

2020 International Sweetener Colloquium

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The Status and Impact of the U.S. Sugar Policy

2020

MX		US	
		Good Crop	Bad Crop
Good Crop	25%	25%	
Bad Crop	25%	25%	

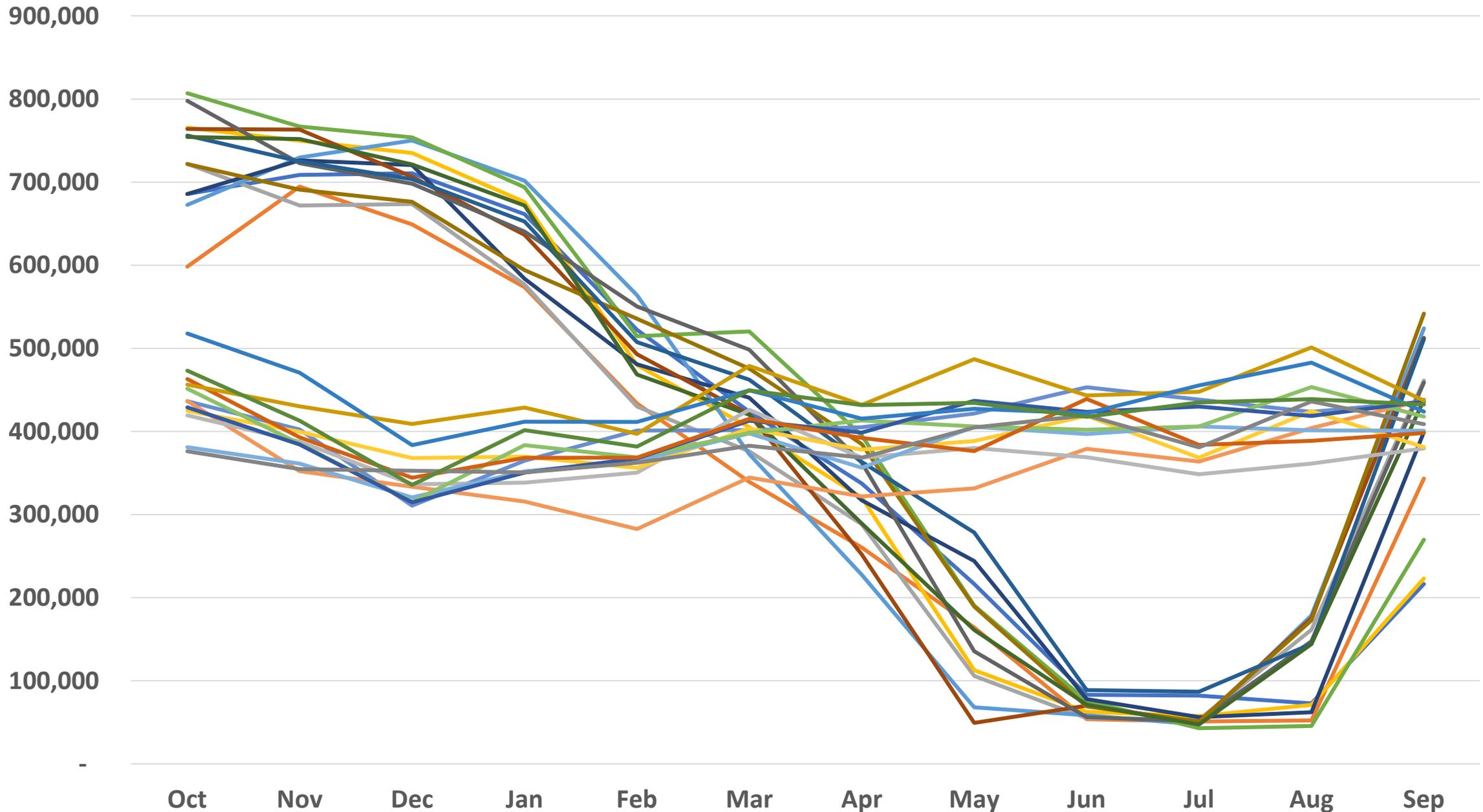
USDA SUGAR PROGRAM MANAGEMENT CONSIDERATIONS...

Will there be enough sugar to fill sugar
demand?

