



**CAMARA NACIONAL DE LAS INDUSTRIAS  
AZUCARERA Y ALCOHOLERA**



# **Mexican Sugar Market.**

**February, 2020**



# **I. Mexican Sugar Export Licensing Regulations are Designed to Ensure Adequate Supplies of Sugar for the Mexican and US Markets**



# Official Balance Calculations Before the Suspension Agreements.

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The market determined supply and demand in Mexico, and ending inventories were the independent variable:

$$\begin{aligned} &\text{Initial Inventories} + \\ &\quad \text{Production} + \\ &\quad \quad \text{Imports} - \\ &\quad \quad \quad \text{Domestic Consumption} - \\ &\quad \quad \quad \text{IMMEX Export Companies' Consumption} - \\ &\quad \quad \quad \text{Exports, considering unlimited free Access to the US} = \end{aligned}$$

**Final Inventory** was the RESIDUAL VARIABLE (STU Ratio), and the Mexican Government could use import quotas to fill needs.



# Export Licensing Regulations Under the Suspension Agreements.

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The Mexican Government cannot use import quotas to supply its domestic market, so licensing regulations limit exports to the “Exportable Surplus” calculation:

$$\begin{aligned} &\text{Initial Inventories} + \\ &\quad \text{Production} + \\ &\quad \quad \text{Imports} - \\ &\quad \quad \quad \text{Domestic Consumption} - \\ &\quad \quad \quad \quad \text{IMMEX Export Companies' Consumption} - \\ &\quad \quad \quad \quad \quad \text{Official Target STU (currently 2.5 months of} \\ &\quad \quad \quad \quad \quad \quad \text{domestic sales plus IMMEX)} = \end{aligned}$$

“**Exportable Surplus**”, which is the RESIDUAL VARIABLE – Regulations do not allow the Trade Ministry to issue export licenses in an amount exceeding the “Exportable Surplus”



# Mexican Government Regulations Compare Mexican Exportable Surplus with US Needs.

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If the Mexican “Exportable Surplus” is greater than the US Quota:

- a) Trade Ministry allocates to mills the sugar export permits to the US for the total amount of the US Quota

If the Mexican “Exportable Surplus” is **less than** the US Quota:

- a) Trade Ministry allocates to mills the sugar export permits to the US, for the total amount of the Mexican “Exportable Surplus”, and
- b) The Mexican Government responds to the US government that the differential in volumes apparently cannot be supplied to the US (pending future calculations).

This exercise is repeated during each Sugar Year: in December, March, and every month from April through September.



# Mexico can supply the current US Quota.

- Mexico can supply **THE ENTIRE US QUOTA** assigned last December

Concept	MT	MTRV	STRV
Current mexican "sugar surplus"	1,486,664	1,575,864	1,737,093
<b>US Quota commitments in December</b>	<b>1,250,734</b>	<b>1,325,778</b>	<b>1,461,420</b>

- **Mexico's sugar surplus is greater than US Quota In force today**



# Preparations for Official Calculations for the Month of March 2020

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The Mexican Government and the Sugar Mills are committed to give the US Government a responsible and timely response before the end of March, as established under the Suspension Agreements, regarding the extent to which Mexico can supply US Needs as calculated in the March WASDE, as well as every month of the cycle thereafter.

Advancement of estimate assessments has been implemented, and more intensive work will take place in the coming weeks.



# Mexican Regulations are Designed to Ensure Adequate Supplies.

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The Mexican Export Licensing System ensures that:

- 1) The Mexican Domestic and IMMEX markets are adequately supplied, AND
- 2) The US Market is also adequately supplied, as USDA receives timely information before the April 1st deadline established in the Farm Bill, and every month thereafter.

***The Mexican Sugar Mills strongly support a system that maximizes Mexican sugar market opportunities for mills, but does not endanger in any way that sufficient amounts of sugar will be available in the combined Mexico-US sugar market.***



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## **II. CONSIDERATIONS REGARDING MEXICAN CAPABILITIES TO SUPPLY THE US MARKET IN 2019/20.**



