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Sugar and Sweeteners Outlook

Stephanie Riche, coordinator
smriche@ers.usda.gov
Stephen Haley, contributor
shaley@oce.usda.gov

NAFTA Sugar September 2014

For the United States, sugar imports from Mexico for 2013/14 are increased by 82,000 short tons, raw value (STRV), based on pace-to-date through August and 50,000 expected to enter in September, the last month of the fiscal year. Imports for re-export programs are increased by 60,000 STRV to 270,000 based on pace-to-date. Total imports are estimated at 3.787 million STRV. Because there are no other changes for 2013/14, ending stocks are increased by the total addition to imports to 1.893 million STRV, implying a stocks-to-use ratio of 15.2 percent. For 2014/15, beginning stocks are higher by 142,000 STRV.

For 2014/15, beet sugar production is increased by 50,000 STRV based on a processor-reported yield increase of 3.3 percent over last month's yield. Tariff-rate quota (TRQ) sugar imports are forecast higher by 116,000 STRV due to provision for additional specialty sugar imports made when USDA established the TRQ on September 2. Imports from Mexico for 2014/15 are reduced by 117,000 STRV to 1.088 million. With no changes to sugar use, ending stocks are projected residually at 1.028 million STRV, implying an ending stocks-to-use ratio of 8.5 percent.

The next release is October 17, 2014

Approved by the World Agricultural Outlook Board.

Recent *Sugar and Sweeteners Outlook* Special Articles

"Long-term Projection of U.S. and Mexico Sugar Supply and Use Through 2024/25," pdf pages 3-17 of the *Sugar and Sweetener* report (http://www.ers.usda.gov/publications/sssm-sugar-and-sweeteners-outlook/sssm306.aspx)

"The Road to Forfeitures," pdf pages 12-17 of the *Sugar and Sweetener* report http://www.ers.usda.gov/publications/sssm-sugar-and-sweeteners-outlook/sssm303.aspx)

"World Sugar and High Fructose Syrup Production Costs: 2001/02-2012/13," pdf pages 17-33 of the *Sugar and Sweetener* report (http://www.ers.usda.gov/publications/sssm-sugar-and-sweeteners-outlook/sssm-309.aspx)

For Mexico, 2013/14 exports are increased by 100,000 metric tons (MT), with an additional 70,000 exported to the United States—for a total of 1.828 million—and another 30,000 exported to other countries—for a total of 680,000. With no other changes, ending stocks for 2013/14 are estimated down by 100,000 MT to 614,000. The resulting stocks-to-consumption ratio of 14.6 percent implies a tight market until the full start of Mexico's 2014/15 harvest in mid-December. For 2014/15, there are no changes to projections for imports, production, or deliveries. Ending stocks at 947,000 MT are held the same as last month to 22.0 percent of 2014/15 human consumption of 4.306 million. Exports are projected residually at 1.516 million MT. Exports to non-U.S. destinations based on contracts are still at 585,000 MT, implying exports to the United States at 931,000 MT, down 100,000 MT from last month. Given U.S.-world raw sugar price margins close to or over 10 cents per pound, the preliminary countervailing duties determined by the U.S. Commerce Department at about 15 percent are not high enough to incentivize additional exports to non-U.S. destinations.

Commerce Department Announces Preliminary Countervailing Duty Determination

On August 26, 2014, the U.S. Commerce Department announced an affirmative preliminary determination in the countervailing duty (CVD) investigation of U.S. imports of sugar from Mexico during the 2012/13 fiscal year. Commerce calculated several preliminary subsidy rates applicable to individual companies: 17.01 percent on FEESA, the company owned by the Government of Mexico (nine factories, representing 20.4 percent of production in 2012/13); 2.99 percent on Grupo Azucarero Mexico (four factories, representing 6.7 percent of 2012/13 production); and 14.87 percent on all other companies. Products covered are raw, semi-refined estandar, and refinado sugar. Not included are molasses, specialty sugar, and manufactured sugar-containing food and beverage products. Commerce is scheduled to announce its final determination on or about January 7, 2015. If the final determination is affirmative, then the U.S. International Trade Commission (ITC) has 45 days (on or about February 23, 2015) to announce its final determination regarding injury to the domestic sugar industry arising from sugar imports from Mexico. If the ITC determination is affirmative, Commerce will issue a CVD order.

On March 28, 2014, the U.S. sugar industry also filed an anti-dumping petition against sugar companies in Mexico. The ITC issued an affirmative preliminary determination on May 9, and Commerce was duly authorized to continue its investigation. On August 21, 2014, Commerce announced that its determination on anti-dumping duties would be postponed from the originally scheduled September 4 to October 24.

The Intercontinental Exchange (ICE) No. 16 November contract settlement price averaged 25.43 cents/lb for the week of August 25-29, little changed from the previous week. Because Commerce's preliminary affirmative determination of the CVD had been widely anticipated, the announcement itself had no significant effect on futures prices.

Brief Review of U.S. Sugar Supply and Use in 2012/13

U.S. sugar crop production during the 2012/13 sugar crop harvesting season, along with corresponding sugar production, was very large. USDA's National Agricultural Statistics Service (NASS) reported sugar beets harvested during 2012/13 at a record high 35.224 million tons, 21.9 percent higher than the previous harvest season and 17.9 percent higher than the average for the previous 5 years. NASS reported sugarcane production for sugar at 30.500 million tons, far from a record but 10 percent higher than the previous year and 11.9 percent higher than the preceding 5-year average. Sugarcane production growth was almost solely attributable to growth in Louisiana.

