



# OUTLOOK FOR SUGAR MARKETS

## --- HEADING TOWARDS A NEW NORMAL

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**ANNUAL BOARD MEETING**

**AUGUST 3, 2021**

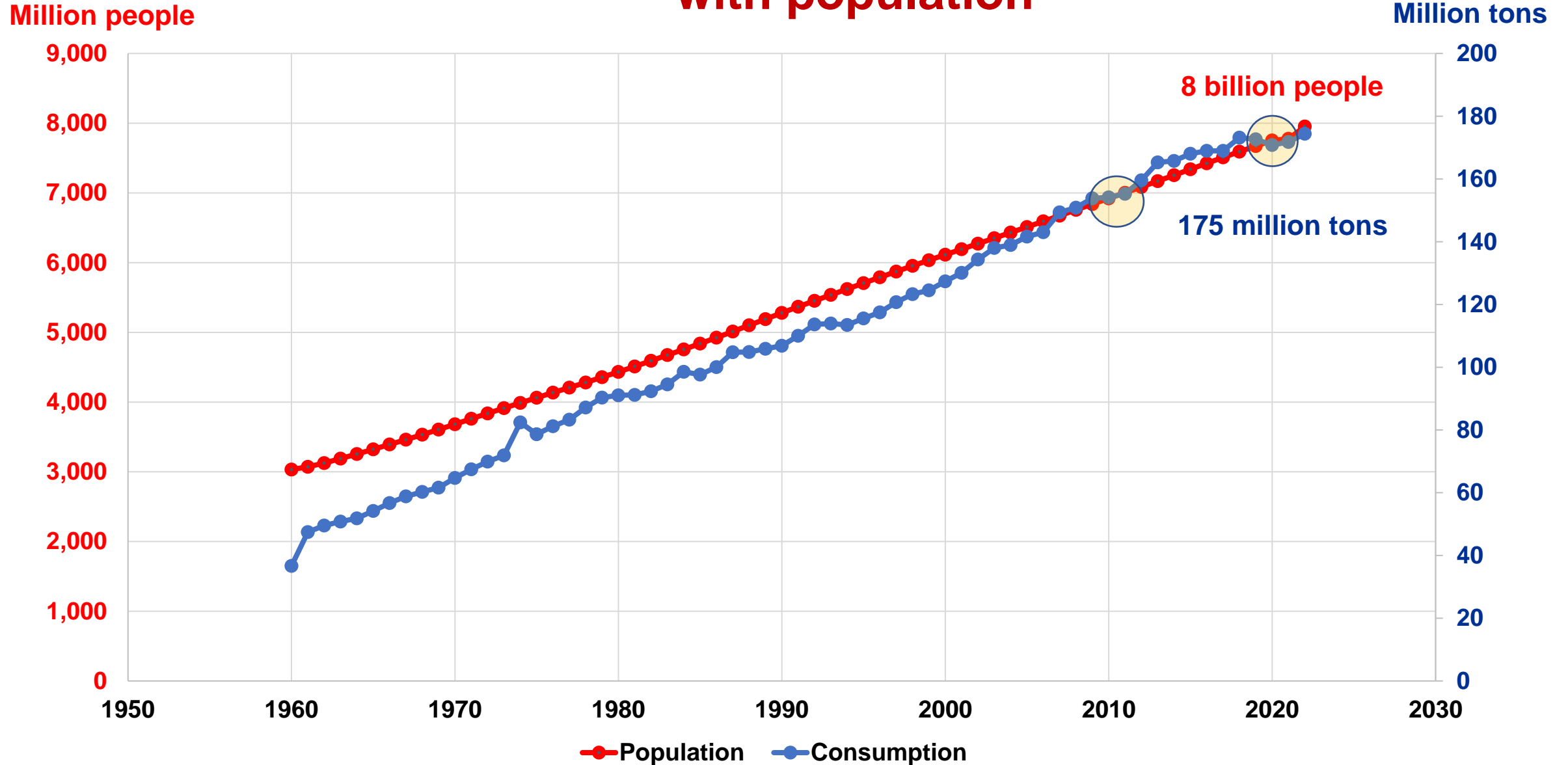


## **Outline**

- 1. Economic recovery**
- 2. Global sugar market**
- 3. US sugar market**
- 4. Concluding observations**

