



Sugar and Sweeteners Outlook

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U.S. Projected Production and Deliveries Reduced for 2018/19, Shipments from Mexico Raised

U.S. sugar production for 2018/19 is projected to be 8.941 million short tons, raw value (STRV) in the USDA's December *World Agricultural Supply and Demand Estimate* (WASDE). Projected beet sugar production is reduced 74,000 STRV from the November report due to lower expected sucrose recovery from beet slicing during the year. Expected imports are raised 278,000 STRV due to increased entries from Mexico, based on the terms of the suspension agreement. Projected deliveries for 2018/19 are also reduced, by 50,000 STRV, based on industry reports of the pace of sales thus far for the year. Ending stocks are projected to total 1.664 million STRV, resulting in a stocks-to-use ratio of 13.5 percent.

The production outlook in Mexico is unchanged—with production projected to total 6.025 million metric tons, actual value (MT)—as the harvest season has just begun. Domestic deliveries are also unchanged, with per capita sugar deliveries expected to rebound from 2017/18, which saw a dramatic dip in deliveries alongside higher domestic prices. The December WASDE updated trade expectations for Mexico, however. Imports are reduced 45,000 MT from the previous level due to fewer shipments from the United States, which was a feature of the previous year's market. Exports are raised 238,000 MT, reflecting the updated U.S. Needs calculation, according to the suspension agreement. Ending stocks are reduced from the previous month's level, but the stocks-to-consumption ratio remains at 30.1 percent; relatively high by historical standards.

U.S. Domestic Outlook

Early Reporting from Processors Spurs a Reduction in Projected Beet Sugar Production

The December *World Agricultural Supply and Demand Estimates* (WASDE) projects total U.S. sugar supplies in 2018/19 to be 13.968 million short tons, raw value (STRV), a 160,000-STRV increase from the previous month's projection. The increase is due to higher projected imports, which more than offset lower beginning stocks and less production expected for the year. Beginning stocks for 2018/19 are projected to be 1.948 million STRV, a 45,000-STRV decrease compared with the previous month due to updated inventory by domestic sugarcane processors for the end of 2017/18.

Table 1: U.S. sugar: supply and use, by fiscal year (Oct./Sept.), December 2018

Items	2016/17	2017/18 (estimate)	2018/19 (forecast)	2016/17	2017/18 (estimate)	2018/19 (forecast)
	1,000 Short tons, raw value			1,000 Metric tons, raw value		
Beginning stocks	2,054	1,876	1,948	1,863	1,702	1,767
Total production	8,969	9,293	8,941	8,137	8,430	8,111
Beet sugar	5,103	5,279	4,900	4,629	4,789	4,445
Cane sugar	3,866	4,014	4,041	3,507	3,641	3,666
Florida	2,055	1,983	2,050	1,864	1,799	1,860
Louisiana	1,628	1,862	1,841	1,477	1,689	1,670
Texas	140	169	150	127	153	136
Hawaii	43	0	0	39	0	0
Total imports	3,244	3,277	3,080	2,943	2,973	2,794
Tariff-rate quota imports	1,611	1,663	1,564	1,462	1,509	1,419
Other program imports	419	326	350	380	296	318
Non-program imports	1,213	1,287	1,165	1,101	1,168	1,057
Mexico	1,201	1,223	1,120	1,090	1,110	1,016
Total supply	14,267	14,445	13,969	12,943	13,105	12,672
Total exports	95	170	35	86	154	32
Miscellaneous	38	142	0	35	129	0
Deliveries for domestic use	12,258	12,185	12,270	11,121	11,054	11,131
Transfer to sugar-containing products						
for exports under re-export program	127	110	120	115	100	109
Transfer to polyhydric alcohol, feed, other alcohol	29	28	25	27	25	23
Commodity Credit Corporation (CCC) sale for ethanol, other	0	0	0	0	0	0
Deliveries for domestic food and beverage use	12,102	12,048	12,125	10,979	10,930	11,000
Total use	12,391	12,497	12,305	11,241	11,337	11,163
Ending stocks	1,876	1,948.20	1,664	1,702	1,767	1,509
Private	1,876	1,948	1,664	1,702	1,767	1,509
Commodity Credit Corporation (CCC)	0	0	0	0	0	0
Stocks-to-use ratio	15.14	15.59	13.52	15.14	15.59	13.52

Source: U.S. Dept. of Agriculture, Economic Research Service, Sugar and Sweetener Outlook.