# Main Factors Affecting the Calculation of the Mexican “Sugar Surplus” for 2019/20

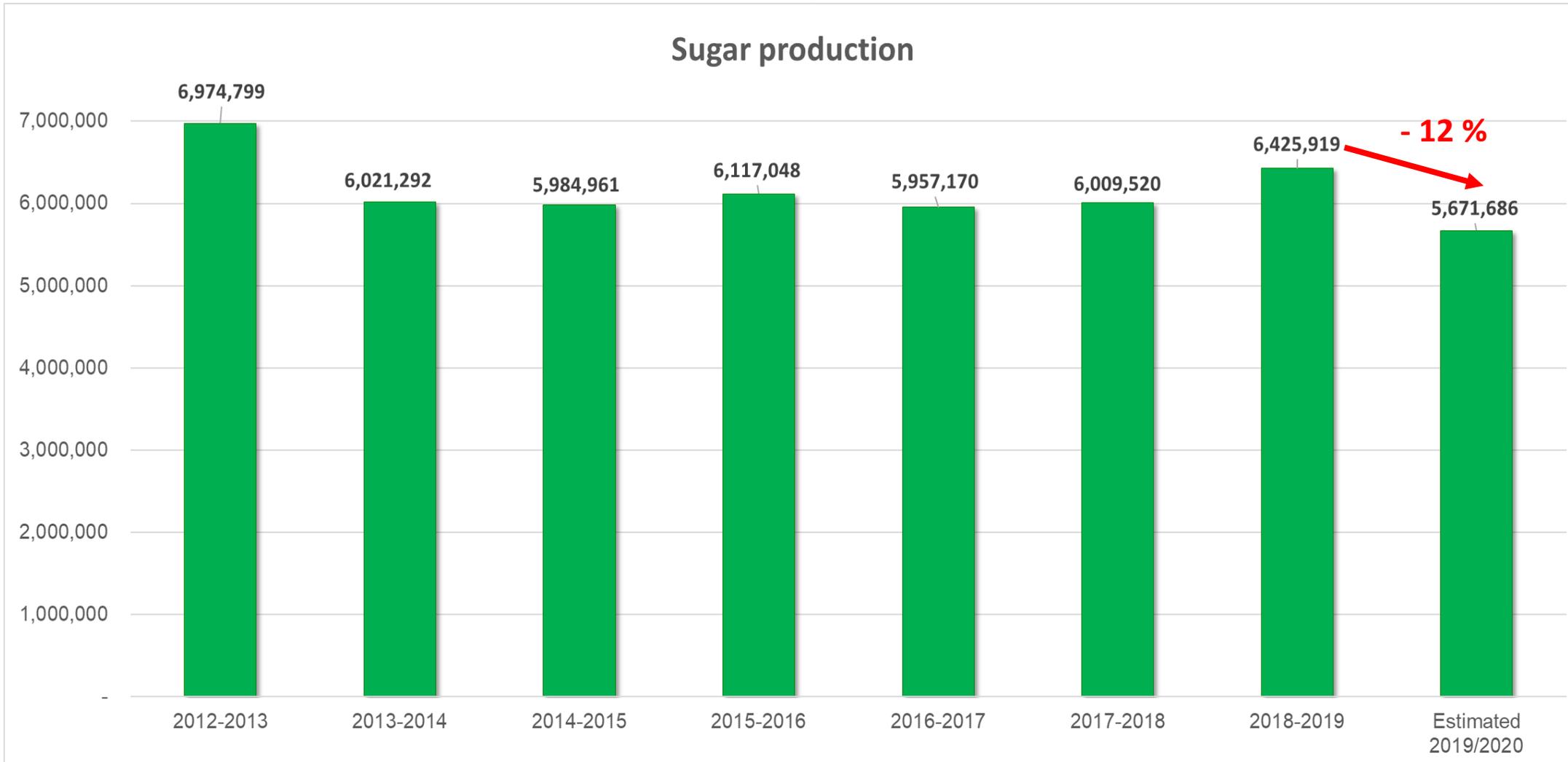
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- 1) Production – Estimates and Observations as Harvest ends by late May.
- 2) Consumption – Trends in Caloring Sweetener Consumption, as well as HFCS vs Sugar
- 3) Official STU Target as Determined by the Government of Mexico – a lower STU target allows for a larger “Exportable Surplus”, and therefore more export licenses are issued. This is a policy decisión.



