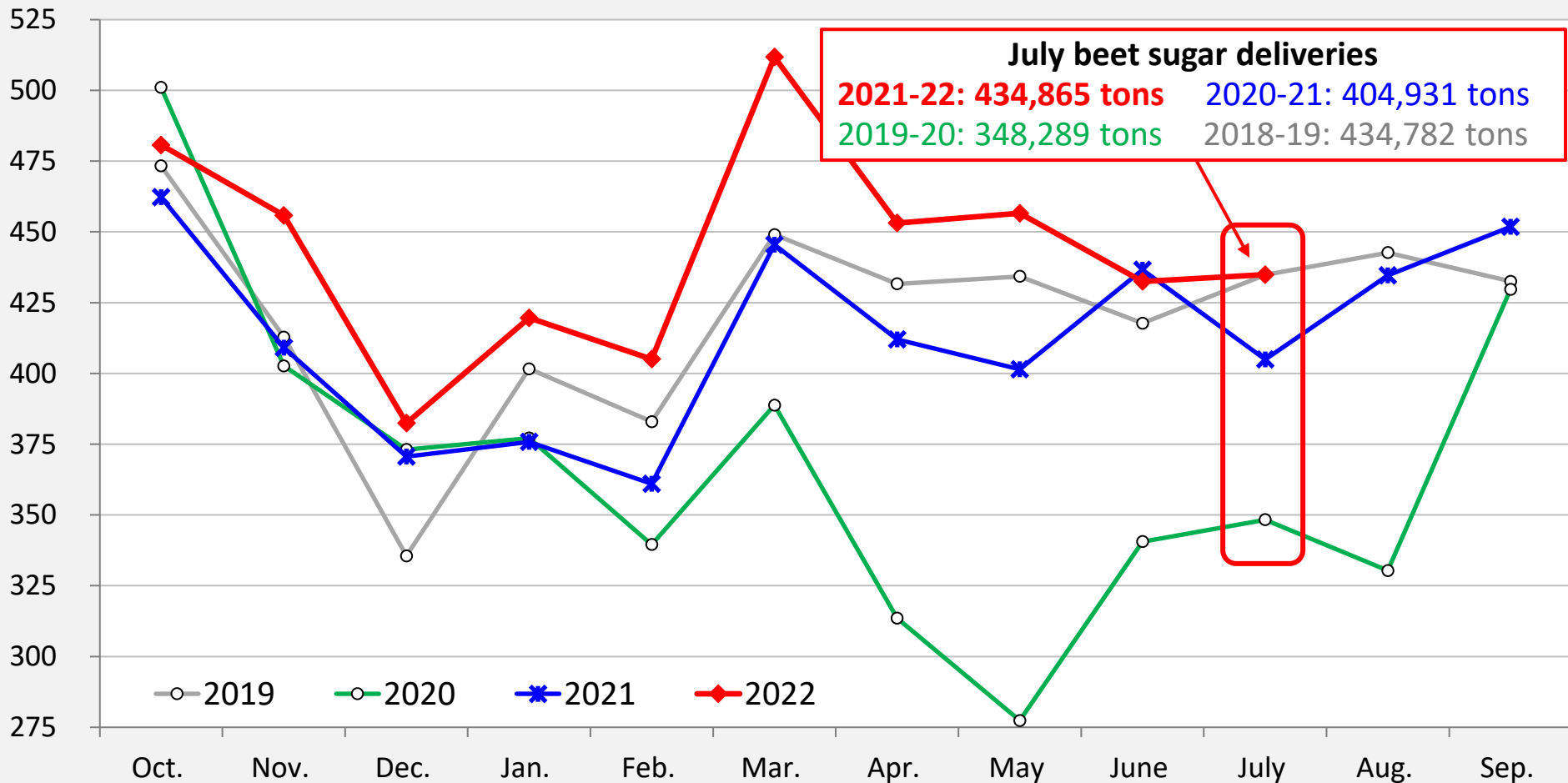
In short tons, raw value. Sources: USDA and US Census Bureau.

	Oct.-Aug. 2021-22	% of Projected	Full-year Forecast
92% of 2021-22 elapsed			
WTO Raw TRQ	1,041,164	89%	1,173,441
WTO Refined TRQ	237,199	98%	241,457
FTA Sugar in TRQs	216,839	93%	233,211
Total Quota	1,495,201	91%	1,648,109
Re-export Program	268,566	90%	300,000
Mexico	1,214,138	90%	1,355,212
High-duty Sugar	354,219	96%	370,000
Total Imports	3,332,125	91%	3,673,321

- Total USDA import forecast is down 72,615 tons from July due to a 117,615-ton decrease in raw sugar TRQ (shifted to 2022-23) partially offset by a 45,000-ton increase in high-duty imports.
- Total year-to-date imports are on pace to meet USDA projections.