Total domestic sugar production for 2018/19 is expected to be lower than previously forecast, as well as lower than the record 2017/18 production. Domestic production for 2018/19 is projected to be 8.941 million STRV, which is 74,000 STRV lower than the November report and 3.9 percent lower than the previous year. This is due to lower beet sugar production expected for 2018/19.

Beet sugar production is projected to total 4.900 million STRV for 2018/19, a 74,000-STRV reduction from the previous month's forecast. Although early in the slicing campaign, sucrose recovery from sliced beets from August through October is well below the previous campaign's levels and slightly lower than longer-term averages. The current projection reflects the early results. This cumulative rate tends to be more variable in the early months of the campaign and historically stabilizes performance by January.

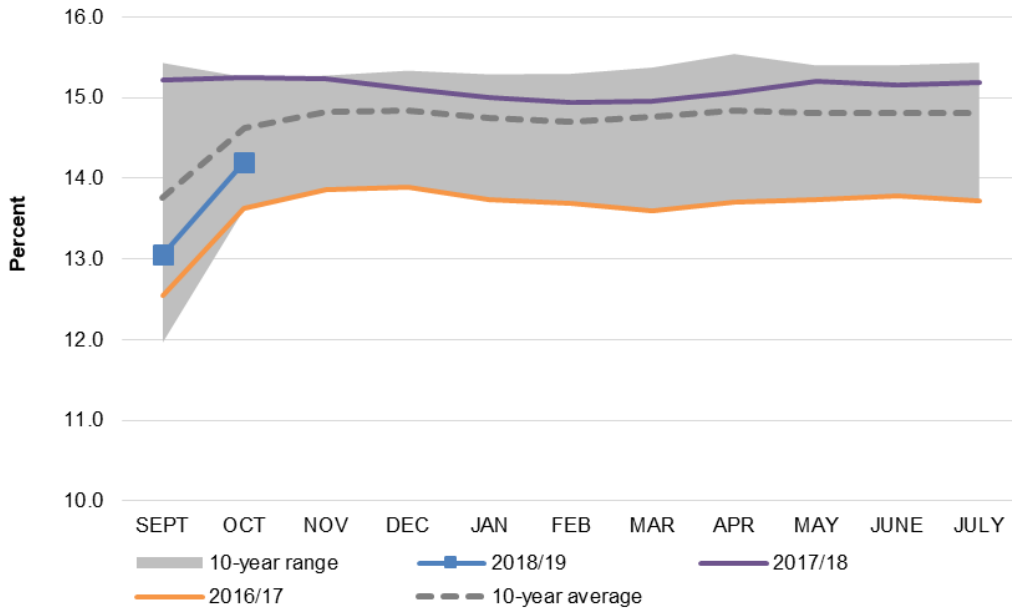
Table 2: Beet sugar production projection calculation, 2017/18 and 2018/19