Sugar derived from the 2012/13 sugar crops was a record high. Because the 2012/13 sugarbeet harvest began in August, 2 months earlier than the start of the 2012/13 fiscal year, the impact of the large sugar crop is not immediately evident in the fiscal year supply-and-use accounting. Table 1 shows U.S. sugar supply and use on an August/July year that directly corresponds to the 2012/13 harvest cycle. Beet sugar production is estimated at a record high 5.440 million STRV. This total is 21.2 percent higher than the year before and 19.3 percent higher than the average for the previous 5 years. Cane sugar production is 10.6 percent higher than the previous year and 16.5 percent higher than the preceding 5 years. Figure 1 shows August/July total sugar production over 1992/93 - 2013/14. The 2012/13 total at 9.373 million STRV is at the highest level relative to trend. The closest year with a high production to trend is 1999/2000, the last large period for sugar forfeitures.

Figure 2 shows production's place relative to other supply-and-use components since 2009/10. Beginning stocks in 2012/13 are slightly higher than those in the previous 2 years but are lower than those in 2009/10.

In 2012/13, total imports are lower than those in the 2 preceding years and total deliveries are relatively strong. Ending stocks are much higher, with most growth in 2012/13 attributable to the growth in production. Figure 3 highlights the role of 2012/13 production pushing up ending stocks. Declines in total imports and delivery increases serve to moderate the growth in ending stock levels. Figure 4 shows that declines in fiscal year TRQ sugar imports and re-export program imports more than offset the increase in imports from Mexico.

Figure 5 shows recent trends in sugar deliveries for human consumption. Sugar for consumption has three sources: beet sugar processors, cane sugar refiners, and direct consumption imports. Deliveries from beet sugar processors vary according to the level of beet sugar production. Cane sugar from refiners is dependent on domestic cane sugar production and raw sugar imports. (Refiners do at times import refined sugar for sales, but the amounts are usually small.) Figure 6 shows that refiners' imports of sugar in 2012/13 are lower than the levels for the 3 preceding years and that sugar from domestically produced cane is at its highest level for the period shown. Direct consumption imports, along with the amount of this sugar imported from Mexico, are steady and less than 1.0 million STRV.

ERS estimates that sugar imported from Mexico in 2012/13 for direct consumption ranges from 650,000 to700,000 STRV. This implies that a high percentage of total imports from Mexico go to U.S. sugar refiners. This sugar mostly displaces raw sugar TRQ imports.

World sugar prices, which since 2009 had provided support to U.S. prices, fell in 2013 to relatively low levels. Table 2 shows average raw sugar futures prices averaged over July-September (the third quarter) for the Intercontinental (ICE) No. 16 (U.S. price) and the No. 11 (world) contracts since 2008. The world price increased from a relatively low level in 2008 to historically high levels in 2009-12 but fell to 16.72 cents per pound in 2013. Except for 2013, U.S. prices during the period were strong, much above corresponding world prices. The margin in 2013, at 3.70 cents per pound, was much lower. This low margin, when coupled with a relatively low world price, yielded a U.S. price close to loan forfeiture levels.

Figure 7 shows relationships between three U.S. sugar supply components and the U.S.-world raw sugar price margin. The first two components are: (1) imports from Mexico as a proportion of total deliveries for human consumption and (2) domestic production as a proportion of combined beet processor and cane refiners' deliveries. Both are shown inversely correlated with the margin levels, as indicated by the R-squared statistic that measures the variability in the margin explained by the supply ratios. A much stronger correlation is evident, however, when production and imports from Mexico are combined and the ratio with respect to deliveries (comprising the third relationship) is paired with margin levels. The R-squared statistic at 0.686 is higher than the individual supply relationships, namely, 0.463 for imports and 0.225 for production. The implication here is that high levels of domestic sugar production and imports from Mexico in 2012/13 jointly considered served to reduce the U.S.-world price margin. The market consequence was fewer TRQ imports and fewer imports for the U.S. sugar re-export programs.