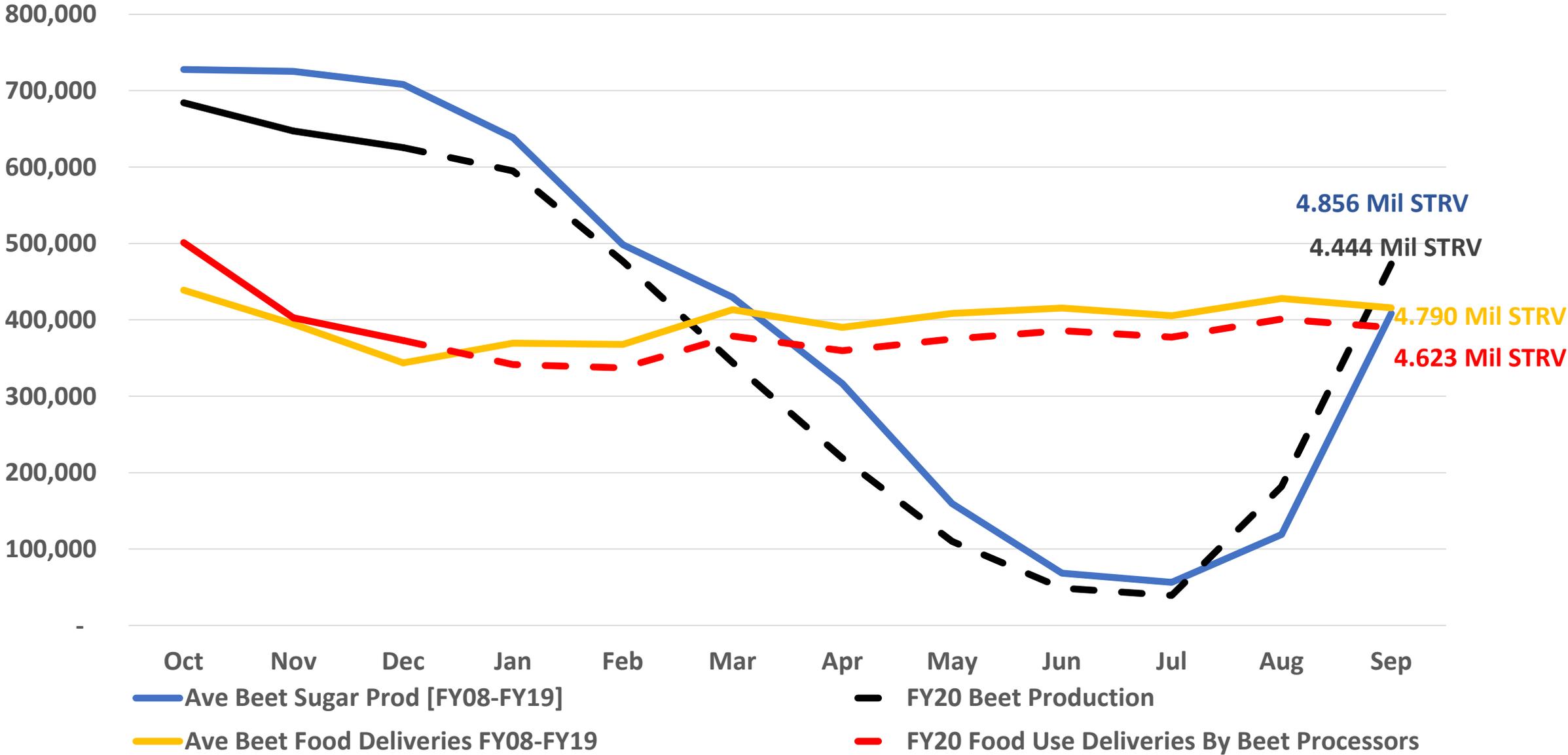
Feb 2020 WASDE for FY20	(1,000 STRV)
Total Use:	12,265
Less:	
Available Beet Supply (Begin Stocks+Prod-End Stocks)	4,628
Refined Imports from TRQs, FTAs and High Tier	474
Refined Imports from MX	585
Equals: Domestic Refined Cane Sugar Production Needed to Fill Demand	6,578
Forecast Ending Stocks	1,516
Expected Stocks-to-Use	12.4%
Ending Stocks if Stocks-to-Use = 13.5%	1,656
Quantity Needed to Reach 13.5% Ending Stocks	140

Let's discuss the sources of supply...