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
							November	December
Sugarbeet production (1,000 short tons) 1/	35,224	32,789	31,285	35,371	36,881	35,325	33,504	33,504
Sugarbeet shrink 2/	4.8%	6.8%	5.4%	6.5%	8.3%	7.3%	6.9%	6.9%
Sugarbeet sliced (1,000 short tons)	33,532	30,545	29,595	33,066	33,834	32,742	31,192	31,192
Sugar extraction rate from slice	15.3%	14.3%	14.6%	14.6%	13.7%	15.2%	14.7%	14.5%
Sugar from beets slice (1,000 STRV)	5,142	4,325	4,325	4,820	4,643	4,970	4,596	4,523
Sugar from molasses (1,000 STRV) 2/	327	324	341	380	352	368	368	368
Crop-year sugar production (1,000 STRV) 3/	5,469	4,648	4,667	5,201	4,995	5,338	4,964	4,890
August-September sugar production (1,000 STRV)	708	315	461	688	606	715	655	655
August-September sugar production forecast (1,000 STRV)	315	461	688	606	715	655	625	625
Sugar from imported beets (1,000 STRV) 4/	--	--	--	--	--	--	40	40
Fiscal year sugar production (1,000 STRV)	5,076	4,794	4,893	5,119	5,103	5,279	4,974	4,900

Notes: 1/ National Agricultural Statistics Service, U.S. Dept. of Agriculture. 2/Projections based on processor forecasts published by U.S. Dept. of Agriculture, Farm Service Agency. 3/ August-July basis. 4/ Sugar from imported beets split out for projections only, included in total once full crop-year slice is recorded. They are incorporated into total production in historical data.

Source: U.S. Dept. of Agriculture, Economic Research Service and World Agricultural Outlook Board.

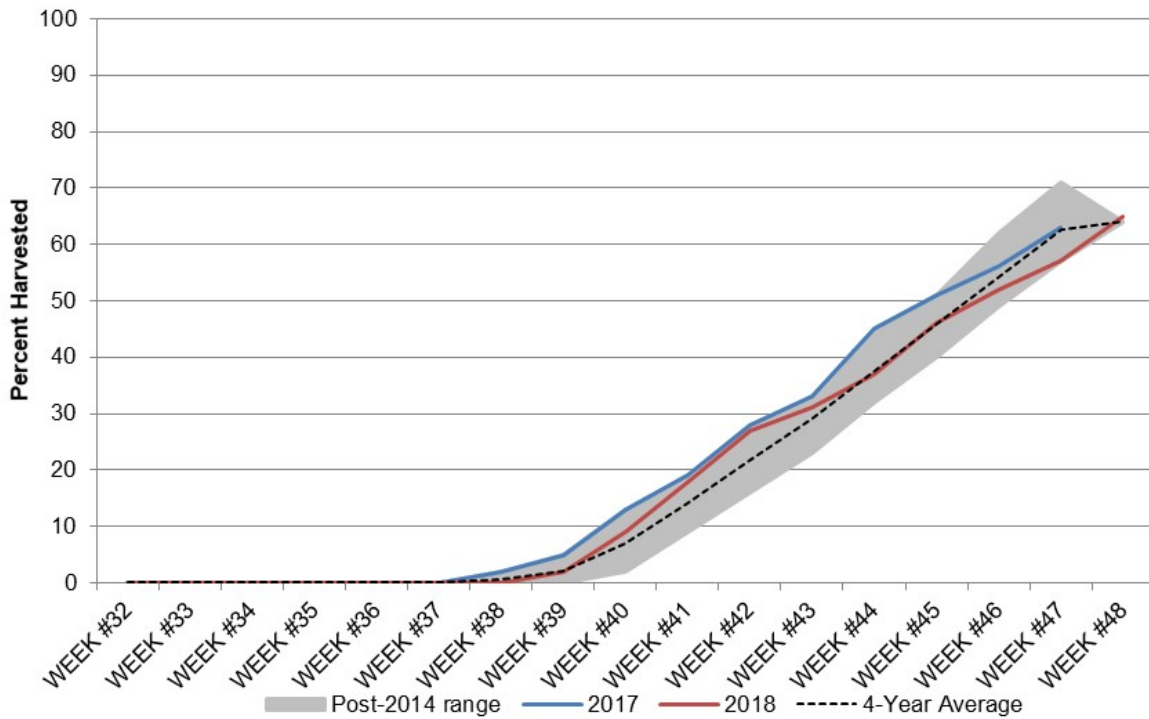
Figure 1
Cumulative sugar extraction rate, beet sugar produced per sugarbeet sliced, by crop year



Source: U.S. Dept. of Agriculture, Economic Research Service and Farm Service Agency.