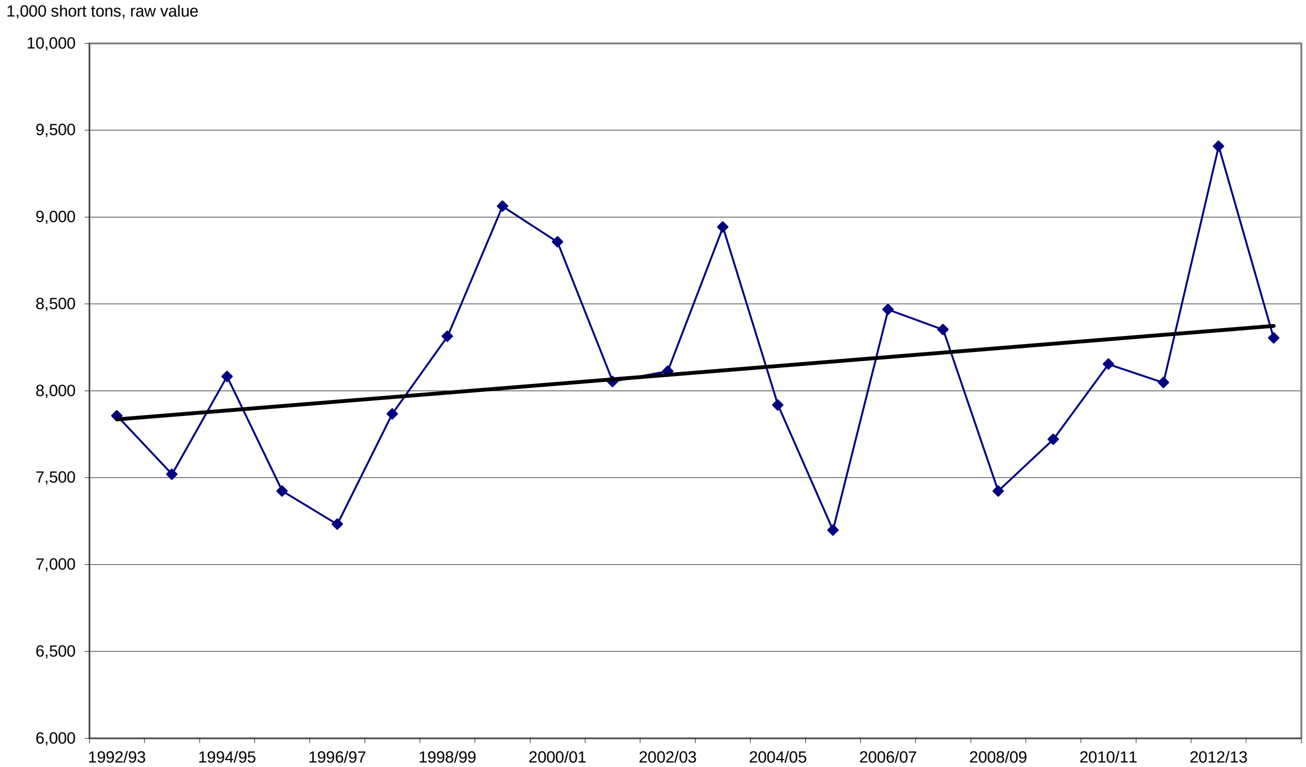
The implication of the foregoing analysis is that ending year sugar stocks above normal levels are mostly a result of excess U.S. sugar production. U.S. prices close to forfeiture levels resulted from low world prices, with the margin between the prices narrowed as a result of high domestic production and imports from Mexico by U.S. cane sugar refiners.

Table 1 -- Sweetener Market Data for the August/July crop year

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Beginning stocks (8/1)	2,802,051	2,693,460	2,712,069	1,976,878	2,361,893	2,491,489
Beet production	4,879,809	4,107,050	4,348,044	4,987,474	4,486,746	5,440,045
Cane production	3,472,022	3,315,631	3,372,720	3,163,890	3,556,376	3,932,668
Total production	8,351,831	7,422,681	7,720,764	8,151,364	8,043,122	9,372,713
Imports	2,408,984	3,366,234	2,562,113	3,987,934	3,768,884	3,180,588
Deliveries for human use	10,341,894	10,564,827	10,696,594	11,169,501	11,239,867	11,452,891
Ending stocks (7/31)	2,693,460	2,712,069	1,976,878	2,361,893	2,491,489	3,234,106

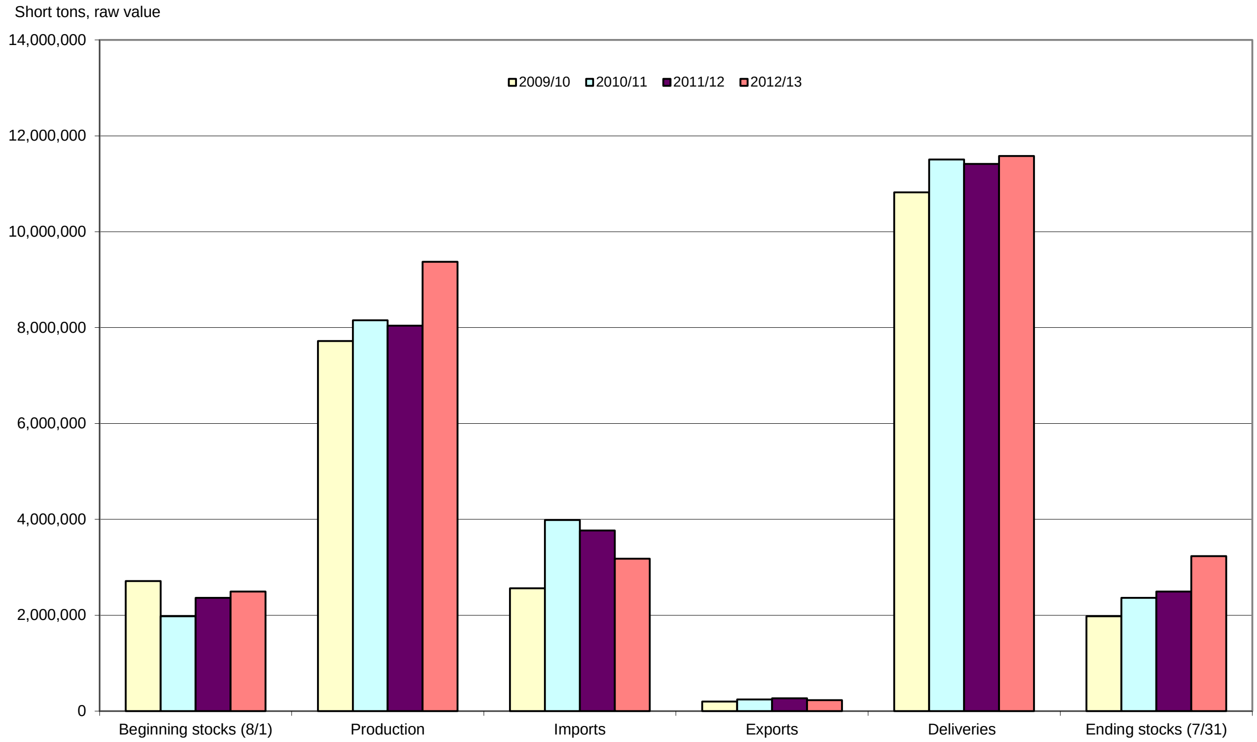
Source: USDA, FSA, Dairy and Sweeteners Analysis branch.