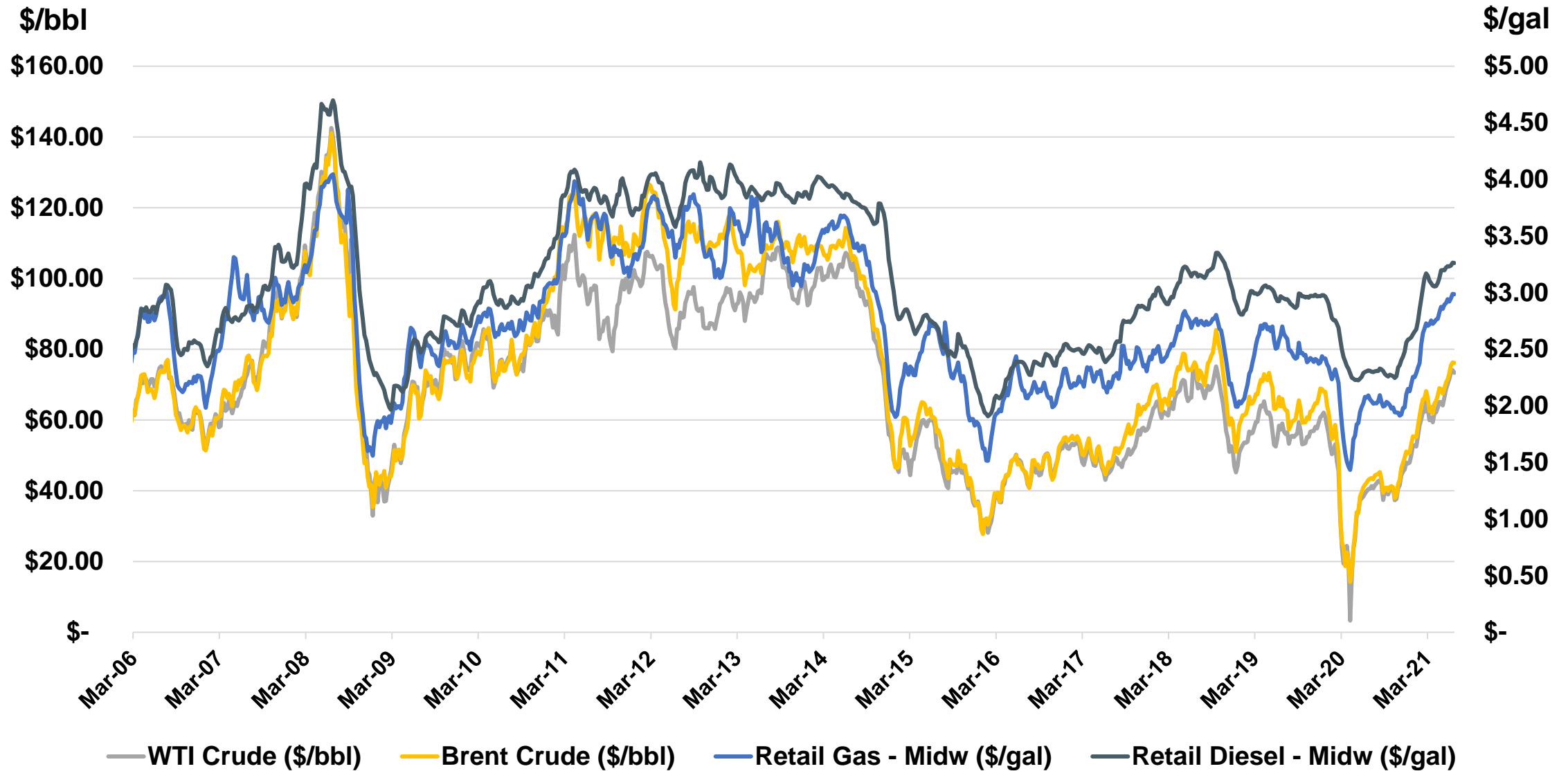


# Growth in global sugar consumption rising with population



Data: USDA, World Bank, UN.

# Energy prices returning to normal --- signaling economic activity and inflationary pressures



Data: EIA.



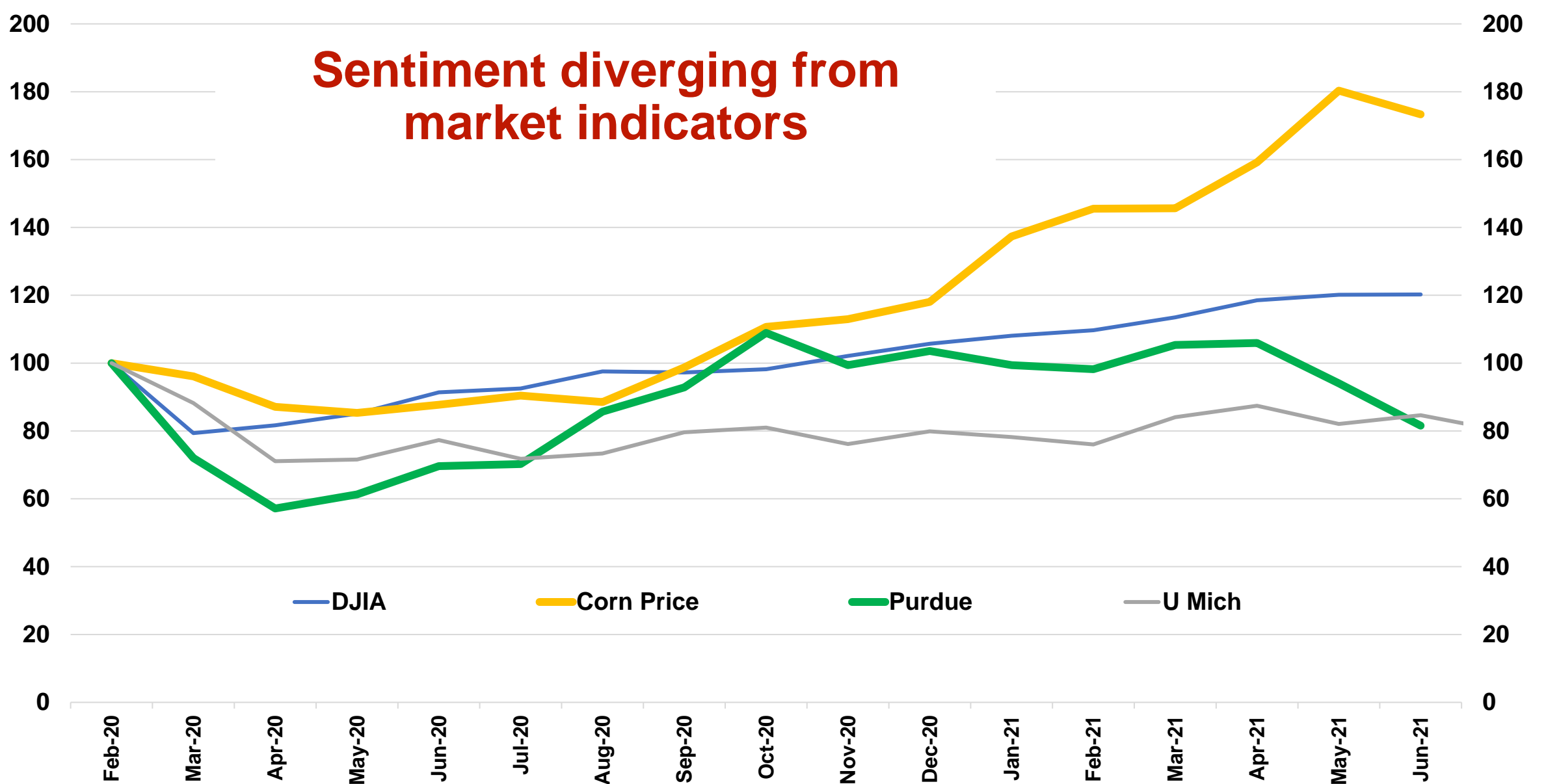
# US Ag Outlook



- Drought in the Upper Midwest
- Cash receipts buoyed by prices
- Ad hoc programs winding down
- Trade expectations up
- Credit conditions improved
- Equipment purchases up
- Food inflation is up