Beet Production vs Beet Deliveries FY08-FY19



Beet Production and Deliveries are expected to lag behind average levels



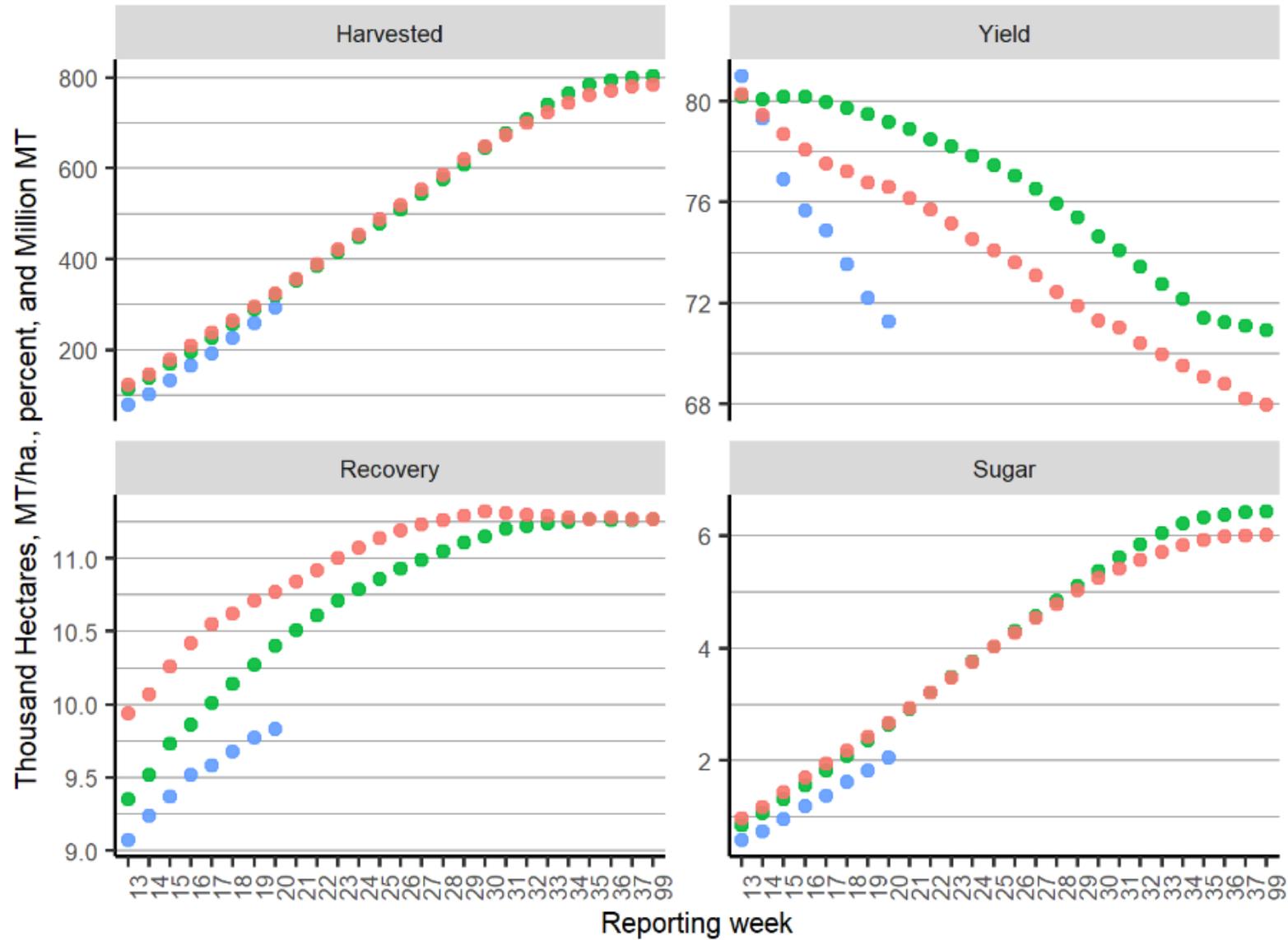
Refined Imports

Here, it is assumed that:

- 100% of Refined TRQ sugar enters
- 70% of FTA sugar enters as refined, and
- 100% of High Tier sugar (shown in Feb Wasde) enters

What about Mexico???

