“Mexican Sugar Industry”
I. Mexican Market Conditions.

II. Operation of Suspension Agreements.

III. New Administration in Mexico.
I. Mexican Market Conditions.
The 2018-19 sugar cycle in Mexico has been characterized by:

a) Second largest harvest in history.

b) Lower estimated consumption of sweeteners and sugar.

c) Lower export quota to the US.

d) High exports to world markets.
2018-19 - second largest sugar production year in history.

Source: CONADESUCA
Sugar production and caloric sweetener consumption in Mexico.

Final sugar production for 2018-19 cycle
Source: CONADESUCA
Lower export quota to the US in 2018-19.

2015-16: include additional amount exported (DOF-SE, 22-Sep-16)
2016-17: include additional amount exported (DOF-SE, 15-Aug-17)
Source: Ministry of The Economy in Mexico in base of WASDE publication
Mexican Exports to World Market.

Source: CONADESUCA

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports to US</th>
<th>Exports to Rest of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>1,030</td>
<td></td>
</tr>
<tr>
<td>2009-10</td>
<td>688</td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>1,388</td>
<td></td>
</tr>
<tr>
<td>2011-12</td>
<td>837</td>
<td></td>
</tr>
<tr>
<td>2012-13</td>
<td>2,035</td>
<td>2,399</td>
</tr>
<tr>
<td>2013-14</td>
<td>1,431</td>
<td>1,215</td>
</tr>
<tr>
<td>2014-15</td>
<td>1,215</td>
<td>1,198</td>
</tr>
<tr>
<td>2015-16</td>
<td>1,198</td>
<td>1,128</td>
</tr>
<tr>
<td>2016-17</td>
<td>1,128</td>
<td>1,595</td>
</tr>
<tr>
<td>2017-18</td>
<td>1,595</td>
<td></td>
</tr>
<tr>
<td>2018-19</td>
<td>2,359</td>
<td></td>
</tr>
</tbody>
</table>

Est. Thousands of Metric Tons

Bar chart showing exports to US and rest of the world for each year from 2008-09 to 2018-19.
Goverment report of Mexican public market prices for cane payment purposes.

(Mexican $/50 kg.)

Average 2015-16: 569.68

Average 2016-17: 696.24

Average 2017-18: 695.71

Average 2018-19: 650.31

July 31, 2019 721.02

Source: Ministry Of The Economy
Official sugar cane prices per cycle, as published by government for cane payment purposes.

$/mt

2011-12: 10,617.72
2012-13: 6,697.06
2013-14: 7,099.83
2014-15: 8,130.65
2015-16: 11,077.76
2016-17: 13,283.64
2017-18: 12,711.52
2018-19 Est.: 11,500.00

Source: CONADESUCAR and Ministry of The Economy
II. Operation of Suspension Agreements.
- Mexican Industry will honor Agreements signed with the government of the U.S. (DOC).

- No issues in the operation of The Suspension Agreements.

- Mexican industry greatly appreciated USDA-DOC allocation of 100,000 STRV of Additional Needs to Mexico in June 2019, as agreed to “right of first refusal”.
Suspension Agreements are based on the premise that sugar of polarity below 99.2 is “badly needed” by US refineries concept which Mexico accepted at the end of the negotiations.

There is therefore great concern when such sugar is produced in Mexico but not shipped timely to US refineries – Mexico does not consume such sugar.

Cash flow issues and storage costs for Mexican Mills.

USDA may be best avenue to address this concern.
Challenge of producing and shipping sugar with polarity below 99.2 – has been met successfully also in 2018-19.

Delay caused by US Refineries?

<table>
<thead>
<tr>
<th></th>
<th>&quot;Other Sugar&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production</td>
</tr>
<tr>
<td>TEL QUEL</td>
<td>789,306</td>
</tr>
<tr>
<td>MTRV</td>
<td>832,126</td>
</tr>
</tbody>
</table>

**Source:** CONADESUCA

<Production of "other sugar" (pol <99.2)>

<Exports of "other sugar" (pol <99.2)>
Challenge of ensuring at least 70% of exports are sugar with polarity below 99.2 – has been met successfully also in 2018-19.

Exports 2018-19, up to July 28 (MTRV)

<table>
<thead>
<tr>
<th></th>
<th>Refined</th>
<th>&quot;Other Sugar&quot;</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousands of Metric Tons, Raw Value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct'18</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov</td>
<td>27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan'19</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb</td>
<td></td>
<td></td>
<td>167</td>
</tr>
<tr>
<td>Mar</td>
<td></td>
<td></td>
<td>145</td>
</tr>
<tr>
<td>Apr</td>
<td></td>
<td></td>
<td>115</td>
</tr>
<tr>
<td>May</td>
<td></td>
<td></td>
<td>80</td>
</tr>
<tr>
<td>Jun</td>
<td></td>
<td></td>
<td>71</td>
</tr>
<tr>
<td>Jul, 1-28</td>
<td></td>
<td></td>
<td>71</td>
</tr>
</tbody>
</table>

Source: CONADESUCA
Under New Suspension Agreements Negotiated with Trump Administration, Conditions in Export Volumes to the US have been Met.