2/2020=100

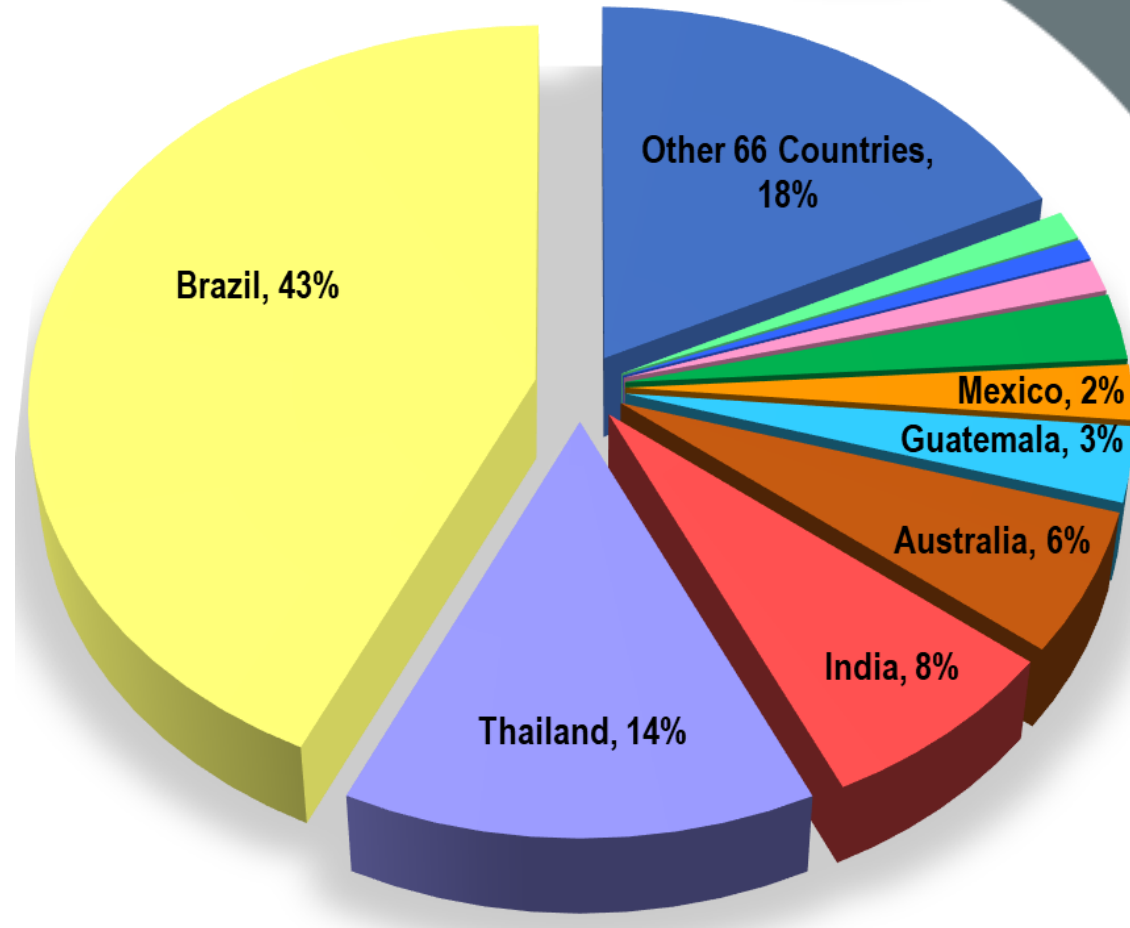
2/2020=100



# World sugar export market

--- 66 million tons

- Weather continues to be a big factor in global supplies --- such as drought and frost in Brazil
  - Economic growth has also raised energy demands
  - Both will affect the largest sugar exporter (29 mt)
- Prices have generally recovered from 2020 lows
  - But limited optimism for movement outside a 16-19 cent range – still well below global average 23-cent cost of producing sugar
  - Countries will continue to subsidize their sugar growers and dump surpluses on the world market