SUA September 2022: Beet Sugar Deliveries

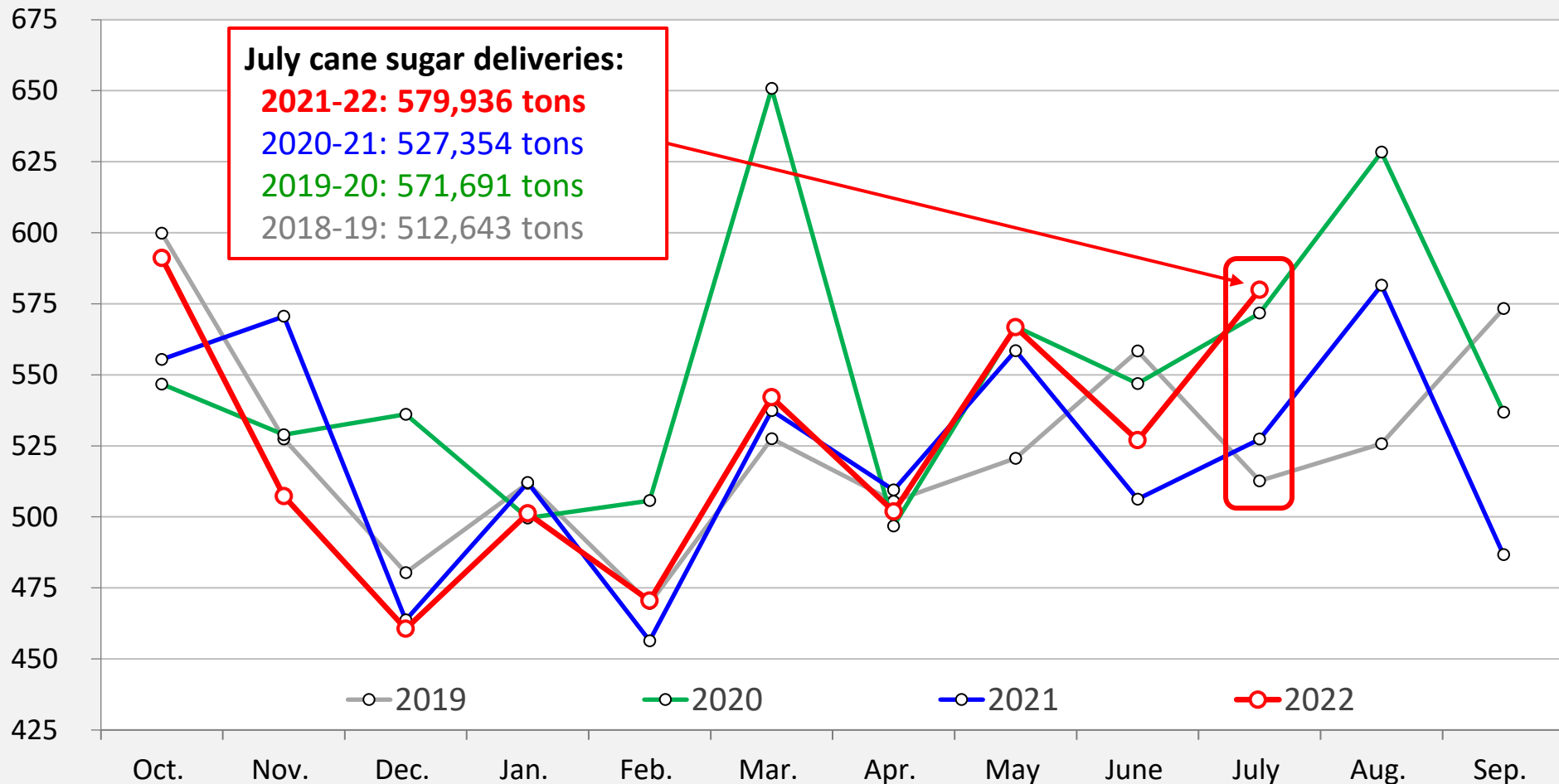
Monthly beet sugar deliveries, in 1,000 tons, raw value, fiscal year. Source: USDA



July beet sugar deliveries of 434,865 tons were up 0.7% from June and were up 7.4% from July 2021. October-July deliveries of 4,432,307 tons were up 9% from the same period a year ago and were the highest on record for the period.

