United States and Mexico Sweetener Market Outlook

Michael McConnell
Economic Research Service, USDA
American Sugar Alliance
2015 International Sweetener Symposium
Santa Ana Pueblo, New Mexico
August 3, 2015
Overview

- Present the current USDA sweetener market outlook: July WASDE
- Factors driving WASDE numbers
- Key issues looking forward
Sugar Market Outlook Developments

- **July WASDE:**
  - June 30 Acreage report: first official harvested area projections
  - USTR and USDA announcements regarding TRQ programs
  - Key development stage for crops
  - Trade flows

- **August WASDE:**
  - August Crop Production report: first official yield estimates
  - Crop development
  - Trade flows
The WASDE and the Suspension Agreement

• Prior to the suspension agreements:
  – Starting point for WASDE projection was Mexico.

• Subsequent to the suspension agreements:
  – Starting point for WASDE projection is the United States.
U.S. Beet Production

- Estimated 0.5% decline in harvested area.
- Above average yields are currently expected due to early planting and favorable precipitation and crop condition reports.
- Expecting early production to be larger than historical averages, which boost FY2015 production estimates.
U.S. Beet Sugar Production

- Beet sugar production:
  - 2014/15: 4.780 million STRV
    (0.3% increase from 2014/15)
  - 2015/16: 4.980 million STRV
    (4.2% increase)

- Expecting 2015/16 crop year (Aug-Jul) production at 5.130 million STRV
U.S. Cane Production

- Projected cane area for 2015/16 up 2.6 percent
  - FL: 416,000 acres (+2.0%)
  - LA: 422,000 acres (+2.6%)
  - TX: 36,000 acres (+8.8%)
  - HI: 18,700 acres (+2.7%)

- Sugar per acre
  - Down from 2014/15 (-2.4%)
  - In line with upward historical trend
  - Decline primarily due to lower Florida yields.
    - 2014/15 estimated to be the highest since 2003/04
U.S. Cane Sugar Production

• Total U.S. cane sugar production nearly unchanged (+0.1%)

• By state:
  – FL: 1.875 million STRV (-5.1%)
  – LA: 1.590 million STRV (+4.6%)
  – TX: 130,000 STRV (+23.8%)
  – HI: 190,000 STRV (+5.6%)
U.S. Sugar Imports

• TRQ program imports
  – 2014/15:
    • 1.608 million STRV
    • 41,105 STRV shortfall
  – 2015/16:
    • 1.491 million STRV
    • 99,208 STRV shortfall

• Mexico imports
  – 2014/15:
    • 1.426 million STRV
    • 100,000 STRV less than Export Limit
  – 2015/16:
    • 1.548 million STRV
    • Equal to 100 percent U.S. Needs established by Dept. Commerce from
U.S. Sugar Deliveries

- Food and beverage deliveries are expected to decline 0.6% for 2014/15.
- Deliveries are expected to increase 1.1% for 2015/16.
U.S. Sugar and Sweetener Use

- Total caloric sweetener deliveries have been trending flat or declining since 1998
- Sugar has experienced an increasing share over the past decade.
U.S. Sugar Stock Levels

- Ending stocks are projected to decline in 2014/15 and 2015/16.
- Stocks-to-use levels continue to decline, but not as low as 2009/10 and 2010/11 levels
  - 2014/15: 14.3%
  - 2015/16: 13.5%
Mexico Sugar Production

- Mexico projected production:
  - FY2015: 5.985 million MT
  - FY2016: 6.0 million MT

- Harvested acres are expected to fall, yields increase.
  - Lagged relationship between prices and area
  - Prices are considerably lower than 2009 to 2011 period

- Conadesuca’s first estimate is 6.255 million MT (released subsequent to the July WASDE).
Mexico Sugar and Sweetener Use

- Sweetener consumption is expected to increase in line with population growth
- The relative availability of domestic sugar vs. HFCS will drive where the growth is seen
- The impact of domestic policies (specifically the “soda tax”) are still being evaluated
Mexico Sugar and Sweetener Use

- Sweetener consumption fell sharply in 2013/14
  - Sugar: -4.4%
  - HFCS: -12.4%
- Strong rebound through June of 2014/15
  - Sugar: +15.1%
  - HFCS: +6.1%
Mexico Sugar Exports

- **Projected exports:**
  - **FY15**
    - Total: 1.506 million MT
    - U.S.: 1.306 million MT
  - **FY16**
    - Total: 1.312 million MT
    - U.S.: 1.302 million MT
- Low global prices leave Mexico with few export market opportunities

The views expressed are those of the author and should not be attributed to the Economic Research Service or USDA.
Mexico Sugar Stocks

- Ending stocks are expected to build in 2014/15 and 2015/16:
  - 2014/15: 1.027 million MT
  - 2015/16: 1.216 million MT

- Stocks-to-consumption relatively large compared with post-2008 averages:
  - 2014/15: 24.2%
  - 2015/16: 28.2%
Key Factors Going Forward

• For 2014/15- Logistical capacity of Mexico-U.S. trade
• U.S. and world raw sugar prices
• How will market operate under the newly implemented policies?
Questions?

ERS Sugar and Sweetener Yearbook Tables: 

ERS Sugar and Sweeteners Topics Page: 