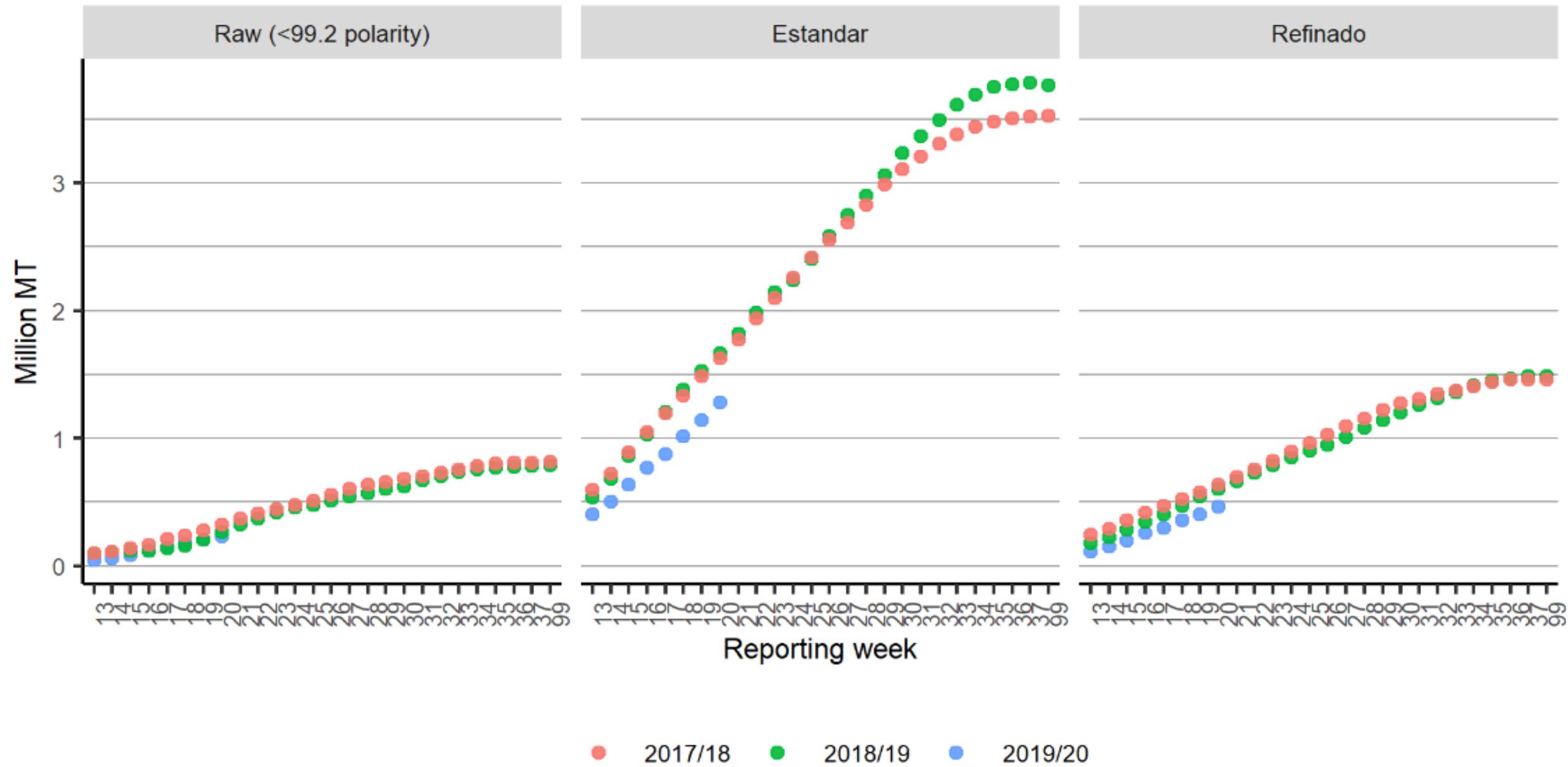
Mexico sugarcane cumulative harvest progress



● 2017/18 ● 2018/19 ● 2019/20

Source: Conadesuca; USDA, Economic Research Service.