Figure 1
U.S. sugar production, August/July, reached record level in 2012/13



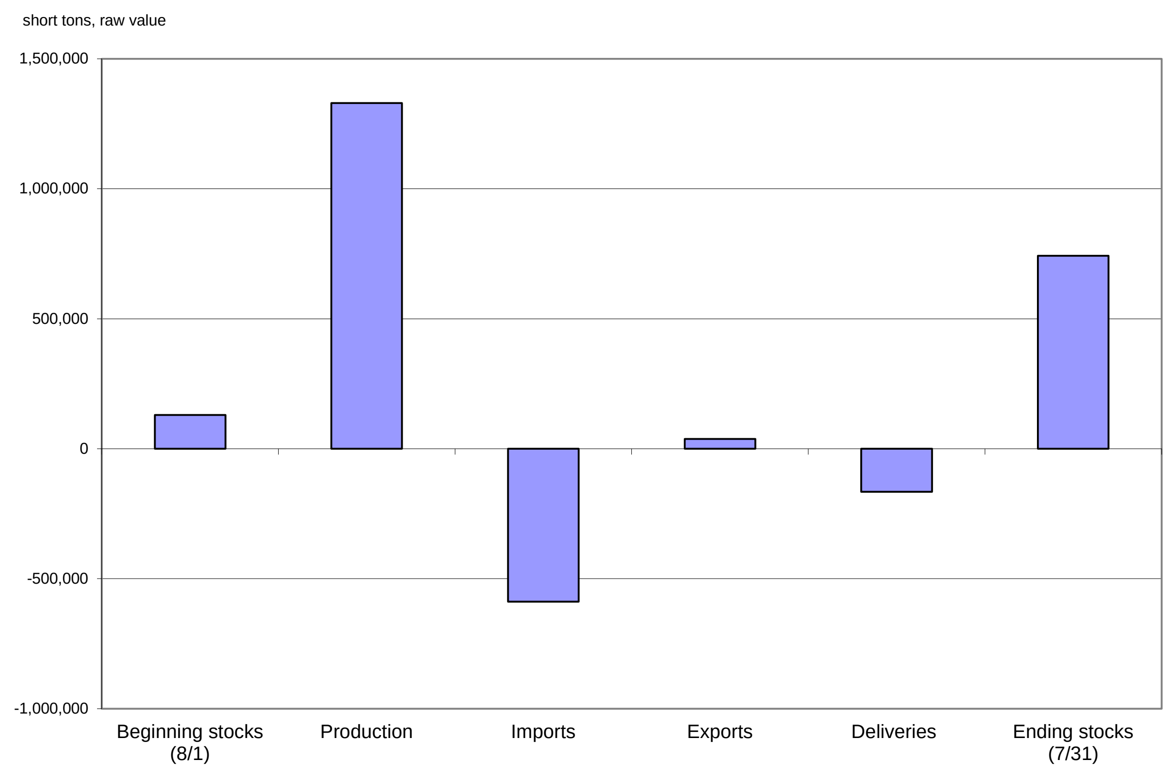
Source: USDA, FSA, SMD.