Cane sugar production remains unchanged from the previous month at 4.041 million STRV— which would represent a 0.7-percent increase from 2017/18 totals. The National Agricultural Statistics Service (NASS) increased its forecast for this year’s sugarcane crop by a slight 0.5 percent compared with its November forecast. The NASS forecast increased yields for the crop in Louisiana, although a reduction in expected harvested area offset some of the production gains. The harvest pace in the State has not been as brisk as 2017/18, but it has progressed in line with the past few years, when formal tracking by NASS began.

Figure 2
Sugarcane harvest progress, Louisiana 2017, 2018, and 4-year average



Source: National Agricultural Statistics Service, USDA.

Both Domestic and Export Use Lowered in 2018/19

Domestic deliveries for 2018/19 are projected to be 12.270 million STRV, a 50,000-STRV reduction from the November forecast. Domestic deliveries for food and beverage use account for the reduction, projected to total 12.125 million STRV—which would be a 0.6-percent increase from the previous year. The reduction reflects industry and market reporting of relatively flat sales and deliveries for the upcoming year. Based on the most recent release of the Farm Service Agency's (FSA) *Sweetener Market Data* (SMD), deliveries for the month of October were nearly unchanged from the previous year at 1.177 million STRV. Notably, deliveries by cane refiners for the month totaled 600,000 STRV, which is the largest monthly total on record for the sector. Deliveries from beet processors in October totaled 473,000 STRV, which was 8.6 percent lower than the previous year's record of 518,000 STRV, but still the second-highest volume for the sector in October.

U.S. sugar exports are also reduced 50,000 STRV from the previous month, projected to total 35,000 STRV for 2018/19. Exports in 2017/18 were relatively high by historical standards, driven by strong sales to Mexico due to price differentials and regional availability of supplies

during the early part of the year. The reduction recognizes that those market conditions have reconciled and are not expected to encourage similar trade flows in 2018/19.

Increased Imports Projected, Mainly from Mexico

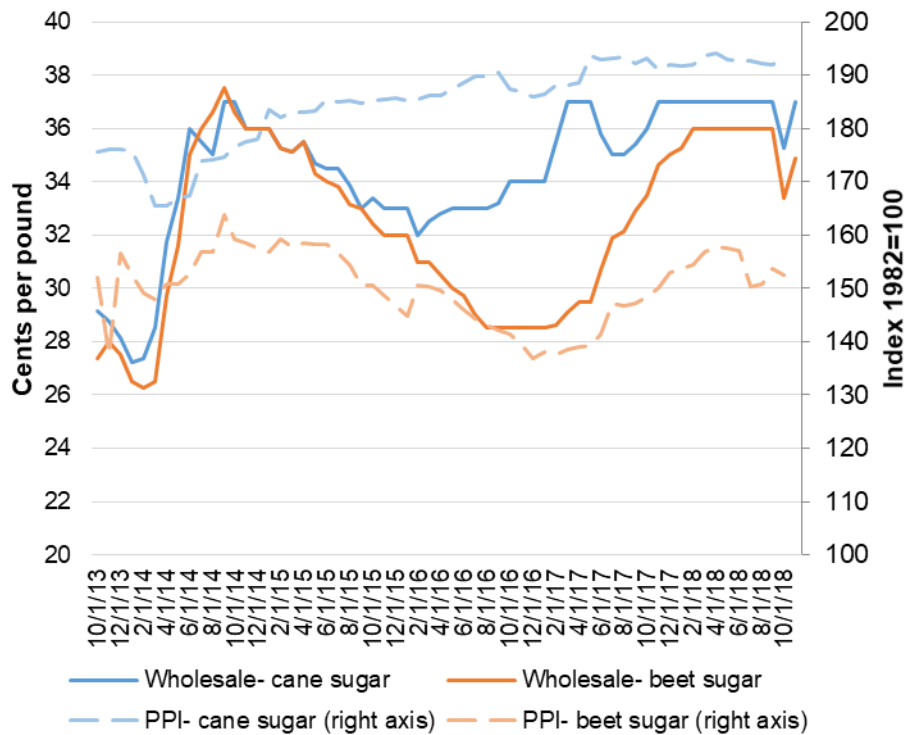
Imports to the United States are projected to total 3.080 million STRV, a 279,000-STRV increase from the November report. Imports under quota programs total 1.564 million STRV, with only minor adjustments from the previous month based on a slight increase of less than 500 STRV in imports from Panama under Free Trade Agreements. The expected shortfall in the WTO raw sugar tariff-rate quota (TRQ) remains at 99,000 STRV. High-duty imports are projected to total 45,000 STRV. High-duty imports through November are estimated at 23,000 STRV. Despite high import quantities for the first two months of the fiscal year, shipping patterns for this market can be highly variable.