SUA September 2022: Refined Cane Deliveries

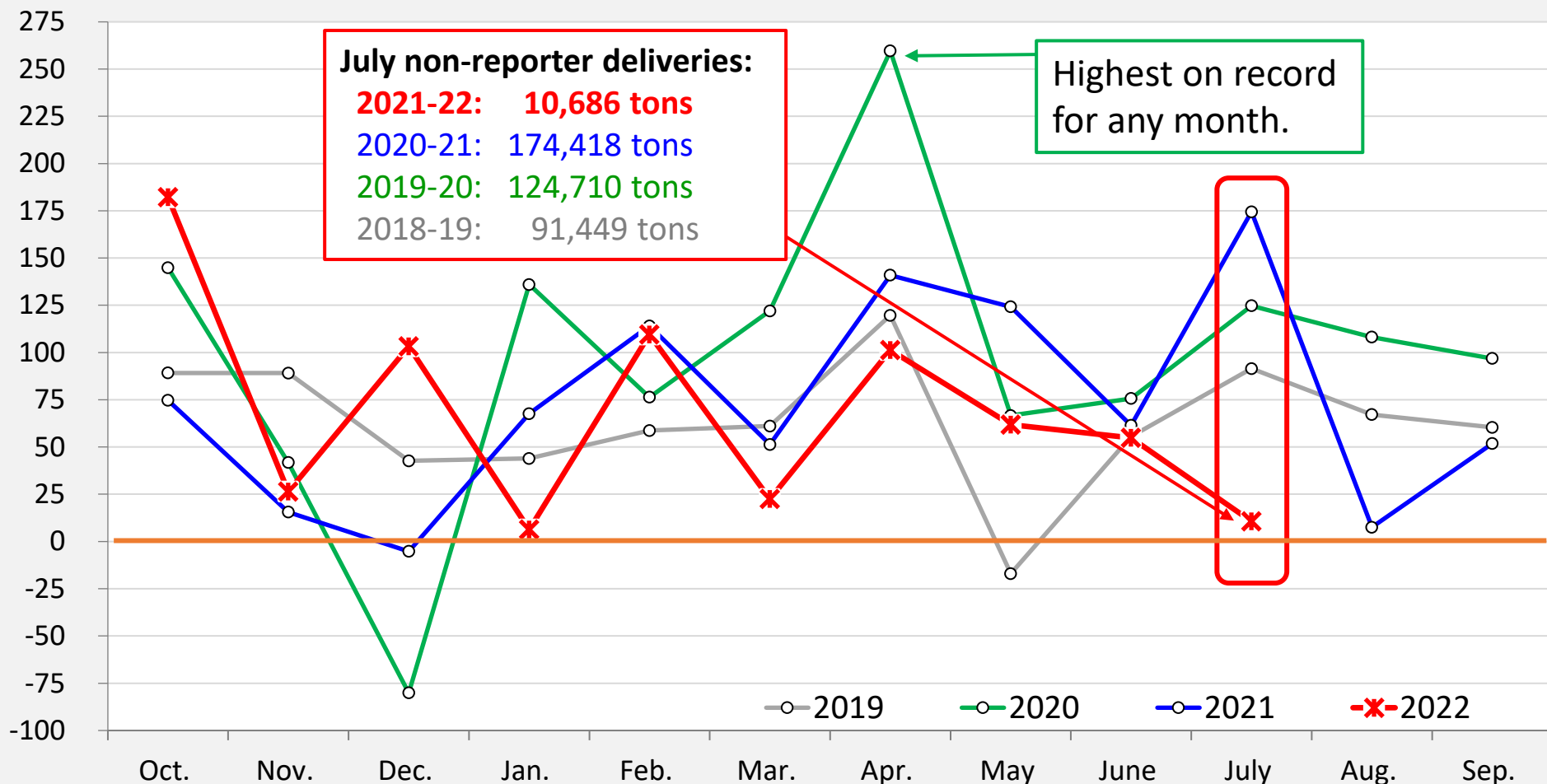
Monthly refined cane sugar deliveries, in 1,000 tons, raw value. Source: USDA



July refined cane sugar deliveries of 579,936 tons were up 10% from both June 2022 and July 2021 and were the highest on record for the month. Oct.-July cane sugar deliveries of 5,248,281 tonnes were up 1% from same period last year and third highest on record for period (2019-20 and 2015-16 were higher).

SUA September 2022: Non-Reporter Deliveries

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



July N-R deliveries of 10,686 tons were down 80% from June, were down 94% from July 2021 and lowest for month since 2004-05. N-R deliveries have slowed since April. Oct.-July total of 678,685 tons is down 17% from the same period last year.

SUA September 2022: Deliveries for Human Use

<u>PRODUCT OR BUSINESS OF BUYER</u>	<u>Oct.-July Deliveries</u>	<u>Oct.-July % change</u>	<u>Oct.-June % change</u>
Total Deliveries/1 (short tons, <u>actual weight</u>)	9,114,009	4.4	3.9
1-Bakery, cereal, and related products	2,150,084	6.0	5.3
5-Confectionery and related products	985,492	10.5	10.8
6-Ice cream and dairy products	682,666	1.3	0.3
7-Beverages	653,689	8.5	8.5
8-Canned, bottled and frozen foods	330,315	3.3	4.4
4-Multiple and all other food uses	841,174	-7.0	-7.3
10-Non-food uses	98,728	-4.2	-6.5
11-Hotels, restaurants, institutions	78,450	5.5	4.7
2-Wholesale grocers, jobbers, dealers	2,035,998	8.3	7.7
3-Retail grocers, chain stores	1,030,134	3.6	2.4
12-Government agencies	13,327	1.6	-0.1
9-All other deliveries	213,953	-12.7	-11.6
Total Deliveries/1 (short tons, <u>raw value</u>)	9,751,990	4.4	3.9
Crystalline:	8,276,555	3.7	3.3
Consumer-size packages (retail)	1,677,820	-3.8	-5.0
Packages 50 lbs and greater	2,676,974	9.8	10.2
Unpackaged (bulk)	3,921,762	3.2	2.7
Non-crystalline/2	1,475,435	8.5	7.6