Figure 2
Domestic production drives up ending stocks in 2012/13



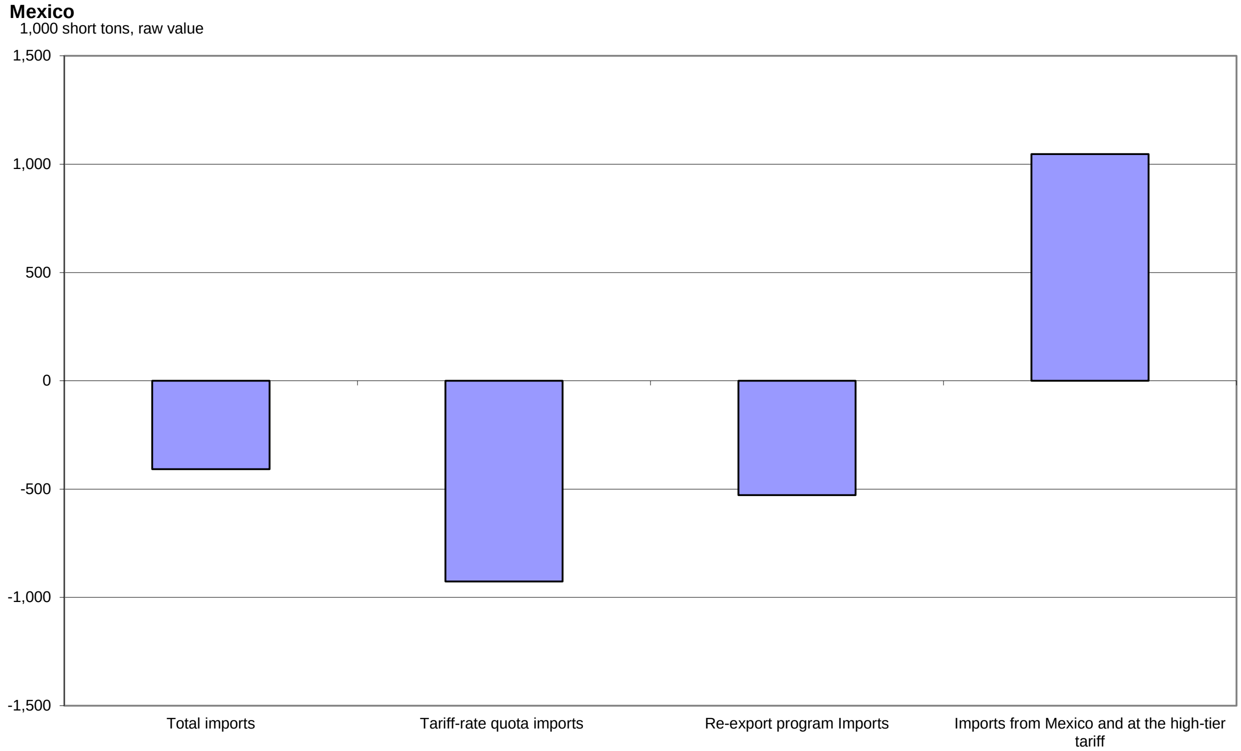
Source: USDA, FSA, SMD.

Figure 3
Changes in sugar supply and use contribute to increase in July 2013 ending stocks



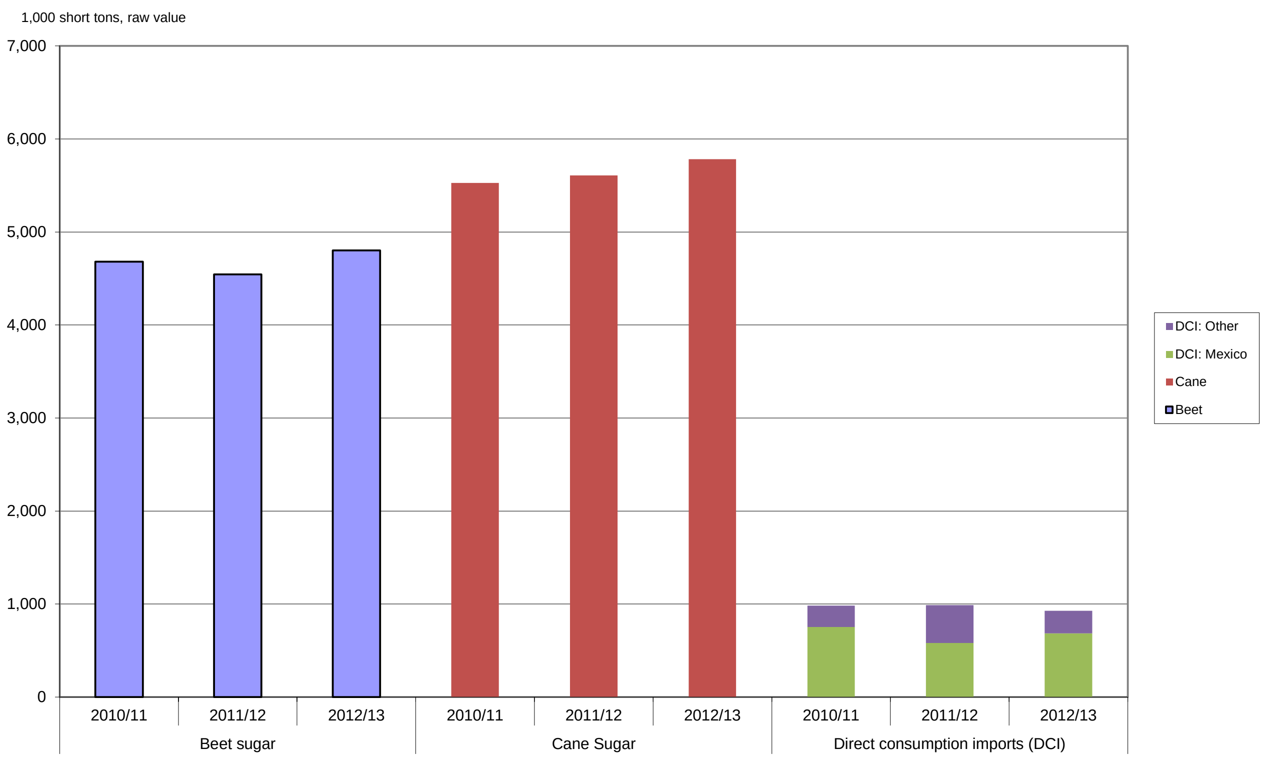
Source: USDA, FSA, SMD.