Imports from Mexico are projected to total 1.120 million STRV—a 278,000-STRV increase from the previous month. The increase is due to the calculation of the U.S. Needs as specified in the suspension agreements between the U.S. Department of Commerce and the Government of Mexico.

Refined Sugar Prices Increase with New Supply Outlook

Wholesale refined sugar prices steadily increased in October and November, as the outlook for the U.S. sugar market—and the prospects for the sugarbeet crop, in particular—showed a relatively tighter supply than previously expected. After holding steady at 36.0 cents per pound for most of 2017/18, spot wholesale refined sugar prices initially fell as the market entered the 2018/19 fiscal year. The average monthly price for October 2018 was 33.4 cents per pound. As the national sugarbeet harvest progressed with unusually cold and wet weather, and the implications for crop conditions and lower yields given the harvesting conditions, prices crept upward. The average price for November rose to 34.9 cents per pound, and weekly reported spot prices have settled at 35 cents for the past several weeks; which would be lower than 2017/18 levels, but still high by historical standards. Wholesale refined cane sugar prices in the Northeast have tracked the movements of the beet sector, with prices currently at 37.0 cents per pound—equal to 2017/18 levels.

Figure 3
Refined sugar prices, wholesale and Producer Price Indices, monthly



Source: U.S. Department of Agriculture, Economic Research Service.