# Production

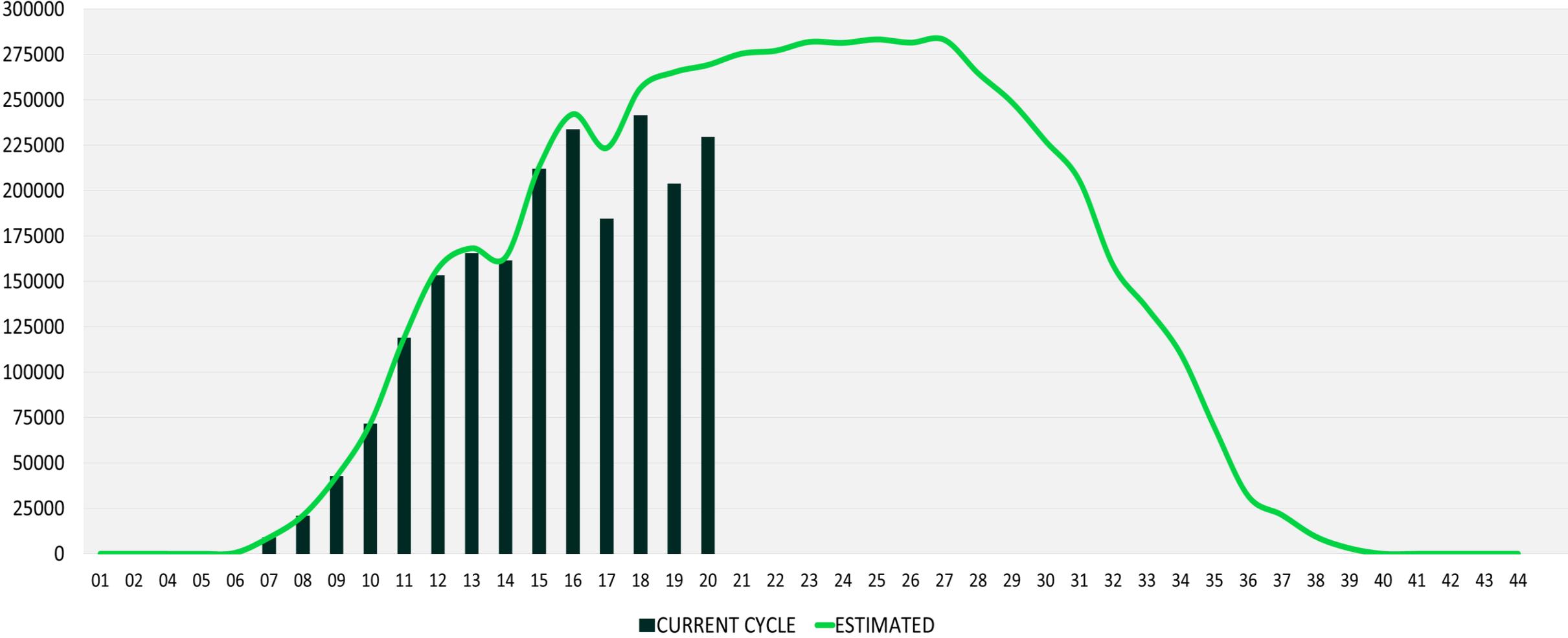
- Given Drought Conditions Last Summer, Mexico's official production estimate for 2019/20 is already at a lower level:



**754**  
thousand  
tons of  
sugar,  
less than  
the  
previous  
cycle



# Weekly production data have raised certain concerns as to whether this already lower production estimate can be met





# Production - Harvest Progress

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## The main issue is Rain during harvest

Mexican cane production needs:

A) Rain during summer

- Drought is already contemplated in the estimates

B) Dry conditions during harvest

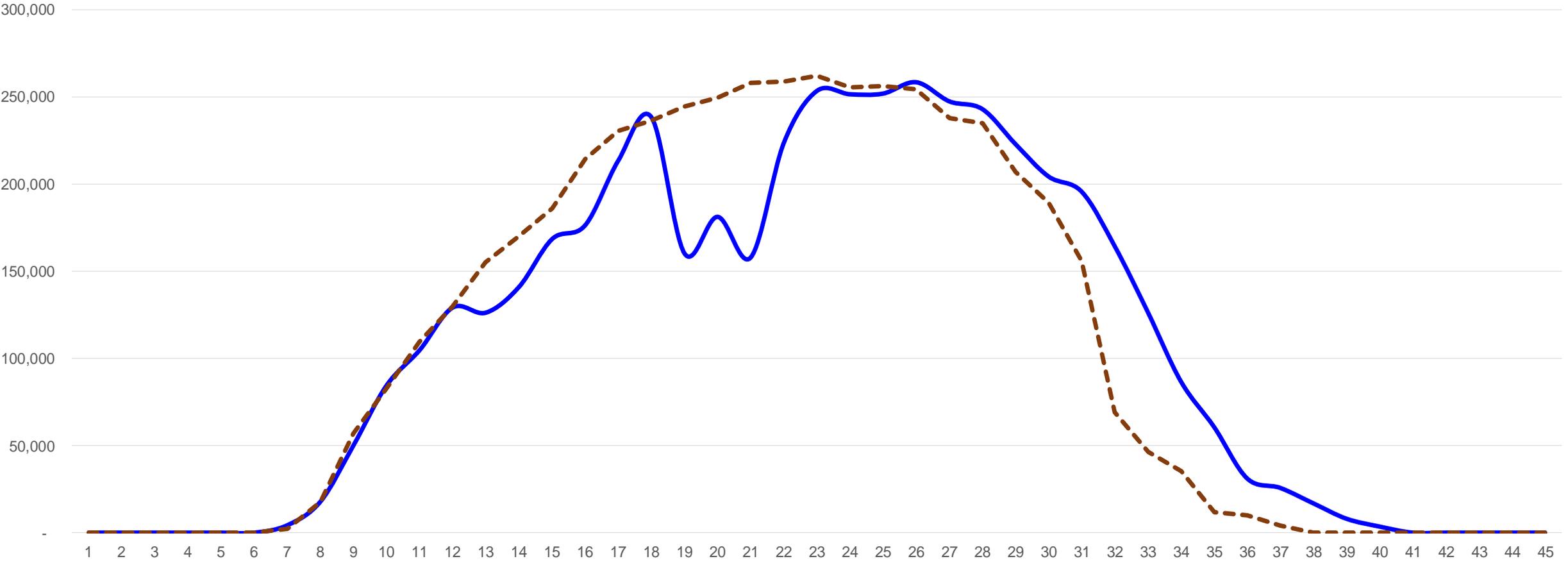
- Current rainy conditions during Jan/Feb are unusual
- Generally, once rains stop, harvest recovers