Figure 4
Reductions in 2012/13 tariff-rate quota and re-export program imports outweigh increased sugar imports from Mexico



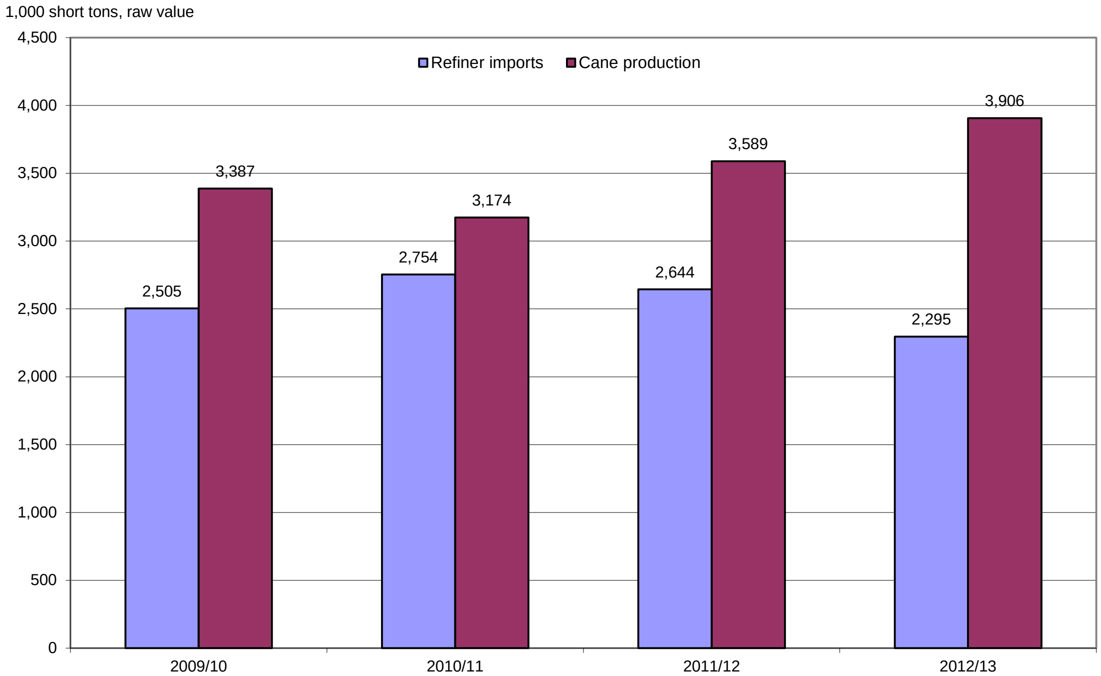
Source: USDA, FAS.

Figure 5
U.S. sugar deliveries for human consumption, by source: strong delivery growth by cane refiners



Source: USDA, FSA, Sweetener Market Data; ERS, Sugar and Sweetener Outlook.

Figure 6
Raw cane sugar production and cane refiner imports, 2009/10-2013/14



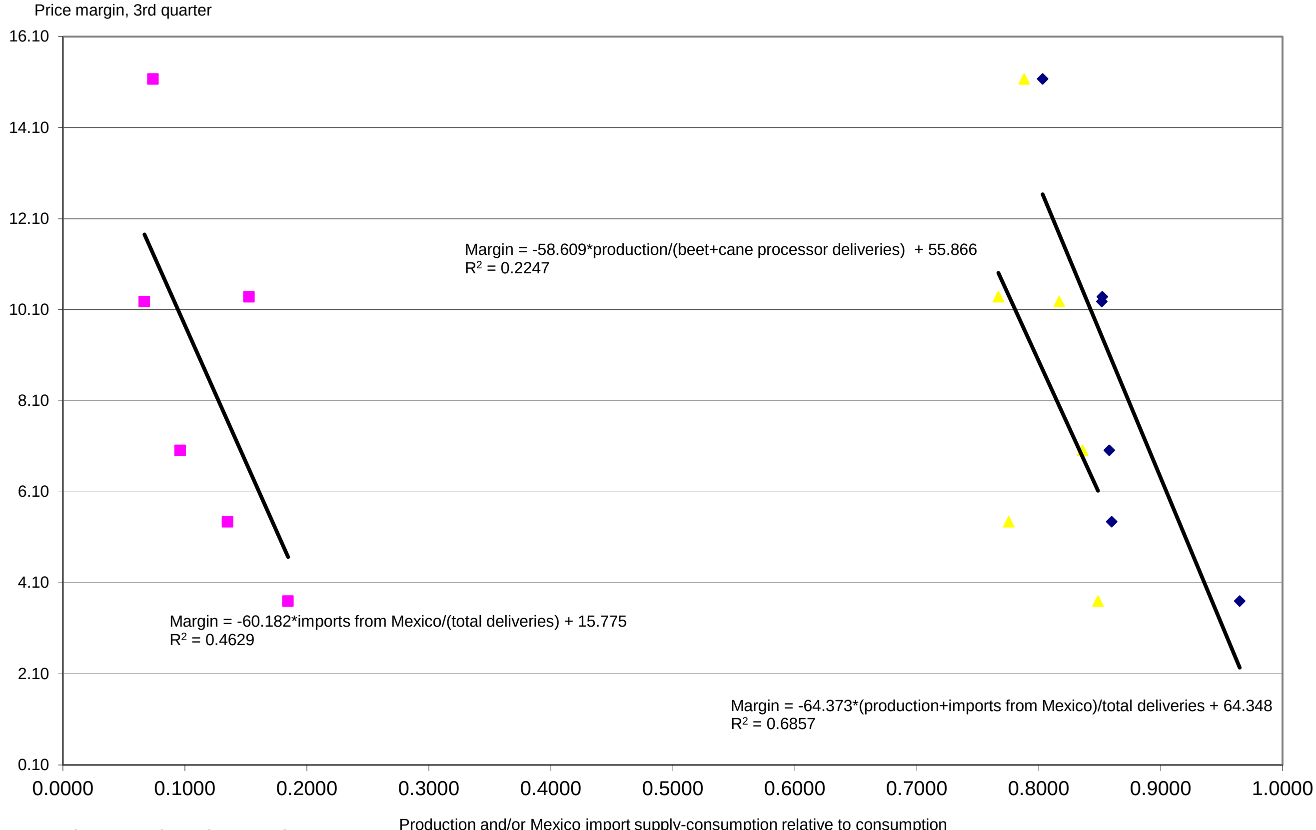
Source: USDA, FSA, SMD; ERS, Sugar and Sweeteners Outlook (projection).