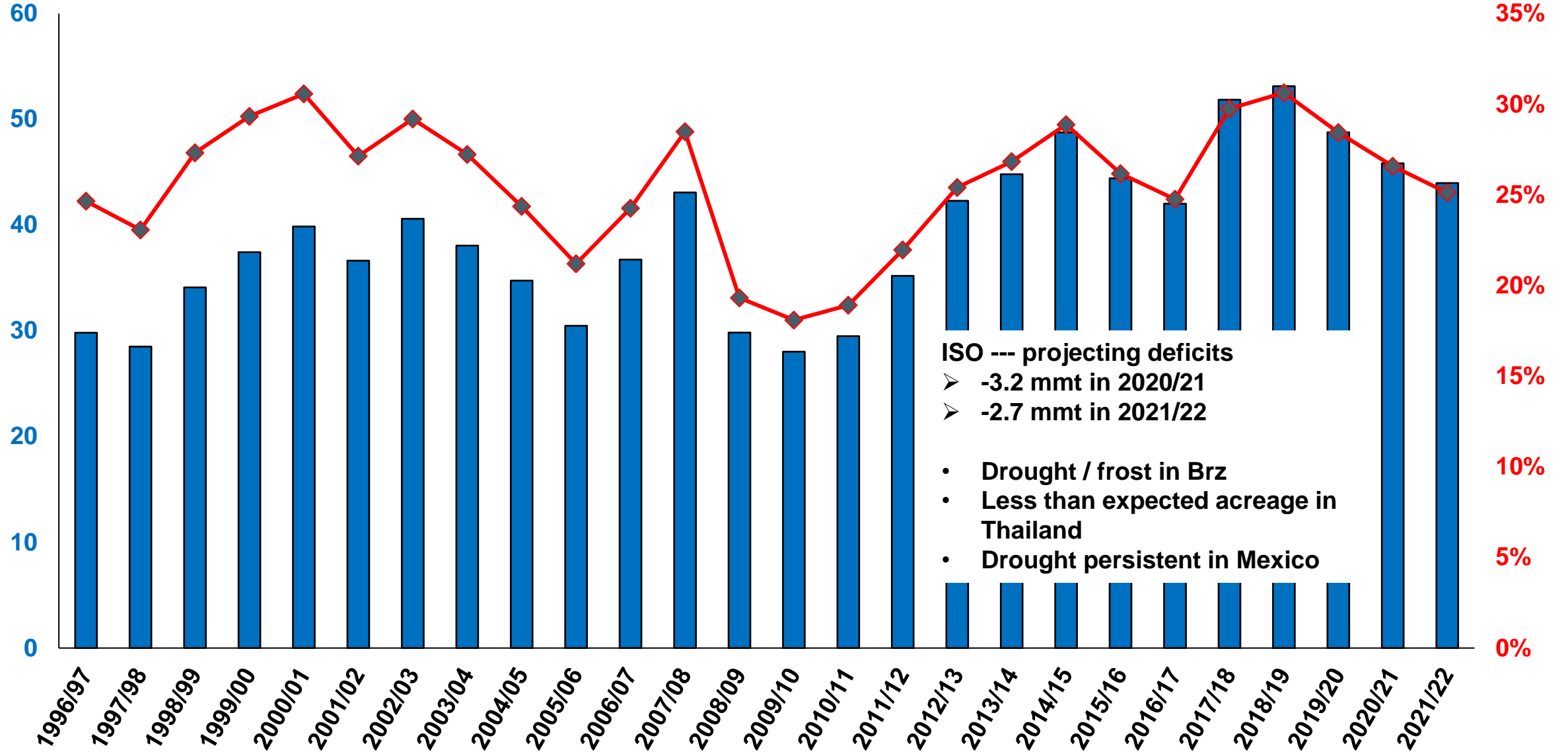


# Global stocks-to-use tightening

--- bullish pressure on global prices

MMTRV

Stocks-to-use

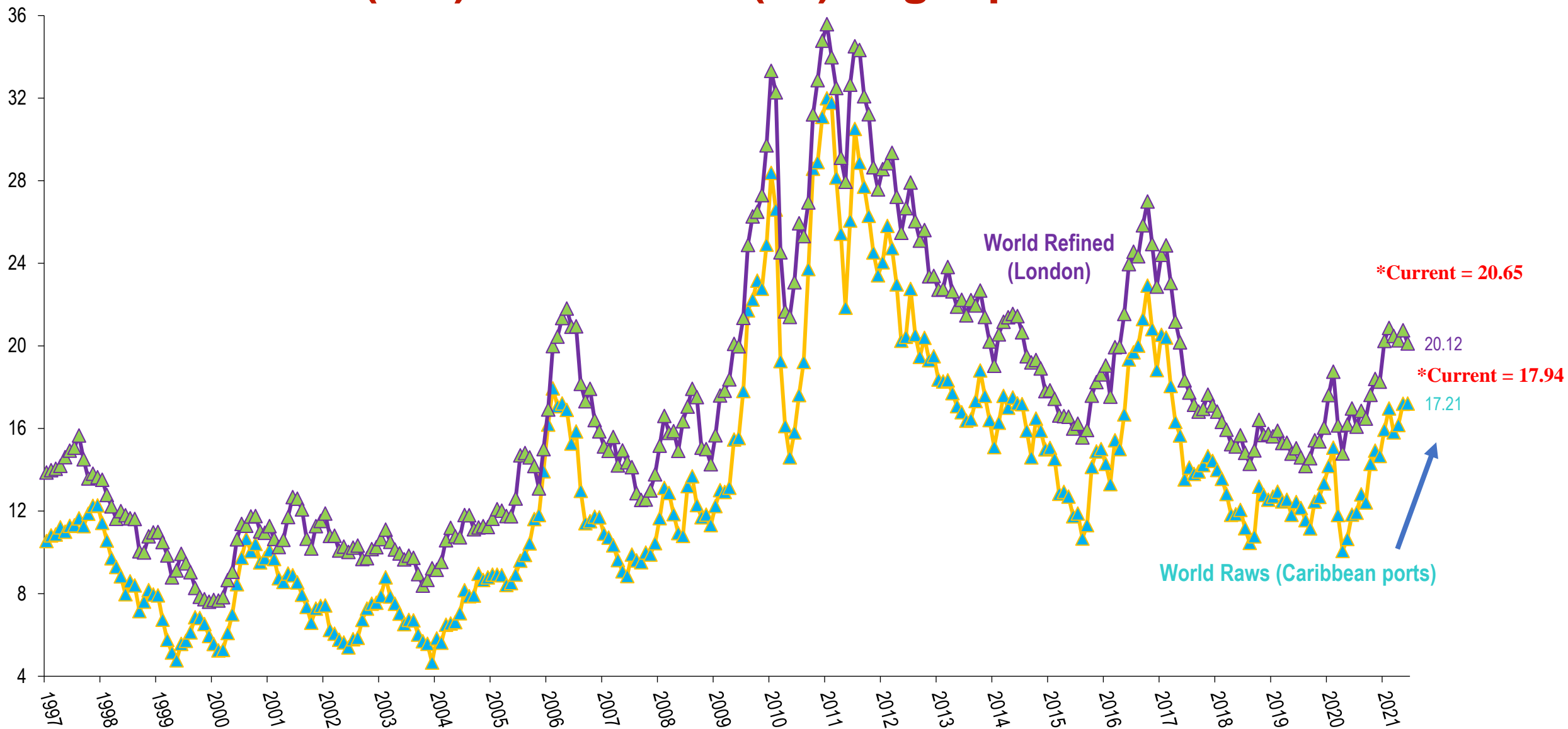


Data: USDA/FAS.



¢/lb

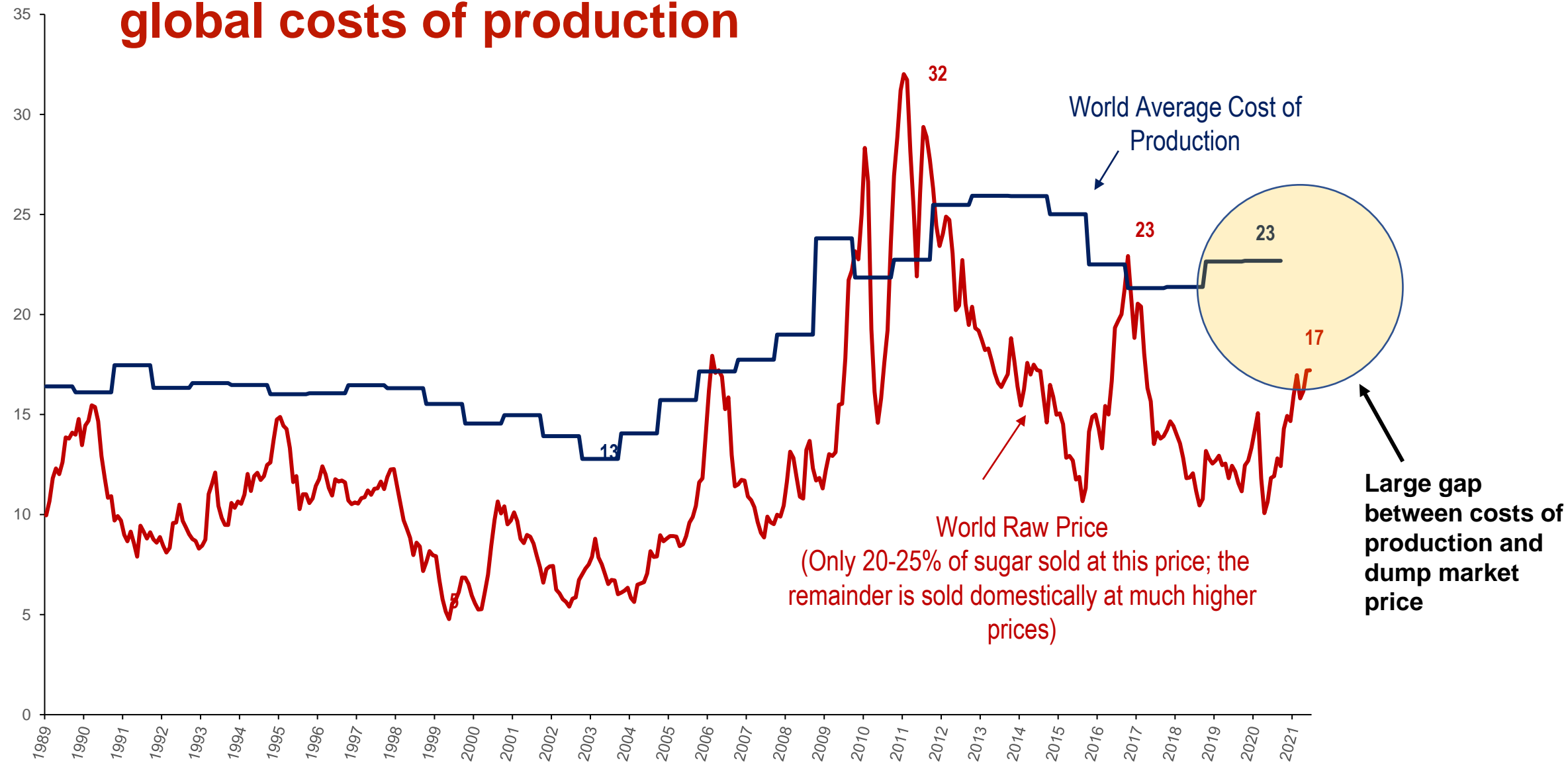
# World raw (#11) and refined (#5) sugar prices