<table>
<thead>
<tr>
<th>Type of sugar</th>
<th>Quota</th>
<th>Exports</th>
<th>Fulfillment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refined</td>
<td>346,798</td>
<td>337,602</td>
<td>97.3%</td>
</tr>
<tr>
<td>Other Sugar</td>
<td>803,814</td>
<td>798,651</td>
<td>99.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,150,613</strong></td>
<td><strong>1,136,253</strong></td>
<td><strong>98.8%</strong></td>
</tr>
</tbody>
</table>

**Metric, Tons, Raw Value**

<table>
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<th>Quota</th>
<th>Exports</th>
<th>Fulfillment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refined</td>
<td>243,454</td>
<td>166,443</td>
<td>68.4%</td>
</tr>
<tr>
<td>Other Sugar</td>
<td>568,059</td>
<td>552,810</td>
<td>97.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>811,513</strong></td>
<td><strong>719,254</strong></td>
<td><strong>88.6%</strong></td>
</tr>
</tbody>
</table>

**Additional Needs (below 99.5)**

<table>
<thead>
<tr>
<th>Type of sugar</th>
<th>Quota</th>
<th>Exports</th>
<th>Fulfillment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Needs</td>
<td>90,718</td>
<td>12,835</td>
<td>14.1%</td>
</tr>
</tbody>
</table>
Strong commitment to respect the Minimum Reference Prices agreed to with the USDOC.

Daily sugar prices in US: Raw (C-16) and Refined beet (Midwest) (Dollars per ton)

Sources:
Mexico SNIIM -SE e INEGI.
USA: ICE-IntercontinentalExchange y Milling & Banking News
Every single year since 2015, the DOC has conducted a Review of the Suspension Agreements, and concluded that the Mexican Government and the Mexican Mills have fully complied.

Mexican industry is committed to comply with New Agreements negotiated with the Trump Administration, and expects in good faith that the Trump Administration will respect the Agreements as long as compliance is maintained.

From a business perspective, two sugar years under New Agreements is too early for a reasonable review of overall conditions, but requirements under US Law will be respected.
III. New Administration in Mexico.
DIFFICULT TO EVALUATE OVERALL LANDSCAPE AFTER 8 MONTHS OF AMLO´S PRESIDENCY.

- President Andrés Manuel López Obrador has a comfortable majority in both Chambers of Mexico´s Congress

- Popularity remains high – at 66% according to recent polls

- Breaking with traditional politics – strong personal charisma.

- Economic policy is still in an early stage.
SOME POSITIVE SIGNS IN ECONOMIC POLICY.

- Bank of Mexico remains independent - has raised interest rates.
- Budget deficit remains under control, and a commitment to no new taxes.
- Inflation is under 4% and exchange rate is stable.
- Mexican Senate almost unanimously approved the new USMCA, and the proclamation has been published to replace NAFTA (once approved by the US and Canada).
REDIRECTION OF PUBLIC SPENDING.

- Huge spending cuts in number of public servants, wages, health insurance, travel, government offices abroad – “New Republican Austerity Law”.

- Huge increases in transfers to elderly, as well as young unemployed for training.

- This policy also involves Mexican Agriculture and Trade Ministries.
VIEWS ON SUGAR INTAKE DOMINATED BY RADICAL NGO’S (Bloomberg views):

Mexican Lower Chamber Health Committee approved last month changes in Health Law requiring new labelling warning of high levels of sugars, trans fat, sodium and caloric content.
SUGAR AND HEALTH DISCUSSIONS ALONG VARIOUS FRONTS

- Drastic labelling based on Chilean and Peruvian models.
- Talk of increases in taxes for soft drinks and “unhealthy food”.
- Possibility of restrictions on publicity aimed at children.
ETHANOL PROMOTION PROGRAM BEING SERIOUSLY CONSIDERED.

- Importance of Sugar Cane Growers – surplus situation.

- Positive view of ethanol programs in US, Brazil and Colombia, among others.

- Environmental aspects – clean energy development.

- Southeast region is fundamental in AMLO´s policies
SUGAR CANE ETHANOL PROGRAM.

- As in all countries, support for domestically-produced ethanol is essential.

- Sugar cane ethanol would require a program that would make cane grower better off than exporting surplus sugar to world market.

- Possibilities of some ethanol with Mexican sorghum.
CONCLUSION.

MEXICAN SUGAR CHAMBER PRIORITIES WITH MEXICAN GOVERNMENT.

A. Develop a strong sugar cane agricultural policy – including possible ethanol program.

B. Defend sugar intake against unfair regulatory measures.

C. Continue good operation of Suspension Agreements – ensuring Mexican public servants continue to communicate effectively with DOC and USDA.
Thank you!

Humberto Jasso
Executive President
Mexican Sugar Chamber