Mexico weekly cumulative sugar production, by type of sugar

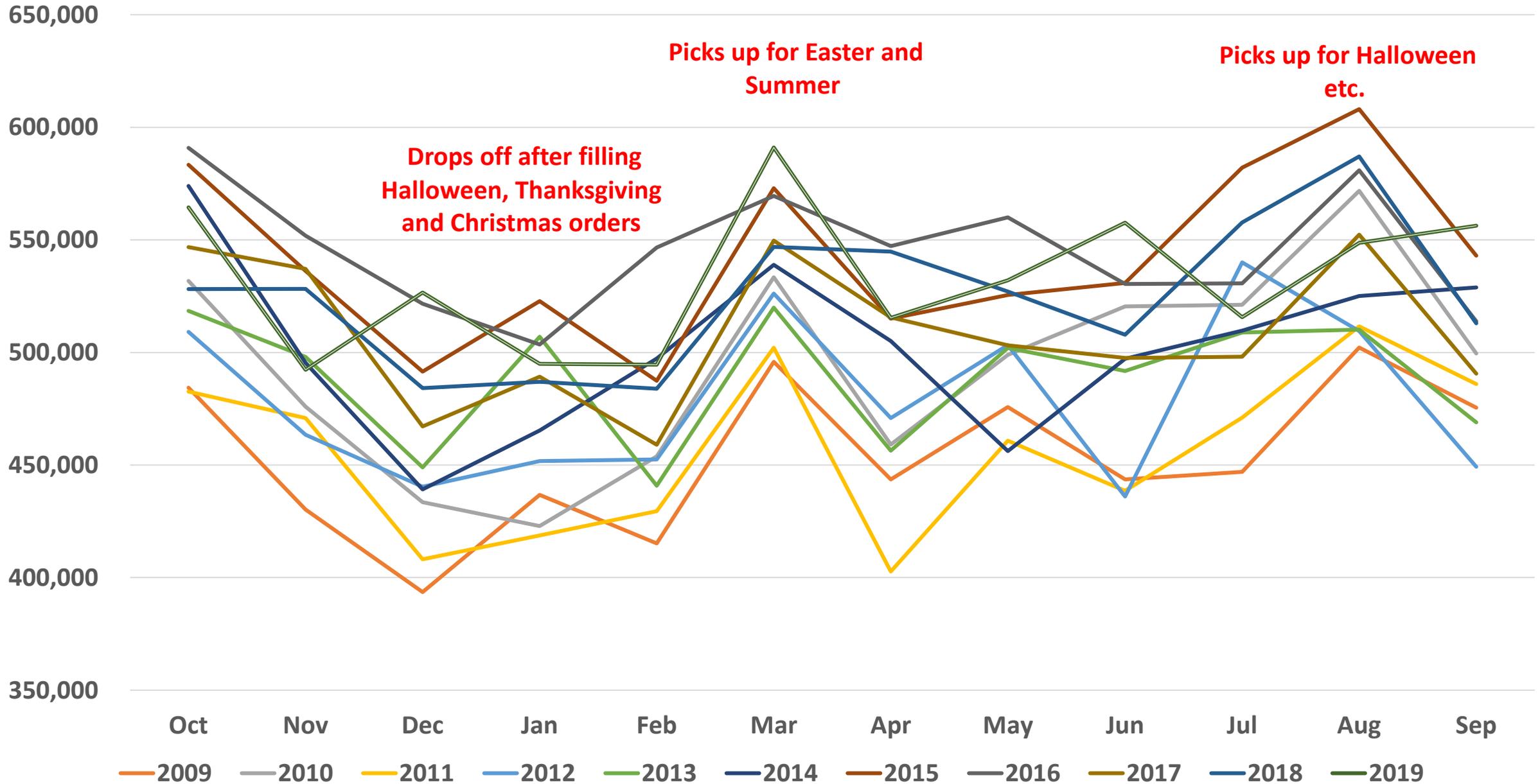


Source: Conadesuca; USDA, Economic Research Service.

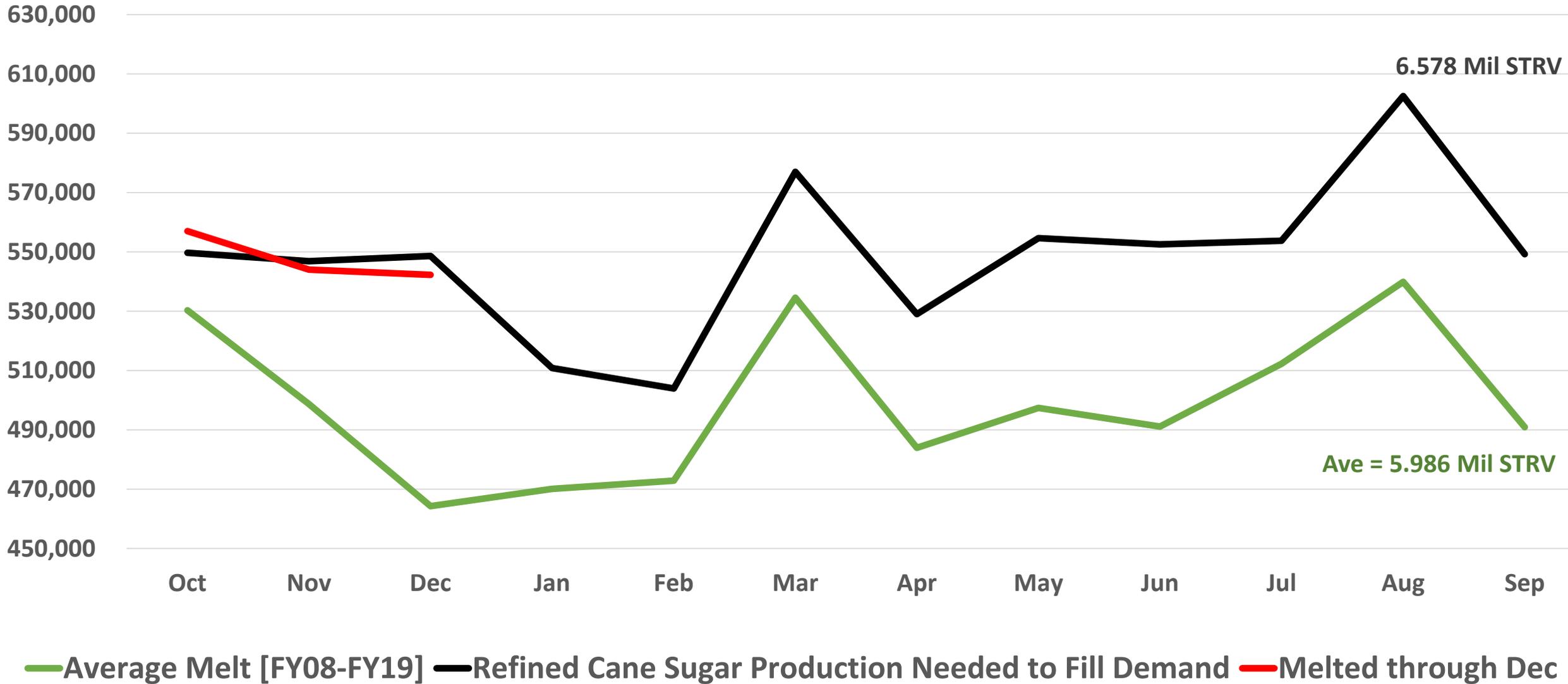
Another Wild Card...