Source: USDA/ERS(monthly averages through June 2021).

¢/lb

# World sugar dump market does not reflect global costs of production



Sources: USDA, LMC Int'l (annual COP and monthly price averages through June 2021).

# U.S. sugar market

**Supply chain resiliency** <https://www.regulations.gov/comment/AMS-TM-21-0034-0437>.

- Met demands despite short year 2019/20
- Record US production 2020/21

**Looking to the 2021/22 crop year ... initial estimates were for another record**

- Freeze damage to TX cane crop
- Flooding and frost in LA last year &
- Similar issues in FL
- Current drought uncertainty in Upper Midwest

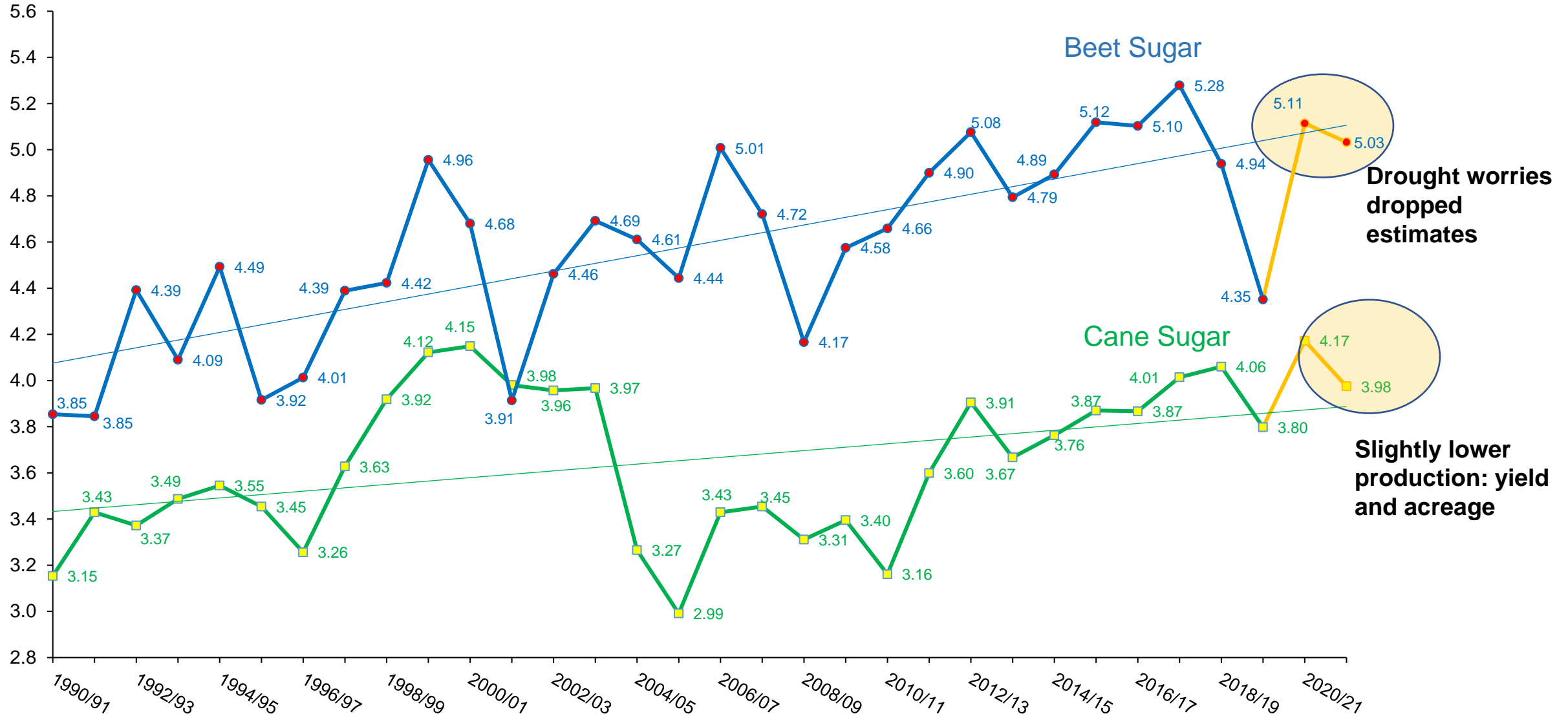
**Demand constant**

- 12.2 million tons
- Still tracking delivery rates as purchases return to more normal patterns