# Rainy harvest conditions in 2009/10 – loss in early production was recovered:

Cycle 2009 – 2010 real vs estimated

### Sugar Production Metric Tons.



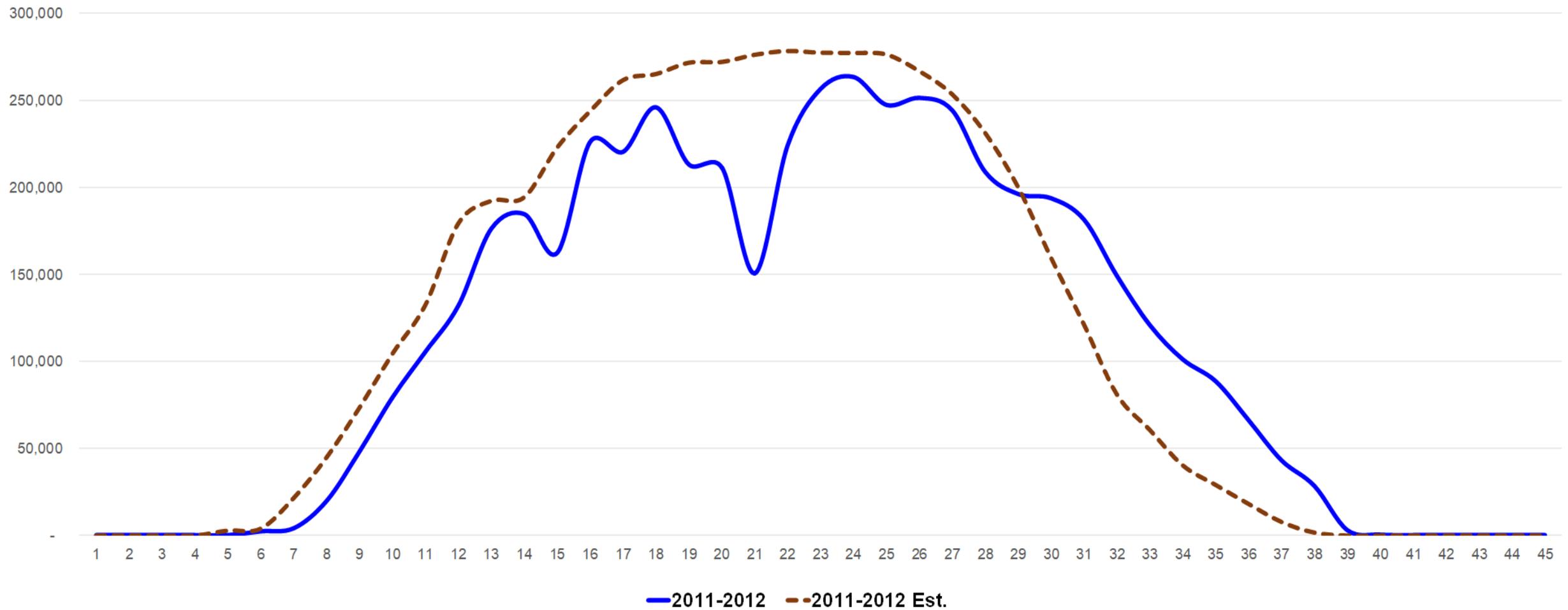
— 2009-2010    - - - 2009-2010 Est.