Domestic Cane Refining Capabilities

Monthly U.S. Cane Refiner *Melt* over past decade



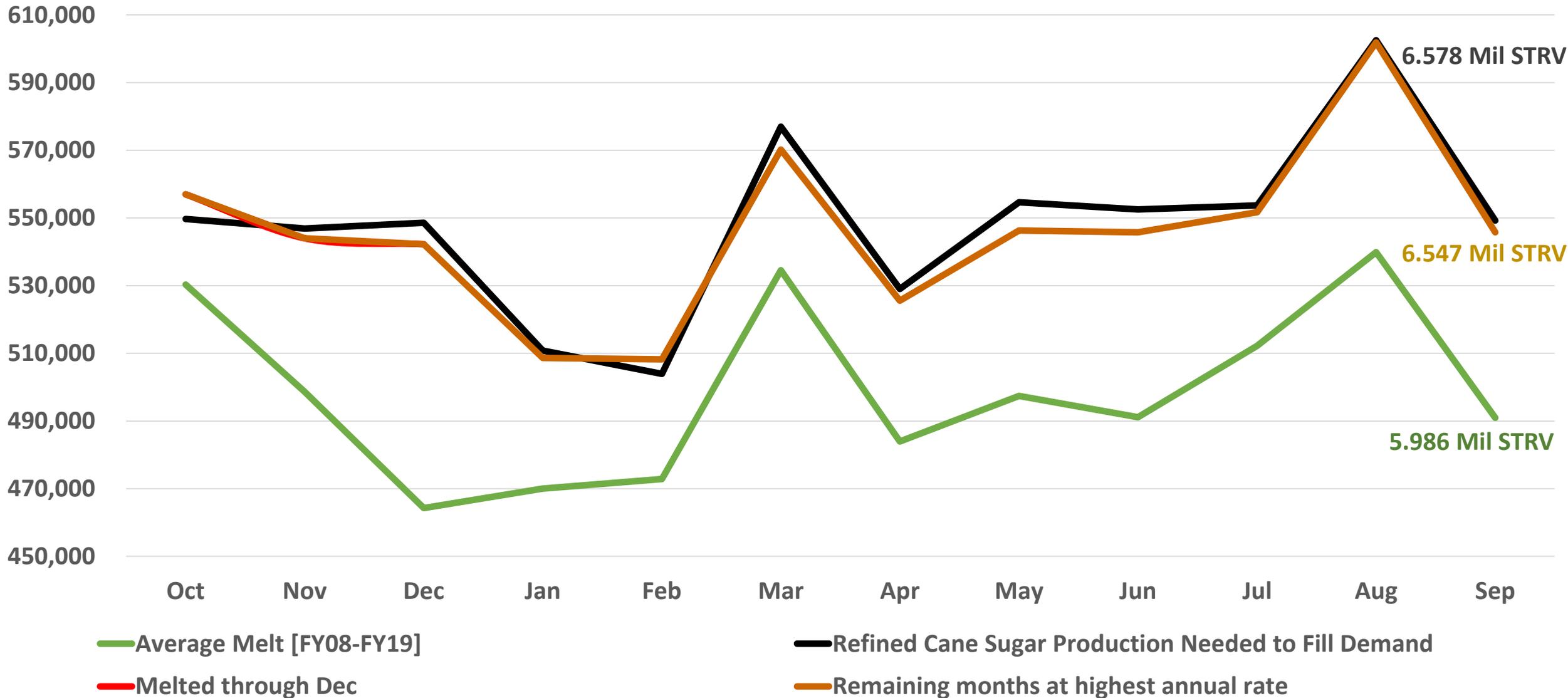
Domestic Cane Refiners ran well above average [Oct-Dec]