Table 2 -- U.S. and world raw sugar price, July-September averages

	U.S. raw price 1/	No. 11 nearby futures 2/	Margin	Margin proportion 3/
2008	23.34	13.06	10.28	0.440
2009	26.04	20.60	5.44	0.209
2010	35.36	20.19	15.17	0.429
2011	39.41	29.03	10.38	0.263
2012	27.93	20.92	7.01	0.251
2013	20.41	16.72	3.70	0.181

1/ Intercontinental (ICE) No. 16 contract, average of nearby quotes.
2/ ICE No. 11 contract, average of nearby quotes.
3/ Margin/U.S. raw price.

Figure 7
Relationship between U.S.-world raw price margin and supply-consumption ratios



Source: USDA, SMD, FAS.

Mexico Sugar Supply and Use

Beginning stocks for 2013/14 remain unchanged from August. Mexican sugar supply-and use estimates for 2012/13-2013/14 and projected for 2014/15 are shown in table 3. Production and imports for 2013/14 in Mexico remain unchanged from August.

Table 3 -- Mexico sugar supply and use, 2012/13 - 2013/14 and projected 2014/15, September 2014

Items	2012/13	2013/14	2014/15
	1,000 metric tons, actual weight		
Beginning stocks	966	1,460	614
Production	6,975	6,020	6,140
Imports	217	226	399
Imports for consumption	9	10	183
Imports for sugar-containing product exports (IMMEX) 1/	207	216	216
Total Supply	8,157	7,706	7,153
Disappearance			
Human consumption	4,287	4,200	4,306
For sugar-containing product exports (IMMEX)	384	384	384
Statistical adjustment	53	0	0
Total	4,724	4,584	4,690
Exports	1,973	2,508	1,516
Exports to the United States & Puerto Rico	1,818	1,828	931
Exports to other countries	155	680	585
Total use	6,697	7,092	6,206
Ending stocks	1,460	614	947
	1,000 metric tons, raw value		
Beginning stocks	1,024	1,548	651
Production	7,393	6,381	6,508
Imports	230	240	423
Imports for consumption	10	11	194
Imports for sugar-containing product exports (IMMEX)	220	229	229
Total supply	8,646	8,168	7,582
Disappearance			
Human consumption	4,544	4,452	4,564
For sugar-containing product exports (IMMEX)	407	407	407
Statistical adjustment	56	0	0
Total	5,007	4,859	4,971
Exports	2,091	2,659	1,607
Exports to the United States & Puerto Rico	1,927	1,938	987
Exports to other countries	164	721	620
Total use	7,099	7,518	6,578
Ending stocks	1,548	651	1,004
Stocks-to-human cons. (percent)	34.1	14.6	22.0
Stocks-to-use (percent)	21.8	8.7	15.3
High fructose corn syrup (HFCS) consumption (dry weight)	1,567	1,360	1,419

1/ IMMEX = Industria Manufacturera, Maquiladora y de Servicios de Exportación
Source: USDA, WASDE and ERS, Sugar and Sweeteners Outlook; Conadesuca.

There is no change in deliveries for 2013/14, and deliveries through July are consistent with the current full-year forecast of 4.200 million MT, as well as for high fructose corn syrup deliveries.

Based on pace to date, USDA's Foreign Agricultural Service forecasts U.S. 2013/14 sugar imports from Mexico at 1.828 million MT (2.136 million short tons, raw value (STRV)). *Comité Nacional Para El Desarrollo Sustentable de la Caña de Azúcar* (Conadesuca) data indicate that 680,000 MT has been exported to non-U.S. destinations through August 28, 2014. There are no vessels expected at ports for non-U.S. destinations for the rest of September. Therefore, total exports are estimated at 2.508 million MT, which is an increase of 100,000 MT over last month.

Ending stocks are calculated residually, at 614,000 MT, a reduction of 100,000 MT. The ending stocks-to-use ratio is 14.6 percent, down from 17.0 percent last month.