# Rainy harvest conditions in 2011/12 – loss in early production was recovered:

Cycle 2011 – 2012 real vs estimated

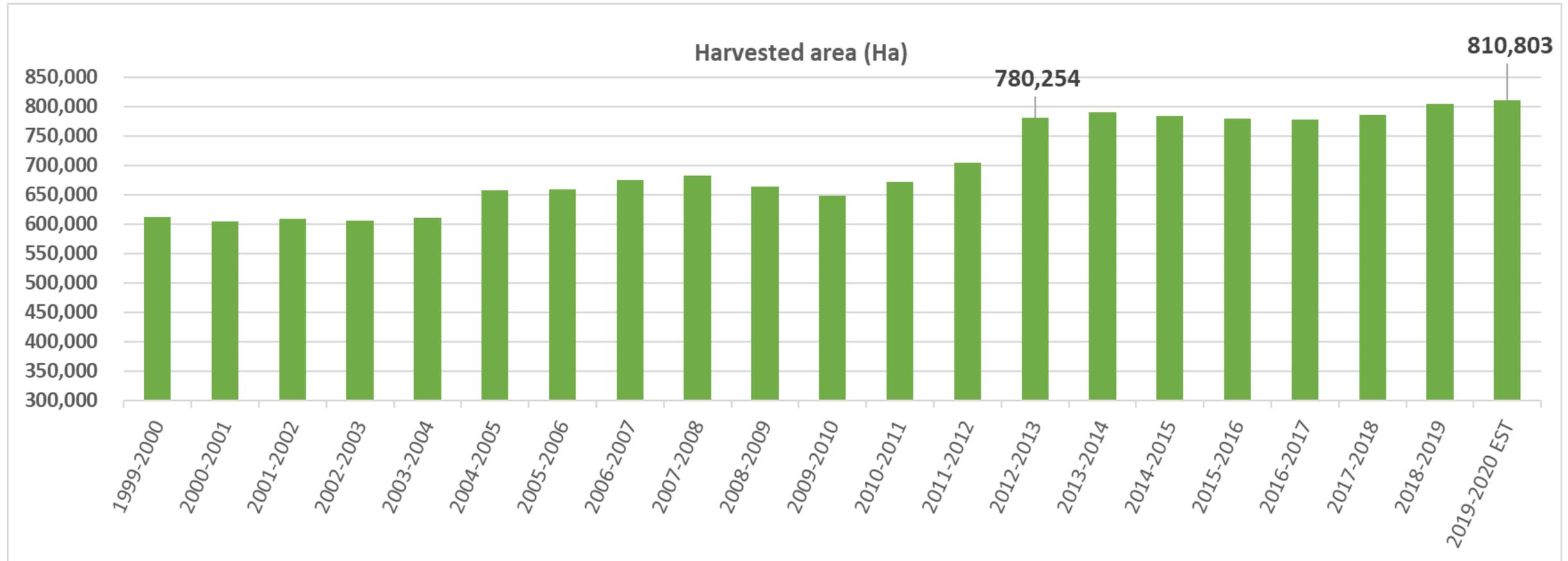
### Sugar Production Metric Tons.





# Production considerations – harvest area

The 2019/2020 could be historical record in number of harvested hectars.





## Yields and Recovery rates

Yields and factory recovery rates are not expected to affect the current production estimate.

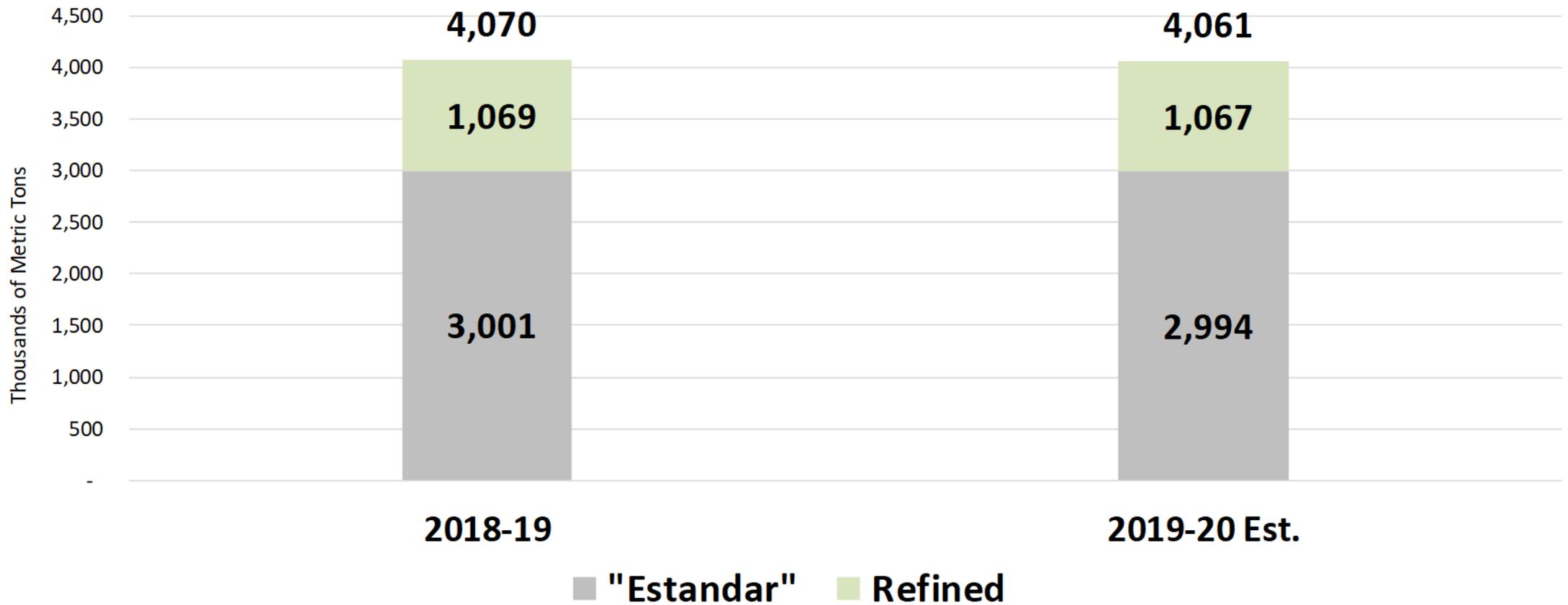
Performance variables	2019 - 2020 ACCUMULATED Oct - Feb 15	
	ESTIMATED	REAL
Yield (ton/ha)	68.32	<b>71.28</b>
Factory recovery rates %	10.15	<b>9.83</b>