# U.S. beet and cane sugar production > 9 mil tons

Million STRV



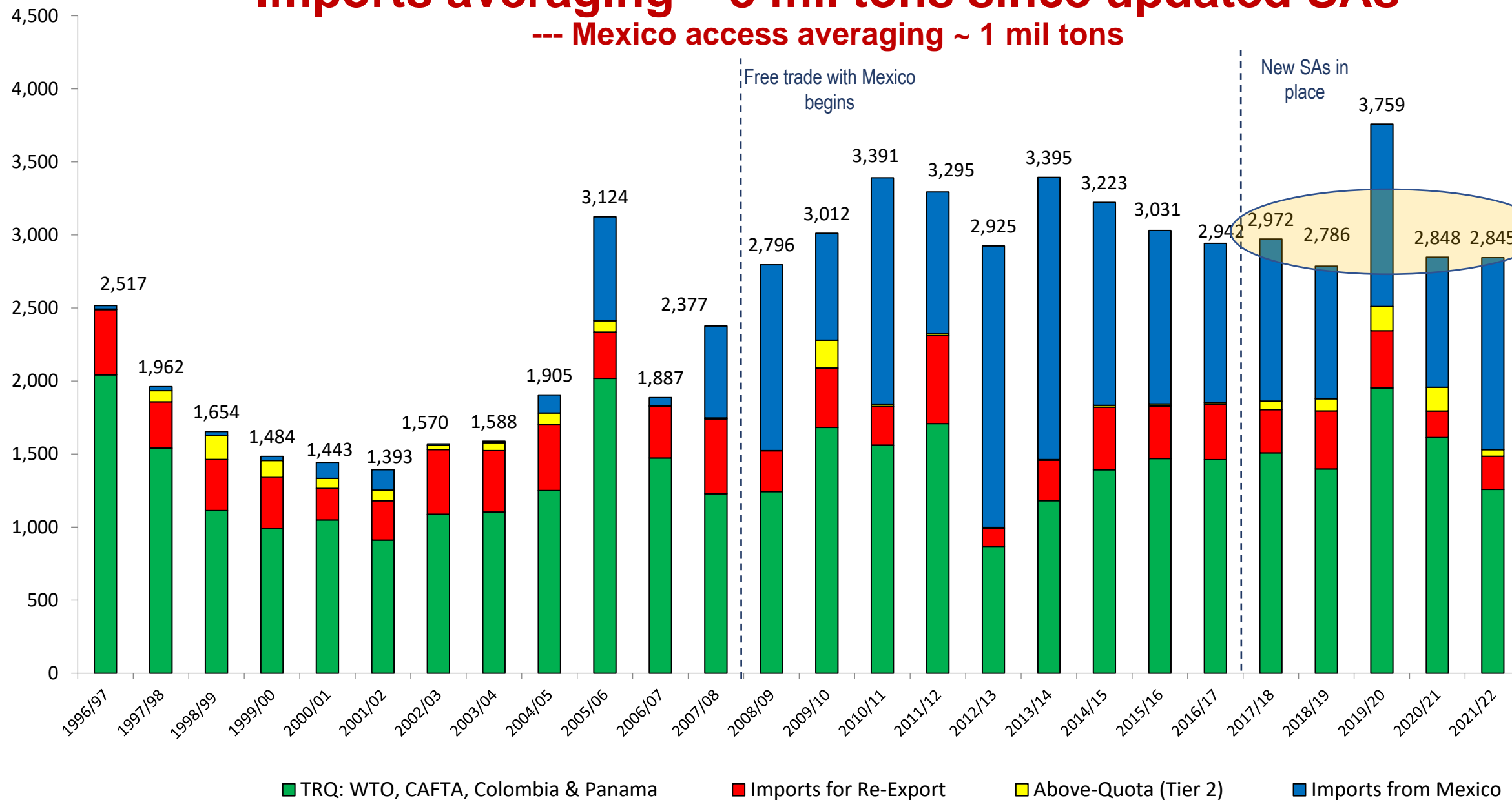
Data source: USDA, June 2021 WASDE. 2020/21 forecast; 2021/22 projection. Linear trendlines.



1000 MTRV

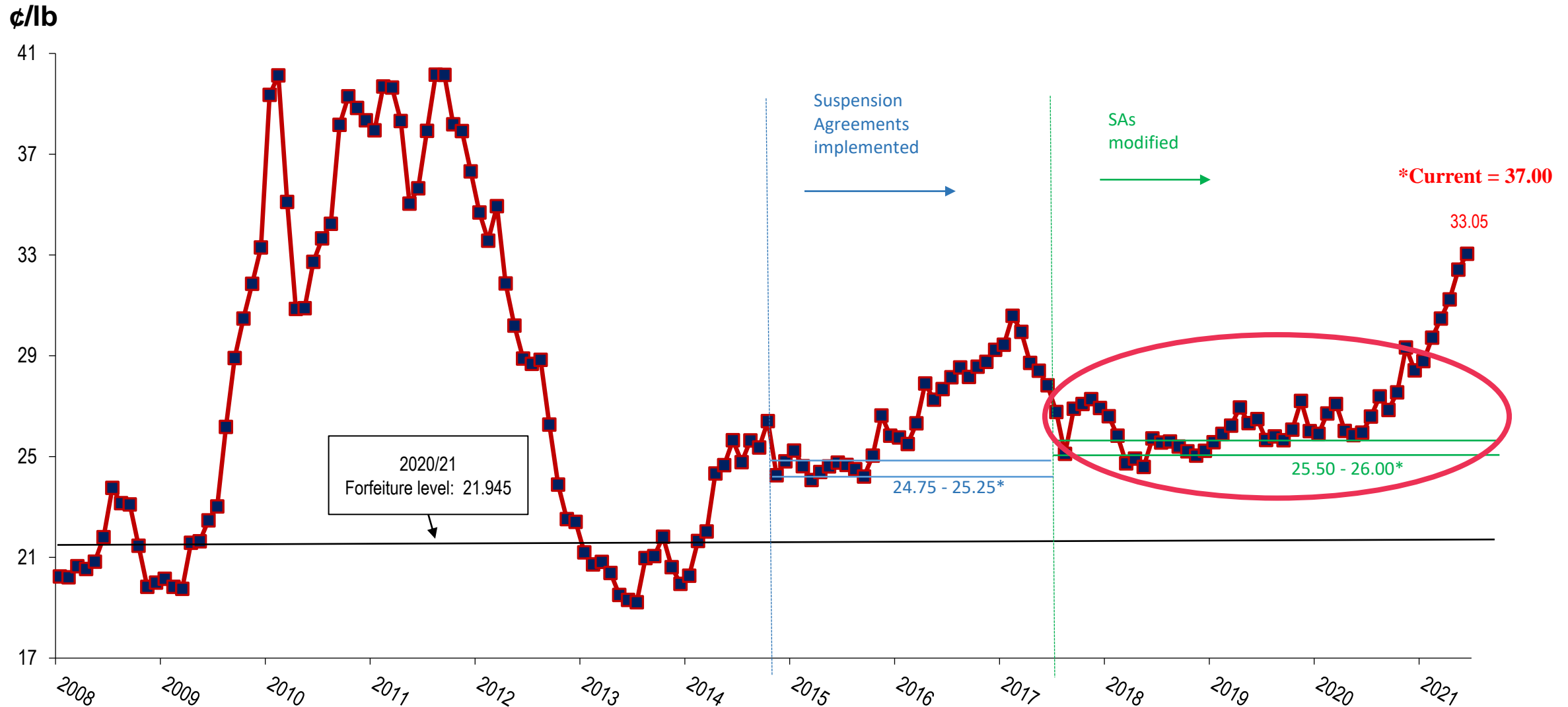
# Imports averaging ~ 3 mil tons since updated SAs