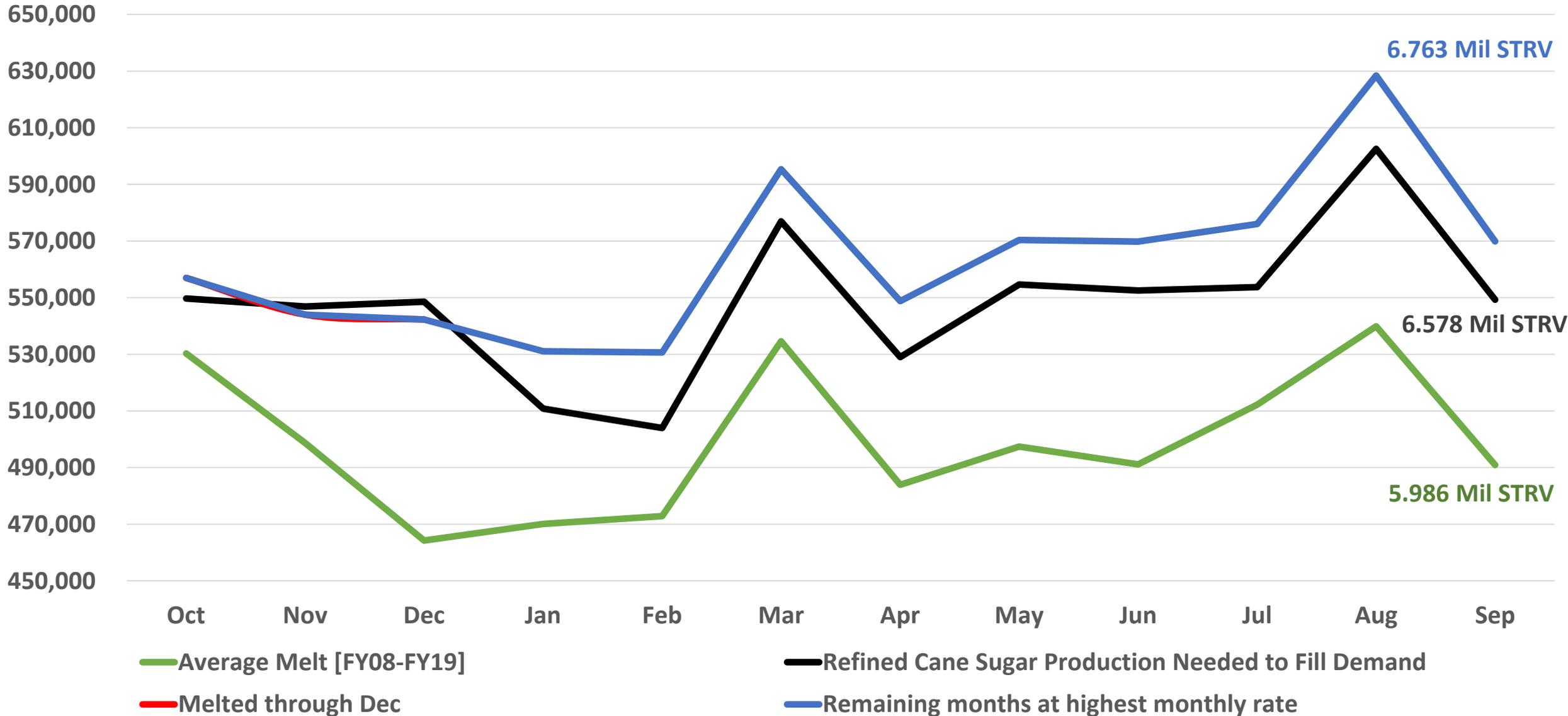
FY16 had the highest annual melt in past decade

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
2008	449,687	504,082	516,220	440,696	513,580	468,018	431,161	423,997	441,321	464,604	471,168	365,927	5,490,460
2009	481,301	418,971	384,524	421,511	400,732	481,113	427,957	464,479	433,572	439,894	500,550	475,354	5,329,957
2010	531,787	475,912	433,456	422,716	453,007	533,450	458,048	497,083	520,497	521,225	568,004	490,716	5,905,902
2011	479,361	470,169	407,928	416,481	426,546	495,068	402,077	460,805	438,546	471,031	510,653	481,841	5,460,506
2012	508,284	463,447	440,155	451,525	451,899	523,471	469,118	498,950	434,652	540,051	508,360	448,872	5,738,783
2013	518,384	497,926	448,992	506,975	440,806	519,907	456,404	502,040	491,742	508,906	510,189	468,300	5,870,571
2014	597,625	495,349	439,172	465,384	497,313	538,917	505,067	456,163	497,195	509,724	525,089	528,875	6,055,873
2015	583,365	536,189	491,509	522,798	487,450	572,981	515,012	525,513	530,897	582,110	608,037	543,010	6,498,872
2016	590,911	551,905	521,669	503,521	546,578	569,504	547,291	560,041	530,376	530,658	580,968	513,828	6,547,248
2017	546,846	537,149	467,113	489,256	458,969	549,682	515,594	503,145	497,540	498,140	552,281	490,617	6,106,332
2018	528,114	528,225	484,214	486,944	483,918	546,894	544,818	527,039	507,894	557,754	587,089	512,986	6,295,889
2019	564,485	492,281	526,640	494,915	494,601	591,059	515,397	532,091	557,674	515,675	548,677	556,285	6,389,779