- **Current production estimate = 5,671,686 tons**



# Factors that influence the exportable surplus: consumption

The sugar consumption estimate is almost flat





# Factors that influence the exportable surplus: consumption

New pre approved labeling requirements will not come into force during 2019/2020 cycle

New mandatory labelling warning of high levels of sugars, trans fat, sodium and calorie content.

ALTO EN AZÚCARES

ALTO EN CALORÍAS

ALTO EN GRASAS SATURADAS

ALTO EN SODIO

ALTO EN GRASAS SATURADAS

ALTO EN CALORÍAS

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**ALTO EN AZÚCARES**

**ALTO EN GRASAS SATURADAS**

**ALTO EN SODIO**

**ALTO EN CALORÍAS**

**Exijamos etiquetados claros para proteger la salud de nuestros hijos**

Tenemos derecho a saber qué estamos consumiendo

Infórmate: [www.etiquetadosclaros.org](http://www.etiquetadosclaros.org)

Basados en las recomendaciones de la OPS/OMS y en el sistema de etiquetado implementado en Chile, Perú y próximamente Uruguay

alianza por la salud alimentaria



# Factors that influence the exportable surplus: target ending inventories

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Mexican government can decide to bring back target ending inventories (STU):

- A) From current two and a half month target  
(20.8 % STU)
  
- B) To the usual two month target  
(16.7 % STU)

This Mexican Government policy decision could free 184,613 thousand tons for export to the US.



If Mexican Government adjusts target ending inventories, current Mexican “exportable surplus” would be higher than US NEEDS calculated in February

Concept	MT	MTRV	STRV
<b>Total Supply</b>	<b>6,860,427</b>	<b>7,272,053</b>	<b>8,016,065</b>
Beginning Stocks	1,168,741	1,238,865	1,365,615
"CEDES 2018-19"	49,209	52,162	57,498
Available Beginning Stocks	1,119,532	1,186,704	1,308,117
Production	5,671,686	6,011,987	6,627,081
Imports	20,000	21,200	23,369
<b>Total Use</b>	<b>6,121,977</b>	<b>6,489,296</b>	<b>7,153,224</b>
<b>Total Surplus for Exports</b>	<b>1,671,277</b>	<b>1,771,554</b>	<b>1,952,803</b>
<b>Exports to US ( Feb WASDE).</b>	<b>1,588,237</b>	<b>1,683,531</b>	<b>1,855,775</b>
<b>Total consumption</b>	<b>4,450,700</b>	<b>4,717,742</b>	<b>5,200,420</b>
<b>IMMEX sales</b>	<b>370,000</b>	392,200	432,326
<b>National Consumption</b>	<b>4,080,700</b>	<b>4,325,542</b>	<b>4,768,094</b>
Domestic sales	4,060,700	4,304,342	4,744,725
Imports	20,000	21,200	23,369
<b>Ending Stocks (2 m)</b>	<b>738,450</b>	<b>782,757</b>	<b>862,842</b>