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

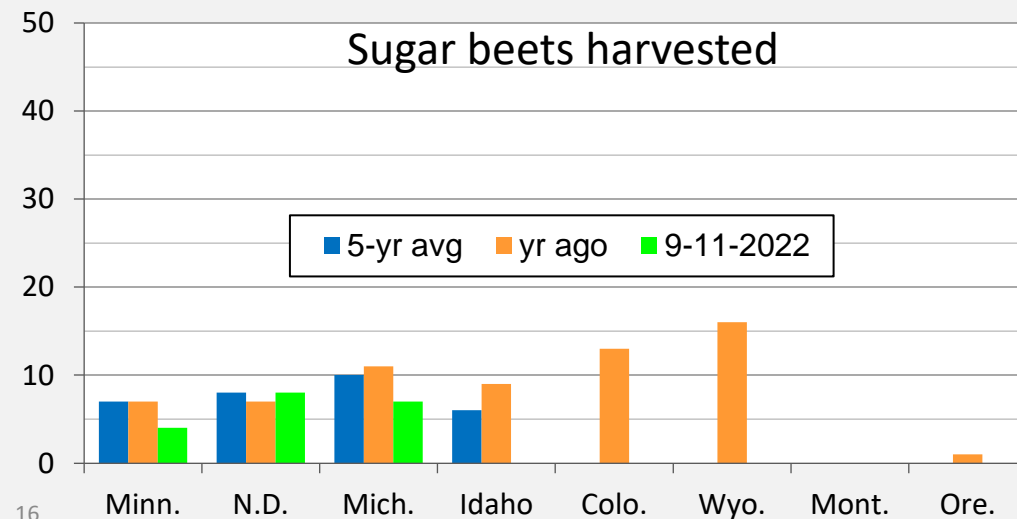
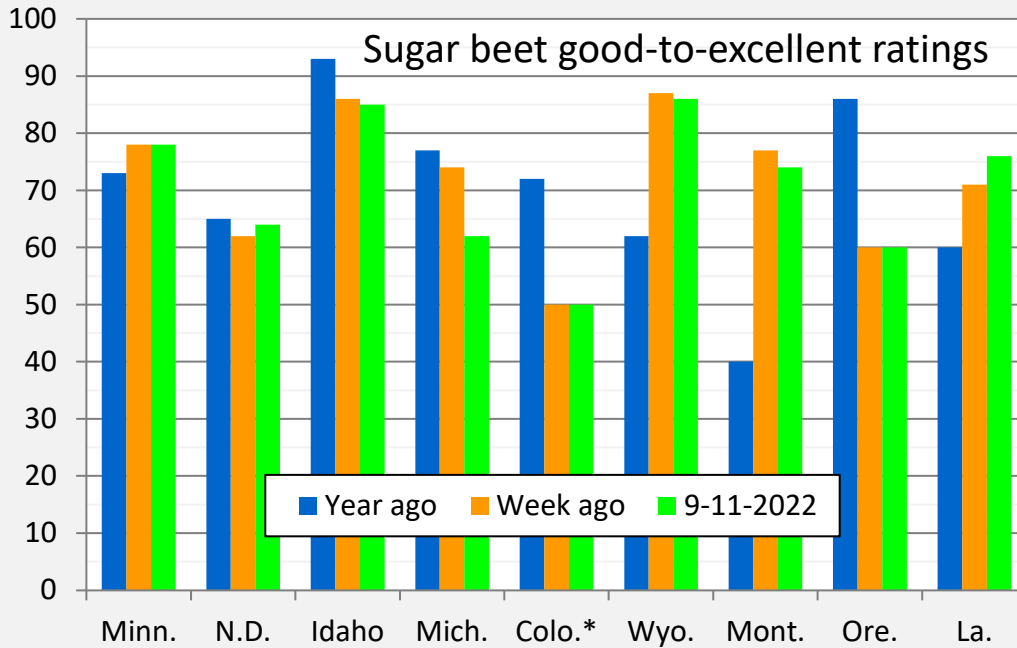
2/Includes all liquid, edible molasses, sugar syrups and cane juice.

Source: USDA

SUA September 2022: US Sugar Beet Crop

As of Sept. 11, 2022. Source: USDA state crop updates.