Beginning stocks for 2014/15 are decreased by 100,000 MT due to the reduction in ending stocks for 2013/14. There is no estimated change in production for 2014/15, as there is no new information available. Average yields are expected, with the total harvested area close to that realized last year.

Imports do not change from August estimates for 2014/15 and total 399,000 MT, with 216,000 MT for IMMEX and 283,000 MT for consumption. The availability of sugar for the first 2.5 months of 2014/15 will be tight.

Exports are calculated residually at 1.516 million MT, a decrease of 100,000 MT from August. Exports to non-U.S. destinations based on contracts are still at 585,000 MT. Exports to the United States are calculated at 931,000 MT, down 100,000 MT in August. Given U.S.-world raw price margins close to or over 10 cents/lb, the preliminary CVD duties at about 15 percent are not high enough to incentivize exports to non-U.S. destinations.

Ending stocks remained unchanged for 2014/15 at 947,000 MT. This represents a 22-percent stocks-to-use ratio, consistent with historic trends.

U.S. Sugar Supply and Use

For the 2013/14 marketing year, there is no adjustment in beginning stocks of sugar for the United States. There is also no estimated change in production as shown in table 4. Imports from Mexico increased by 82,000 STRV based on pace-to-date and expected imports of 50,000 STRV in September. Imports for re-export are increased by 60,000 STRV to 270,000 STRV. Total imports are now estimated at 3.787 million STRV, which represents an increase of 142,000 over last month.

Table 4 -- U.S. sugar: supply and use, by fiscal year (Oct./Sept.), September 2014

Items	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	1,000 short tons, raw value			1,000 metric tons, raw value		
Beginning stocks	1,979	2,158	1,896	1,796	1,958	1,720
Total production	8,981	8,417	8,391	8,148	7,636	7,612
Beet sugar	5,076	4,750	4,800	4,605	4,309	4,354
Cane sugar	3,905	3,667	3,591	3,543	3,326	3,258
Florida	1,867	1,759	1,785	1,694	1,595	1,619
Louisiana	1,686	1,600	1,500	1,530	1,451	1,361
Texas	173	143	126	157	130	114
Hawaii	179	165	180	163	150	163
Total imports	3,224	3,787	2,876	2,925	3,436	2,609
Tariff-rate quota imports	957	1,371	1,378	868	1,244	1,250
Other program Imports	136	270	400	124	245	363
Non-program imports	2,131	2,146	1,098	1,933	1,947	996
Mexico	2,124	2,136	1,088	1,927	1,938	987
Total supply	14,185	14,362	13,163	12,868	13,029	11,941
Total exports	274	325	250	249	295	227
Miscellaneous	-24	0	0	-22	0	0
Deliveries for domestic use	11,776	12,141	11,885	10,683	11,014	10,782
Transfer to sugar-containing products for exports under reexport program	80	100	100	73	91	91
Transfer to polyhydric alcohol, feed, other alcohol	32	25	35	29	23	32
Commodity Credit Corporation (CCC) sale for ethanol, other	153	316	0	139	287	0
Deliveries for domestic food and beverage use	11,511	11,700	11,750	10,442	10,614	10,659
Total Use	12,025	12,466	12,135	10,909	11,309	11,009
Ending stocks	2,160	1,896	1,028	1,959	1,720	932
Private	1,844	1,896	1,028	1,672	1,720	932
Commodity Credit Corporation (CCC)	316	0	0	287	0	0
Stocks-to-use ratio	17.96	15.21	8.47	17.96	15.21	8.47

Source: USDA, ERS, Sugar and Sweeteners Outlook.

There is no change in deliveries or exports for 2013/14. Ending stocks are calculated residually at 1.893 million STRV, which represents an increase over August stocks of 142,000 STRV. The implied stocks-to-use ratio is at 15.2 percent, up from 14.1 percent in August.

Beginning stocks for 2014/15 increased by 142,000 STRV, consistent with the increase in ending stocks from 2013/14. Beet sugar production is up by 50,000 STRV to 4.800 million STRV based on a processor-estimated increase in sugarbeet yield of 3.3 percent. NASS September Crop Production estimates show the sugarbeet yield increasing by an even larger 4.2 percent.

TRQ sugar imports increased by 115,743 STRV after the TRQ was set by USDA on September 2, 2014. The increase is for specialty sugar, mostly organic, above the minimum access World Trade Organization's Uruguay Round bindings. Imports from Mexico are reduced by 117,000 STRV to 1.088 million STRV. With no other changes, total imports are down 1,000 STRV to 8.876 million STRV.

There are no changes in estimates for deliveries or exports for 2014/15. This brings ending stocks that are calculated residually to 1.028 million STRV, which is an increase over last month of 191,000 STRV. The implied stocks-to-use ratio is now 8.5 percent, a 1.57-percentage-point increase over last month.

Contacts and Links

Contact Information
Stephanie Riche, (202) 694-5490, smriche@ers.usda.gov (coordinator)
Verna Daniels, (202) 694-5301, vblake@ers.usda.gov (web publishing)

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Data

Tables from the *Sugar and Sweeteners Yearbook* are available in the Sugar and Sweeteners Topics at http://www.ers.usda.gov/topics/sugar/. They contain the latest data and historical information on the production, use, prices, imports, and exports of sugar and sweeteners.

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