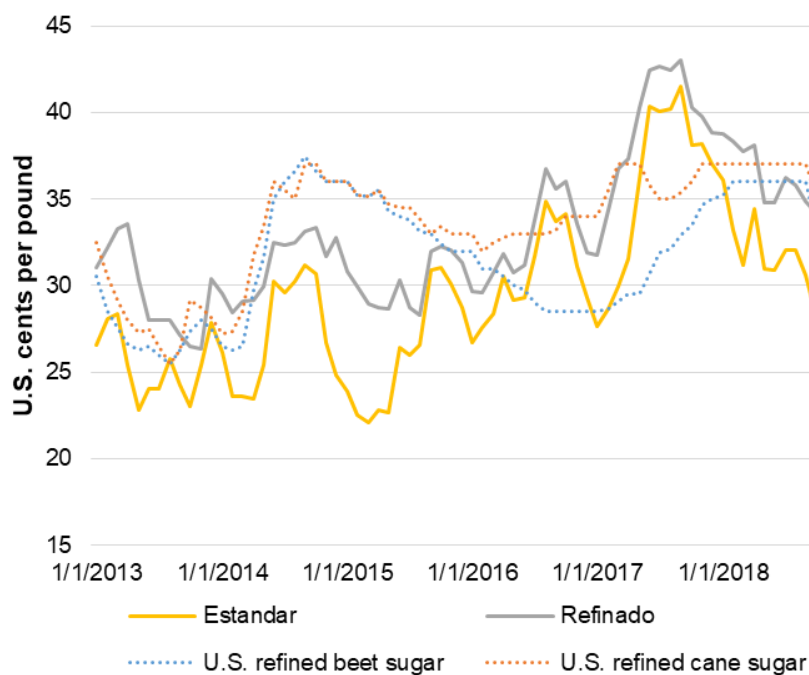
Mexico Outlook

Higher Projected Exports Reduce Expected Ending Stocks, but Stocks Remain High by Historical Standards

Ending stocks in Mexico for 2018/19 are projected to total 1.330 million metric tons, actual value (MT), a 283,000-MT decrease from the previous month's report; this still results in a relatively large 30.1 percent stocks-to-consumption ratio.

The only change to projected supplies for 2018/19 is a 45,000-MT reduction in imports for consumption—with total imports projected at 70,000 MT. The reduction reflects fewer shipments, primarily, from the United States, in line with the changes to the U.S. outlook. Domestic prices in Mexico have steadily fallen after reaching a peak in the summer of 2017. Imports for the IMMEX program remain unchanged from the previous month.

Figure 4
Mexico Estandar and Refinado sugar prices, monthly, January 2013 to October 2018



Source: U.S. Department of Agriculture, Economic Research Service.

Table 3: Mexico sugar supply and use, 2016/17 - 2017/18 and projected 2018/19, December 2018

Items	2016/17	2017/18 (estimate)	2018/19 (forecast)
1,000 metric tons, actual weight			
Beginning stocks	1,037	1,002	1,395
Production	5,957	6,010	6,025
Imports	93	220	70
Imports for consumption	48	132	20
Imports for sugar-containing product exports, IMMEX 1/, ot	45	88	50
Total supply	7,087	7,232	7,490
Disappearance			
Human consumption	4,515	4,228	4,413
For sugar-containing product exports (IMMEX)	397	482	480
Other deliveries and end-of-year statistical adjustment	-61	29	0
Total	4,851	4,739	4,893
Exports	1,234	1,099	1,266
Exports to the United States & Puerto Rico	1,028	1,047	959
Exports to other countries	205	52	307
Total use	6,085	5,838	6,159
Ending stocks	1,002	1,395	1,330
1,000 metric tons, raw value			
Beginning stocks	1,099	1,062	1,478
Production	6,315	6,370	6,387
Imports	98	234	74
Imports for consumption	51	140	21
Imports for sugar-containing product exports (IMMEX)	47	93	53
Total supply	7,512	7,666	7,939
Disappearance			
Human consumption	4,786	4,482	4,678
For sugar-containing product exports (IMMEX)	420	510	509
Other deliveries and end-of-year statistical adjustment	-64	31	0
Total	5,142	5,023	5,187
Exports	1,308	1,165	1,342
Exports to the United States & Puerto Rico	1,090	1,110	1,016
Exports to other countries	218	55	326
Total use	6,450	6,188	6,529
Ending stocks	1,062	1,478	1,410
Stocks-to-human consumption (percent)	22.2	33.0	30.1
Stocks-to-use (percent)	16.5	23.9	21.6
High fructose corn syrup (HFCS) consumption (dry weight)	1,522	1,593	1,593