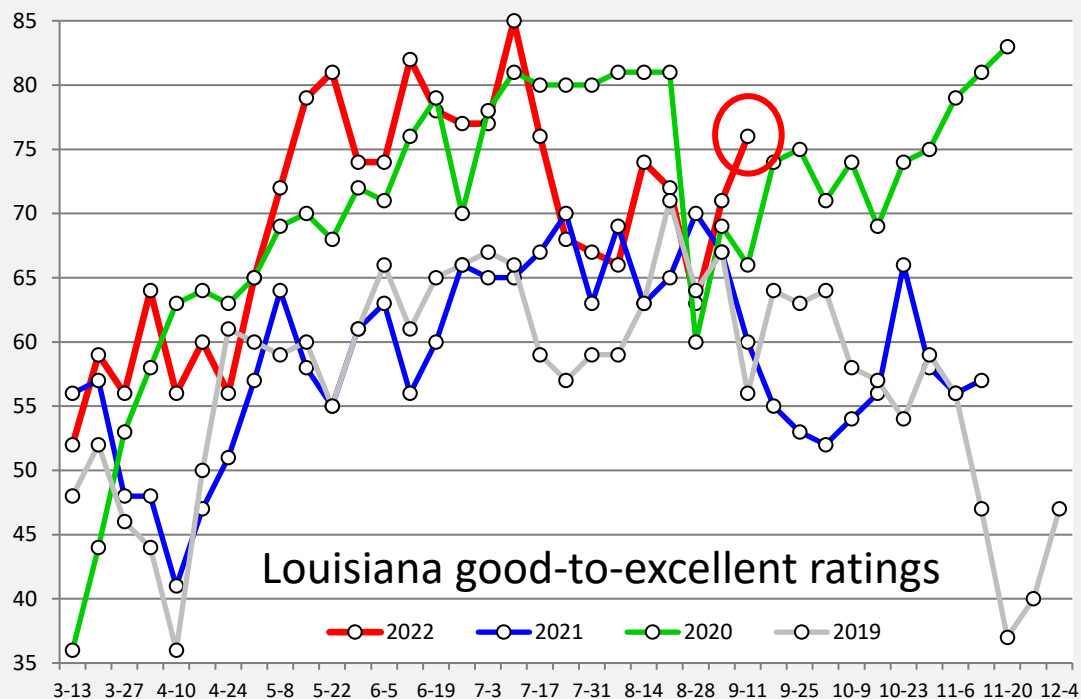
	Sept. 2022	Change from Aug.	
1,000 tons		Tons	%
Minnesota	11,300	99	0.9%
N. Dakota	6,325	309	5.1%
Idaho	6,630	-	0.0%
Michigan	4,220	(27)	-0.6%
Nebraska	1,002	(357)	-26.3%
Montana	1,005	-	0.0%
California	1,116	-	0.0%
Colorado	603	(60)	-9.0%
Wyoming	753	(100)	-11.7%
Oregon	306	2	0.7%
Washington	91	(1)	-1.1%
US Total	33,351	(135)	-0.4%



Sugar beet production down 0.4% from August and down 9.3% from 2021. **Beet sugar output higher than 2021-22.** Sugar beet G-T-E ratings mostly were down from a year ago but were higher than earlier in the season. Beet harvest is behind year-ago pace.

SUA September 2022: US Sugar Cane Crop

As of Aug. 14, 2022. Source: USDA state crop updates.



Louisiana cane was rated 76% good-to-excellent on Sept. 11, up from 60% a year ago and highest since 2017. A large crop is expected barring freeze or hurricane.

USDA raised 2022 sugar cane production forecast by 0.6% from August as 2% increase in Louisiana more than offset declines in Florida and Texas; up 3.1% from 2021.

2022-23 cane sugar production forecast at 4,021,000 tons, up 0.2% from August and up 1.5% from 2021-22 with both Louisiana and Florida higher but Texas lower.

US sugar cane production

In 1,000 tons	Sept.	Chg. from 2021		Chg. from Aug.	
	2022	Tons	%	Tons	%
Florida	17,446	259	1.5%	(74)	-0.4%
Louisiana	15,550	1,025	7.1%	307	2.0%
Texas	872	(254)	-22.6%	(26)	-2.9%
US Total	33,868	1,030	3.1%	207	0.6%

SUA September 2022: Cash Sugar Prices - Firm

Pricing for 2021-22

No changes from August with M-Y nearly over. One refiner still offering cane sugar at 68c a lb f.o.b. through Dec. 31.

Pricing for 2022-23

Midwest **beet** is not offered by processors who likely will not re-enter the market based on beet crop prospects.

IF beet processors offer sugar for 2022-23, it would be at the 2023-24 price of 45c a lb f.o.b. Midwest.

Most beet sugar bought early in upper 30s/lower 40s.

Refined cane offered at 59c a lb NE/West Coast and 58c Southeast/Gulf (for calendar 2023), both up 3c from Aug.

Pricing for 2023-24

Sales continue mainly for Oct.-Dec. 2023 but some further out; beet sugar offered at 45c a lb f.o.b. Midwest and cane at 49.50c f.o.b. Southeast, both unchanged from August.

Recent developments and factors to watch: tight supplies continue

- Processors' beet sugar supplies are committed for 2022-23.
- Weather/late beet harvest helping but not totally offsetting late planting.
- Two processors may be oversold; one cane refiner sold out for 2022-23.
- Watch sugar content of beets going forward.