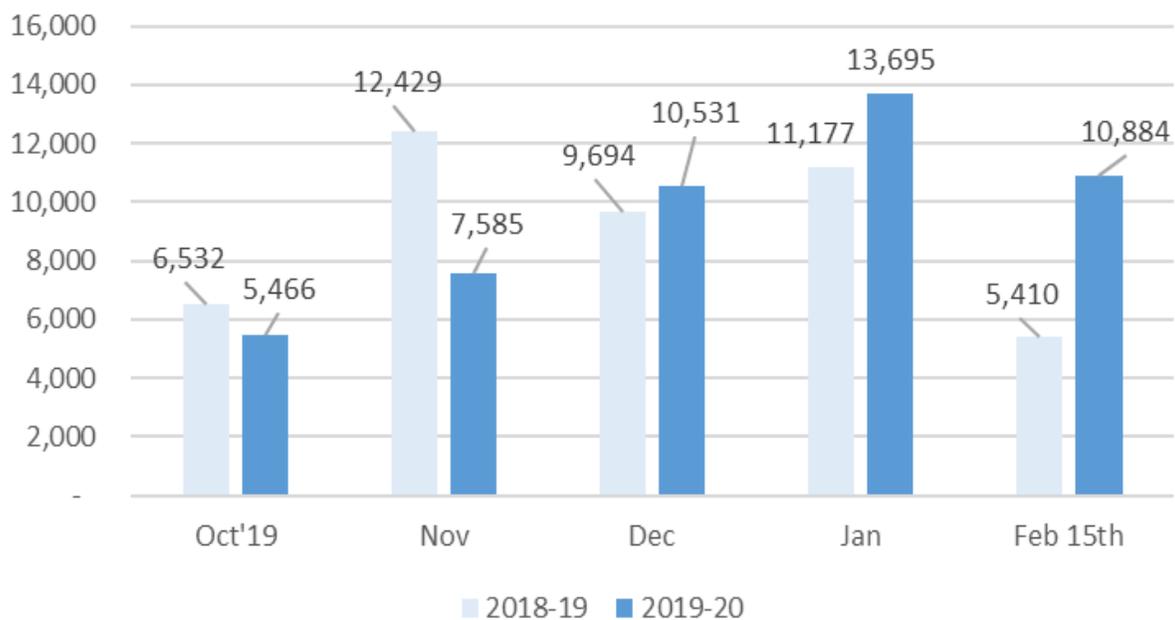
## **III. Mexican Sugar Exports, 2019/2019 cycle**



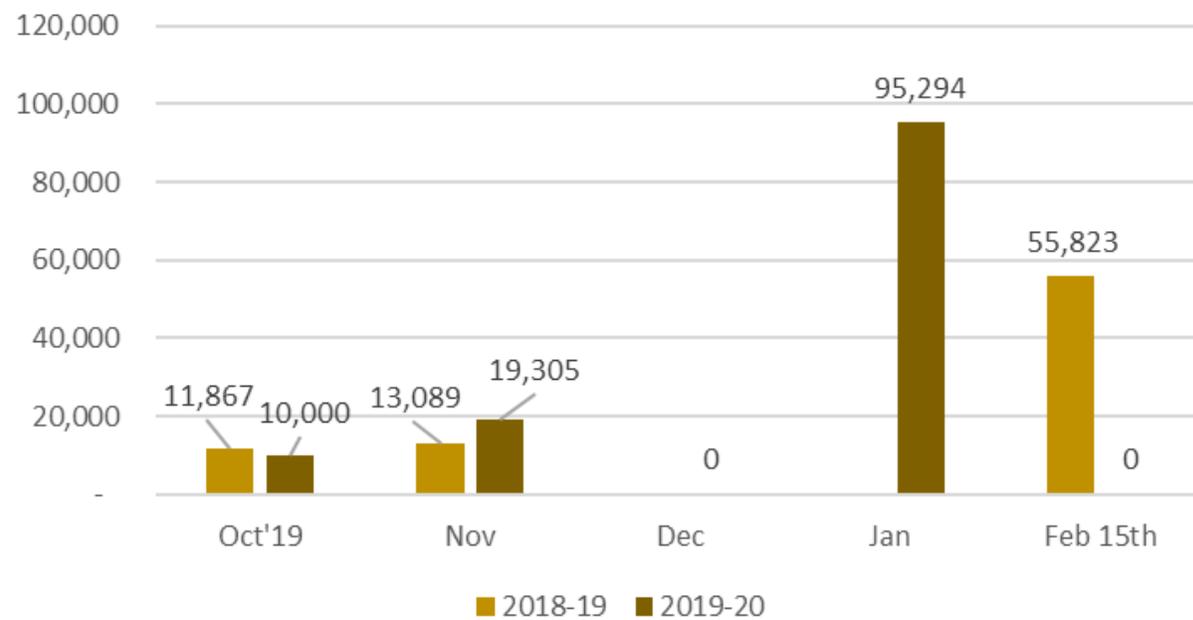
# Mexican Sugar Exports to the US

According to the official data, Mexico presents a higher flow of exports to the US, in the current cycle vs 2019/2018.