--- Mexico access averaging ~ 1 mil tons



# Raw cane sugar prices --- 9 year high

(Implied price floors from SA reference prices + freight)

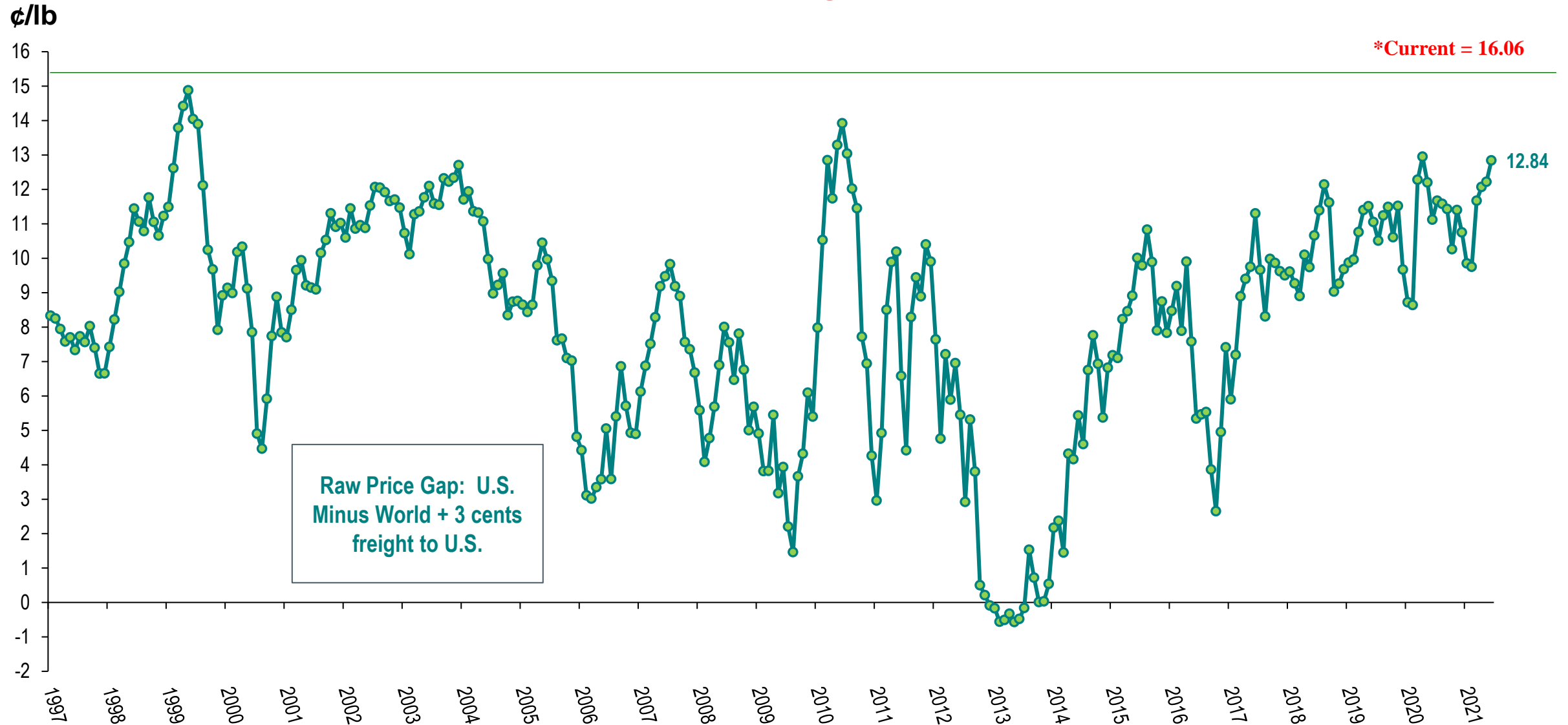


Source: USDA. Raw cane sugar, nearby #16 contract, delivered New York. Monthly average prices. FSA-calculated forfeiture range. AD/CVD = anti-dumping and countervailing duties.

\* Raw sugar reference prices, ex-mill Mexico (22.25 cents/lb in SA1; 23.00 cents in SA2), plus 2.5-3.0 cents/lb transportation to U.S.