SUA September 2022: New York #16 Raw Futures

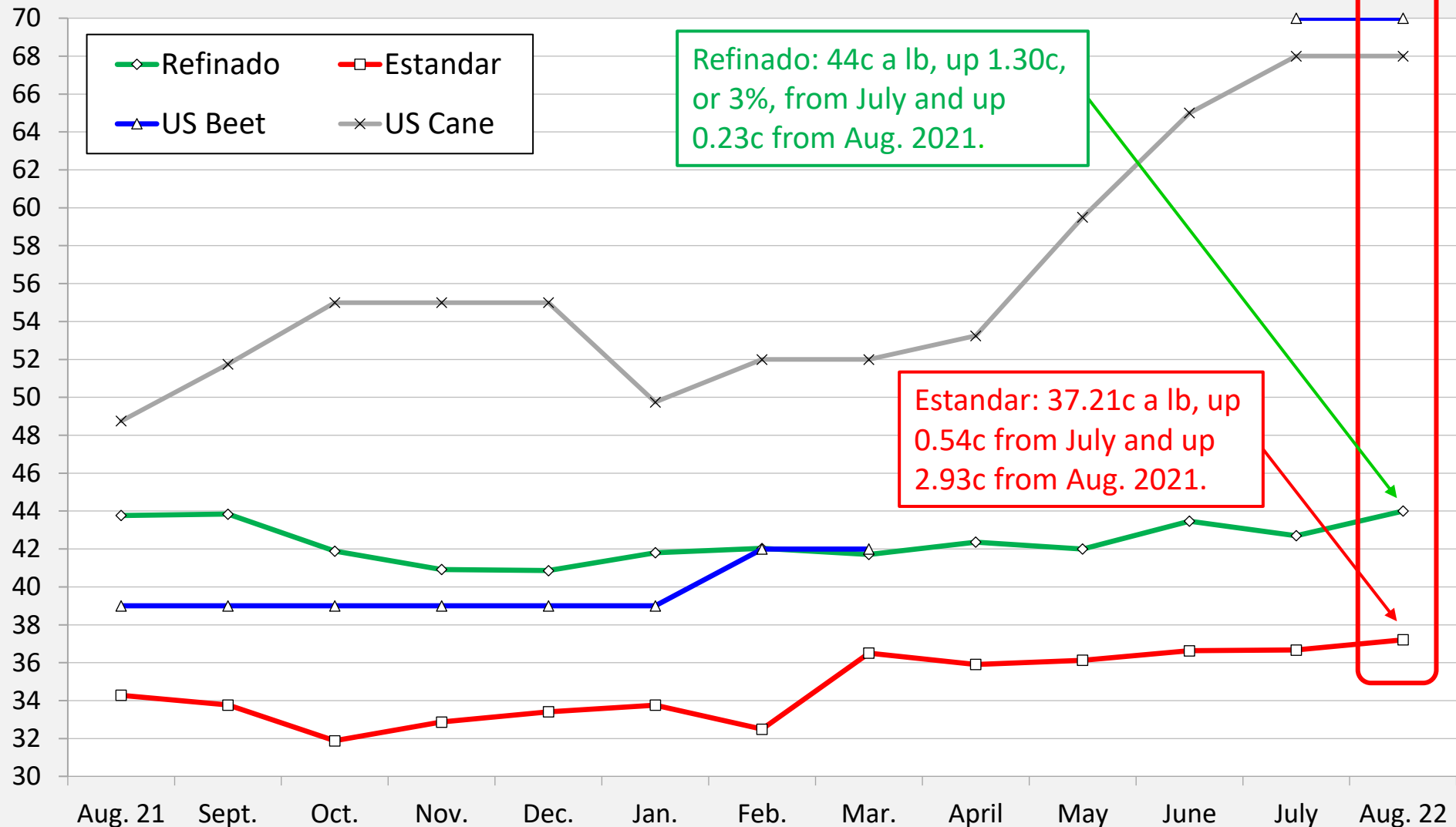
ICE domestic raw sugar futures as of Sept. 14, 2022, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Volume	Open Interest	Time	Settlement
ESFX22 (D10)	35.15 S	-0.20	35.15	35.15	20	1839	1:20:23 PM EDT - 09/14/22	35.15 S
ESFF23 (D10)	35.24 S	-0.31	35.50	35.25	54	2473	1:20:23 PM EDT - 09/14/22	35.24 S
ESFH23 (D10)	35.49 S	0.00			0	2538	1:20:23 PM EDT - 09/14/22	35.49 S
ESFK23 (D10)	35.65 S	0.00			0	2532	1:20:23 PM EDT - 09/14/22	35.65 S
ESFN23 (D10)	35.65 S	0.00			0	2079	1:20:23 PM EDT - 09/14/22	35.65 S
ESFU23 (D10)	35.49 S	-0.16			0	1330	1:20:23 PM EDT - 09/14/22	35.49 S
ESFX23 (D10)	35.60 S	0.00			0	624	1:20:23 PM EDT - 09/14/22	35.60 S
ESFF24 (D10)	35.60 S	0.00			0	119	1:20:23 PM EDT - 09/14/22	35.60 S
ESFH24 (D10)	35.55 S	0.00			0	132	1:20:23 PM EDT - 09/14/22	35.55 S
ESFK24 (D10)	35.55 S	0.00			0	20	1:20:23 PM EDT - 09/14/22	35.55 S
ESFN24 (D10)	35.55 S	0.00			0		1:20:23 PM EDT - 09/14/22	35.55 S

- Domestic raw sugar futures are down about 0.50c a lb from a month ago spot through September 2023 (the 2022-23 crop year), but about unchanged from November 2023 forward.
- Spot November is down about 1c from a year ago, but later months are up from about 0.50c to 3.75c (largest gains in January 2023 forward).
- Increase in raw supplies has had little if any impact on cash or futures prices.

SUA September 2022: US & Mexico Sugar Prices

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



US spot refined cane averaged 68c a lb in August; spot beet sugar was nominally 70c a lb with limited supplies priced in a wide range.