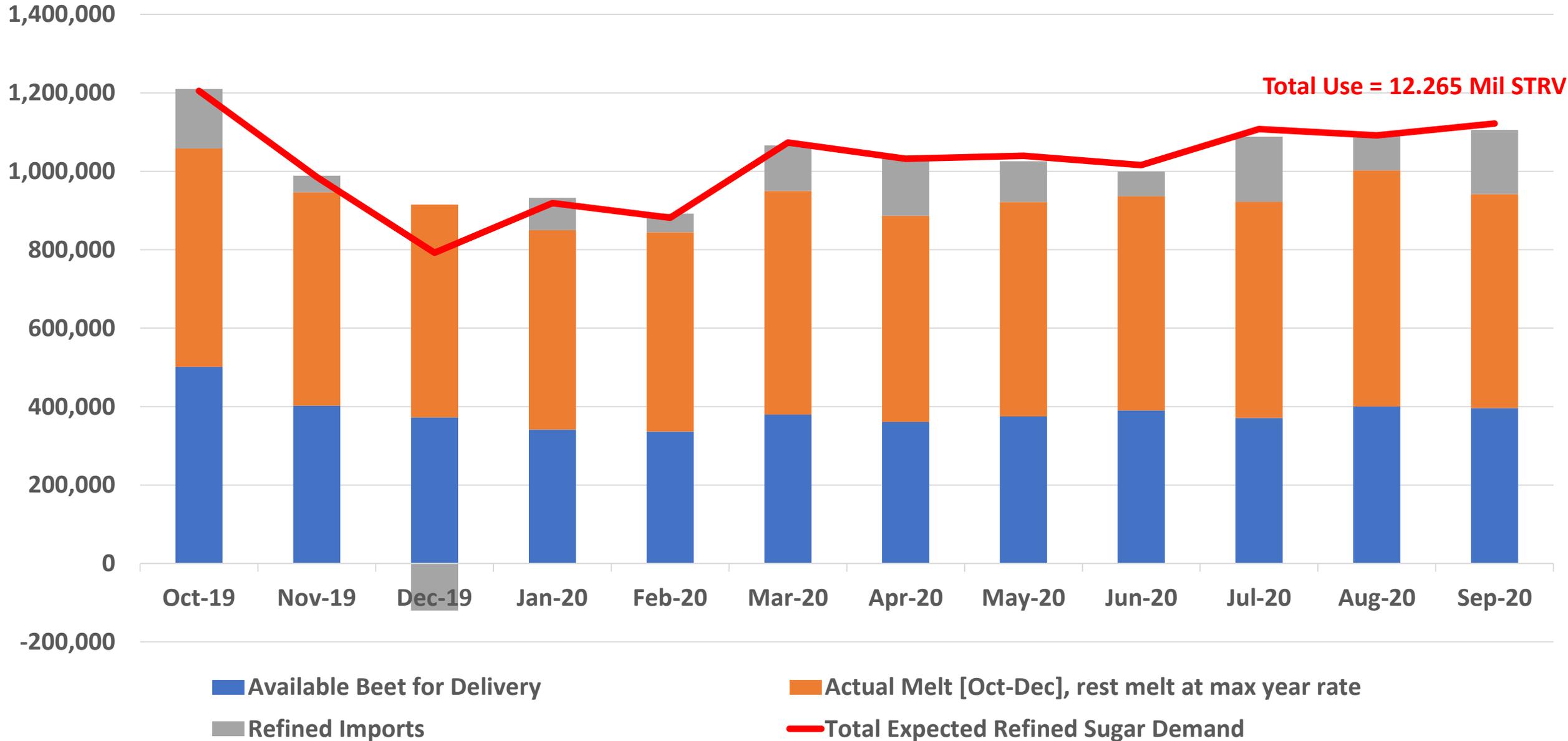
For [Oct-Dec], U.S. Cane Refiners a little behind pace to reach highest melt year. If pace continues would end 31,000 tons short.



If U.S. cane refiners could melt at max monthly rate, there would be no refined shortfall



Based on Feb WASDE, IF beet processors can deliver 4.6 million tons, and IF cane refiners can produce 6.5 mil, and IF all expected refined imports enter, THEN the net refined sugar shortfall would be 31,000 tons, and the net raw sugar shortfall 109,000.



Risk Factors

- U.S. production falls more
 - Domestic cane refiners don't run as fast as needed
 - Mexico's production cannot fill its Export Limit
-
- Demand is less than expected and sugar is not needed

What the Sugar Users Association asked for...

- After March, USTR reallocate raw TRQ
- USDA and Commerce work with Mexico so that flow of refined is unencumbered
- USDA request additional refined from Mexico and consider a refined TRQ increase
- USDA target a 15.5% stocks to use ratio
- High Tier imports are USDA program management failure

What USDA has done so far...

- Nov 15, 2019, USDA announced it would take appropriate actions, before Dec 10, to ensure adequate supplies.
- Nov 25, 2019, USDA notified Commerce of an additional need of 100,000 tons of *refined* sugar from Mexico. This changed the ratio of raw/refined, but not Mexico's total access.
- Feb 6, 2020, USDA asked USTR to reallocate the unused quantities of WTO 2020 raw sugar tariff-rate quotas.

Rules that guide USDA actions:

SUGAR PROGRAM:

Before April 1

- USDA can increase raw sugar TRQ if emergency shortage
- if still a shortage, USDA can increase refined TRQ as long as refining capacity maxed and doing so won't threaten forfeitures.

After April 1

- USDA can increase raw sugar TRQ
- Silent to refined sugar TRQ increases

SUSPENSION AGREEMENTS:

Before or After April 1

- USDA can notify Commerce to increase access from Mexico to address potential shortages