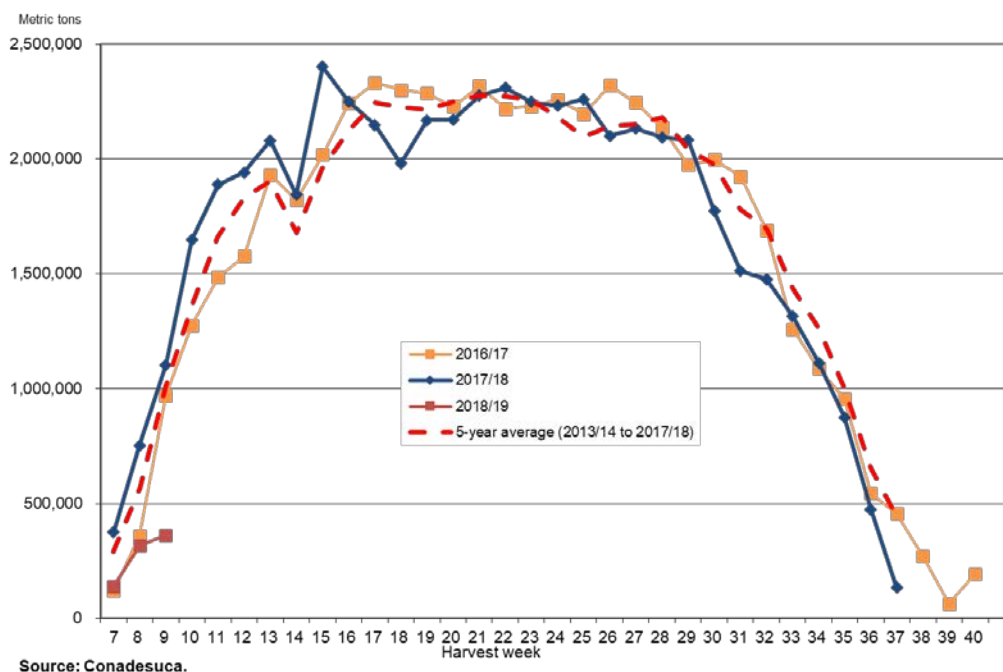
1/ IMMEX = Industria Manufacturera, Maquiladora y de Servicios de Exportación.

Source: USDA, *World Agricultural Supply and Demand Estimates* and Economic Research Service, *Sugar and Sweeteners Outlook*; Conadesuca.

The projection for 2018/19 domestic production also remains unchanged from the November report, totaling 6.025 million MT. The Mexican sugarcane harvest is in the early stages, with Conadesuca reporting just under 11,000 hectares harvested and more than 74,000 MT of sugar produced through December 1. While lagging behind the previous year's pace, the season is still very young, with most mills either beginning operation in late November or still waiting to

begin their campaigns. The height of the Mexican sugarcane harvest season does not begin until after the Christmas and New Year holiday.

Figure 5
Mexican sugarcane production, by week of harvest, 2016/17-2018/19



Projected domestic deliveries for human consumption are estimated to reach 4.413 million MT for 2018/19, which would be a 4.4-percent increase from 2017/18 deliveries. The year-over-year projected increase is based on per capita sugar deliveries returning to levels comparable with historical levels after a substantial decrease in 2017/18. Reported deliveries for October 2018 showed a 1.7-percent decrease from October 2017, as well as a slight growth in high fructose corn syrup (HFCS) deliveries, which would continue the trends witnessed in 2017/18. Whether 2017/18 is a temporary blip, like other similar decreases witnessed in the recent past, or the beginning of a larger trend will be better understood with additional months of reporting, particularly as domestic supplies are buoyed by sugar production from the current sugarcane harvest.

Exports are projected to total 1.266 million MT, 238,000 MT more than the November projection. The increase is due to more expected shipments to the United States. Exports to the United States are projected to be 959,000 MT, which is based on the expected calculation of U.S. Needs from the December WASDE by the U.S. Department of Commerce, in accordance with the suspension agreements. Exports to other countries are projected at 307,000 MT, primarily predicated on supplies reported to the Fideicomiso Maestro para la Exportación de Excedentes

de Azúcar de los Ingenios (FIMAE) program, which was initiated to facilitate supplies to the world sugar market by the end of the 2018 calendar year.

Suggested Citation

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