SUA September 2022: Mexico WASDE

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

	September		Change from		September		Change from	
	<u>21-22</u>	<u>August</u>	<u>20-21</u>	<u>22-23</u>	<u>August</u>	<u>21-22</u>	<u>22-23</u>	<u>August</u>
Begin. Stocks	1,053	-	195	947	-	(106)		
Production	6,185	-	470	6,000	-	(185)		
Imports	50	-	(15)	50	-	-		
Total Supply	7,288	-	650	6,997	-	(291)		
Exports	1,794	-	629	1,503	-	(291)		
Domestic Use	4,547	-	127	4,547	-	-		
Total Use	6,341	-	756	6,050	-	(291)		
Ending Stocks	947	-	(106)	947	-	-		
S-T-U (total)	14.9%	-	-4.0	15.7%	-	+0.8		
S-T-U (dom.)	20.8%	-	-3.0	20.8%	-	-		

2021-22: No changes from August.

2022-23: No changes from August.

Concern about drought persists in parts of Mexico.

SUA September 2022: Global Sugar Overview

■ Global supply/demand fundamentals

- Tight nearby supplies of whites and raws.
- India seen exporting about 7 million tonnes of sugar in 2022-23 down from record 11.2 million tonnes in 2021-22 (all without export subsidies); first tranche of 5 million tonnes begins in October.
- Brazil's cane crush remains below year-ago but is improving as low gasoline taxes push cane from ethanol to sugar.
- Philippines not to ship US TRQ in 2022-23 (3rd year).
- European, Ukraine sugar production seen lower in 2022-23.
- Modest global sugar surplus expected in 2022-23.
- China's COVID shutdowns continue to slow demand.

■ Pricing

- Lower energy (crude globally and gasoline in Brazil) have pressured sugar prices.
- Strong dollar encourages exports and adds price pressure.
- Spec funds remain net short (bearish outlook).
- London white prices have mostly offered support.

SUA September 2022: New York #11 Raw Futures

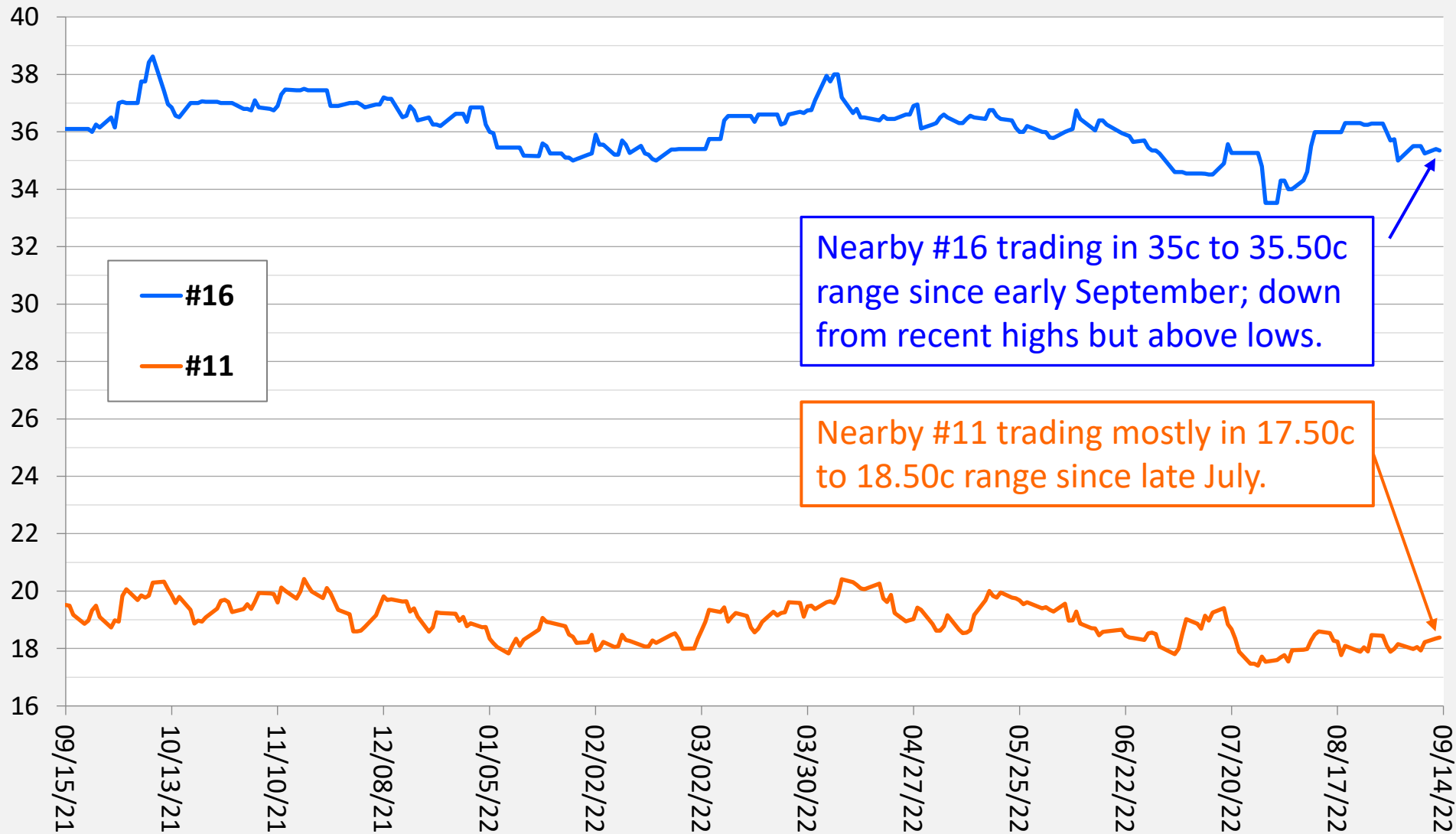
ICE world raw sugar futures as of Sept. 14, 2022, in cents per lb. Source: Tech Nova