## Refined sugar exports to the US

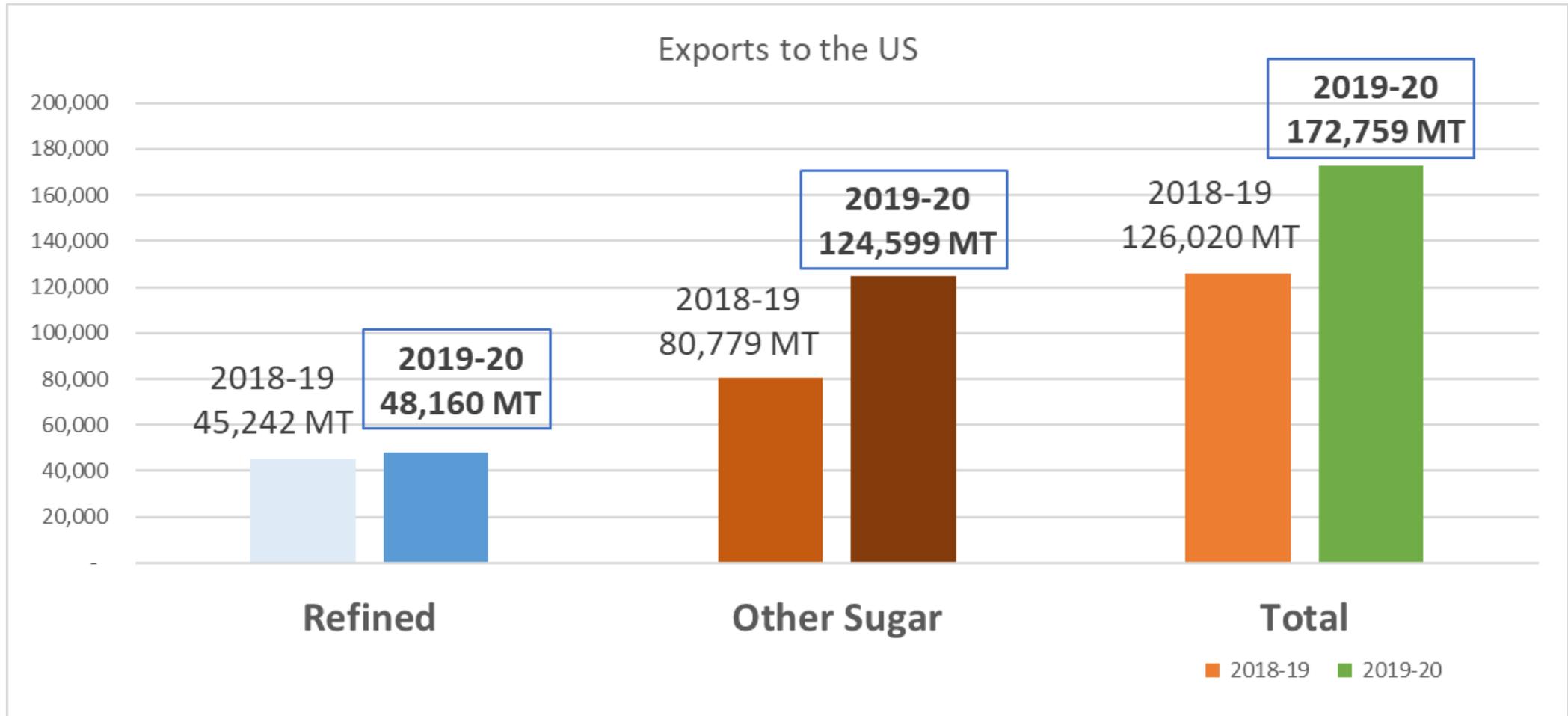


## Other sugar exports to the US



Source: Mexican customs, data until february 15th for 2019 and february 16th for 2020

# Mexican Sugar Exports to the US, 2019/2020 vs 2018/2019



Source: Mexican customs, data until february 15th for 2019 and february 16th for 2020

The export programs of the Mexican mills expect at least 400 thousand tonnes to be exported between February and March 2020, to the US.



# Conclusions

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- 1) Mexican Export Regulations are designed to ensure the supply of sugar in the Mexican and US markets.
- 2) Mexico will provide the US with a responsible and timely response as to supply capabilities.
- 3) Mexican mills will export all sugar which is committed to the US market.



**Thank you!**

**Humberto Jasso**  
Executive President  
Mexican Sugar Chamber