Contract	Last	Net Change	High	Low	Volume	Open Interest	Time	Settlement
ESBV22 (D10)	18.27 S	-0.11	18.55	18.24	82757	153794	1:00:35 PM EDT - 09/14/22	18.27 S
ESBH23 (D10)	17.97 S	-0.01	18.15	17.93	77192	299587	1:00:35 PM EDT - 09/14/22	17.97 S
ESBK23 (D10)	17.46 S	-0.01	17.60	17.41	20165	107203	1:00:35 PM EDT - 09/14/22	17.46 S
ESBN23 (D10)	17.23 S	0.00	17.36	17.18	15187	75537	1:00:35 PM EDT - 09/14/22	17.23 S
ESBV23 (D10)	17.30 S	0.03	17.39	17.23	7967	51094	1:00:35 PM EDT - 09/14/22	17.30 S
ESBH24 (D10)	17.53 S	0.06	17.58	17.43	2875	28708	1:00:35 PM EDT - 09/14/22	17.53 S
ESBK24 (D10)	17.03 S	0.07	17.03	16.91	244	7897	1:00:35 PM EDT - 09/14/22	17.03 S
ESBN24 (D10)	16.71 S	0.08	16.72	16.57	162	10275	1:00:35 PM EDT - 09/14/22	16.71 S
ESBV24 (D10)	16.71 S	0.08	16.73	16.57	190	8898	1:00:35 PM EDT - 09/14/22	16.71 S
ESBH25 (D10)	16.88 S	0.07	16.85	16.77	39	4343	1:00:35 PM EDT - 09/14/22	16.88 S
ESBK25 (D10)	16.54 S	0.07	16.48	16.42	19	4382	1:00:35 PM EDT - 09/14/22	16.54 S
ESBN25 (D10)	16.36 S	0.07	16.23	16.23	6	155	1:00:35 PM EDT - 09/14/22	16.36 S

- World raw futures down slightly from month ago.
- Prices are mixed compared with year ago: lower spot through May 2024 but about 0.75c to 1c a lb higher thereafter.
- Spec funds remain in net short position (bearish outlook).
- Higher nearby prices (versus deferred) indicate tight nearby supplies (also tight nearby white sugar supplies).

SUA September 2022: World/Domestic Futures

Nearby ICE New York raw sugar futures, in cents per lb, as of Sept. 14, 2022.



SUA September 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

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

After strong pricing and limited supplies in 2022, corn sweetener prices are poised to surge in 2023 due to higher corn prices, higher shipping, labor and materials costs, good demand and high capacity utilization. High prices and lack of supplies in 2022 has caused some demand destruction. Contracting slow to start.

Mexico's Oct.-July HFCS consumption was down 1.7% from same period of 2020-21 versus Oct.-June down 2.4%. Annual forecasts for 2021-22 and 2022-23 were unchanged from August.

The USDA in its September Feed Outlook left unchanged from August its forecast use of corn to make HFCS, glucose/dextrose and starch (2021-22 & 2022-23 forecast same); corn for ethanol in 2022-23 was lowered by 50 million bus from August.

The USDA in its September crop report forecast 2022 corn production at 13,944 million bus, down 3% from August and down 8% from 2021. The average price paid to farmers was forecast at \$6.75, up 10c from August, up 13% from 2021-22 and up 49% from 2020-21.

■ In the Domestic Sweetener Market

- Late season weather has been very favorable for sugar beets, but not enough to make up for late planting.
- No hurricanes hit US in season forecast to be above average.
- US sugar cane crops looking good.
- Beet processors out of market for rest of 2022-23.
- Plenty of users still need sugar for 2022-23 (active inquiries).
- Push for front-of-label warnings at White House Conference on Hunger, Nutrition and Health?
- Disastrous rail strike averted.

■ In the Global Sugar Market

- Brazil cane crush favoring sugar; India to resume exports.
- New UK PM Truss scrapping sugar taxes, obesity measures.
- London markets closed Sept. 19 for Queen's funeral.
- Recession(?) & COVID impact on demand?

SUA September 2022: Conclusions

- **Domestic Sweetener Market**
 - No relief seen in tight supplies into 2022-23 as new year begins.
 - Cane sugar prices in upper 50's; beet sugar mid to upper 40s (but not available from processors); higher from distributors.
 - Refined cane sugar prices down from spot levels but still historically high for 2023; little room for disruption.
 - Soaring corn sweetener prices causing demand destruction may drive users back to sugar (if available) or to imports.
 - “Lucky” with weather in 2022.
- **Global Sugar Market**
 - No. 11 raws have weakened with lower energy prices and higher production prospects.
 - Spec funds maintaining net short position.
 - Nearby raw and white supplies tight globally.
 - Lower deficit this year, surplus in 2022-23.