# World and U.S. raw sugar price gap:

--- Tier-2 entries viable at gap of 15.36 cents

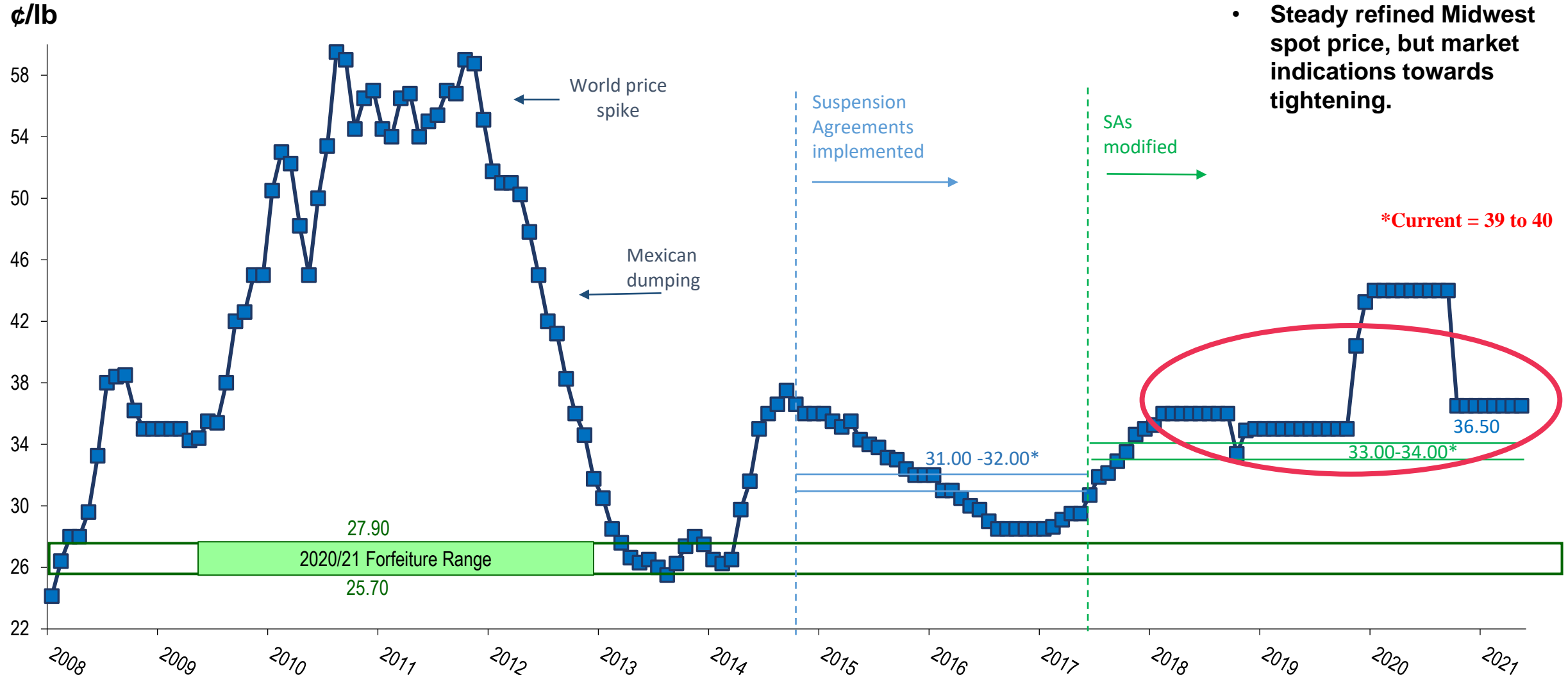


Source: USDA. U.S.: #14 or #16 raw contract, delivered New York. World: #11 raw contract, Caribbean ports. Monthly Average prices, 1997-2021.

\*Gap = U.S. raw price minus sum of world raw price plus 3 cents/lb transportation. Tier-2 raw sugar import tariff = 15.36 cents/lb.

# Wholesale refined beet sugar prices

(Implied price floors from SA reference prices + freight)

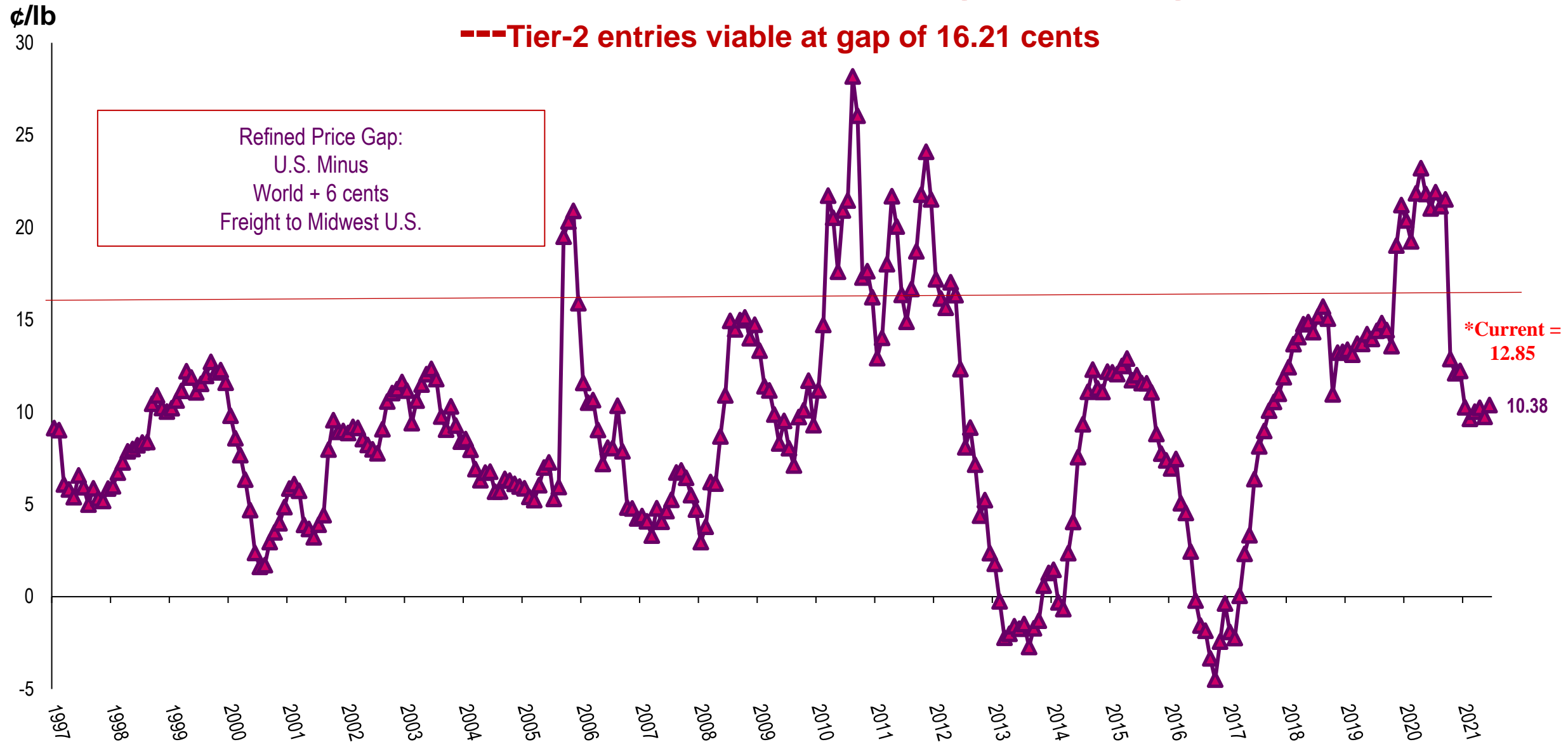


Source: USDA. Wholesale refined beet sugar, Midwest markets. Monthly average prices, 2008-2021. FSA-calculated forfeiture range.

\* Refined sugar reference prices, ex-mill Mexico (26.00 cents/lb in SA1; 28.00 cents in SA2), plus 5-6 cents transportation to U.S.



# World and U.S. refined beet sugar price gap\*:

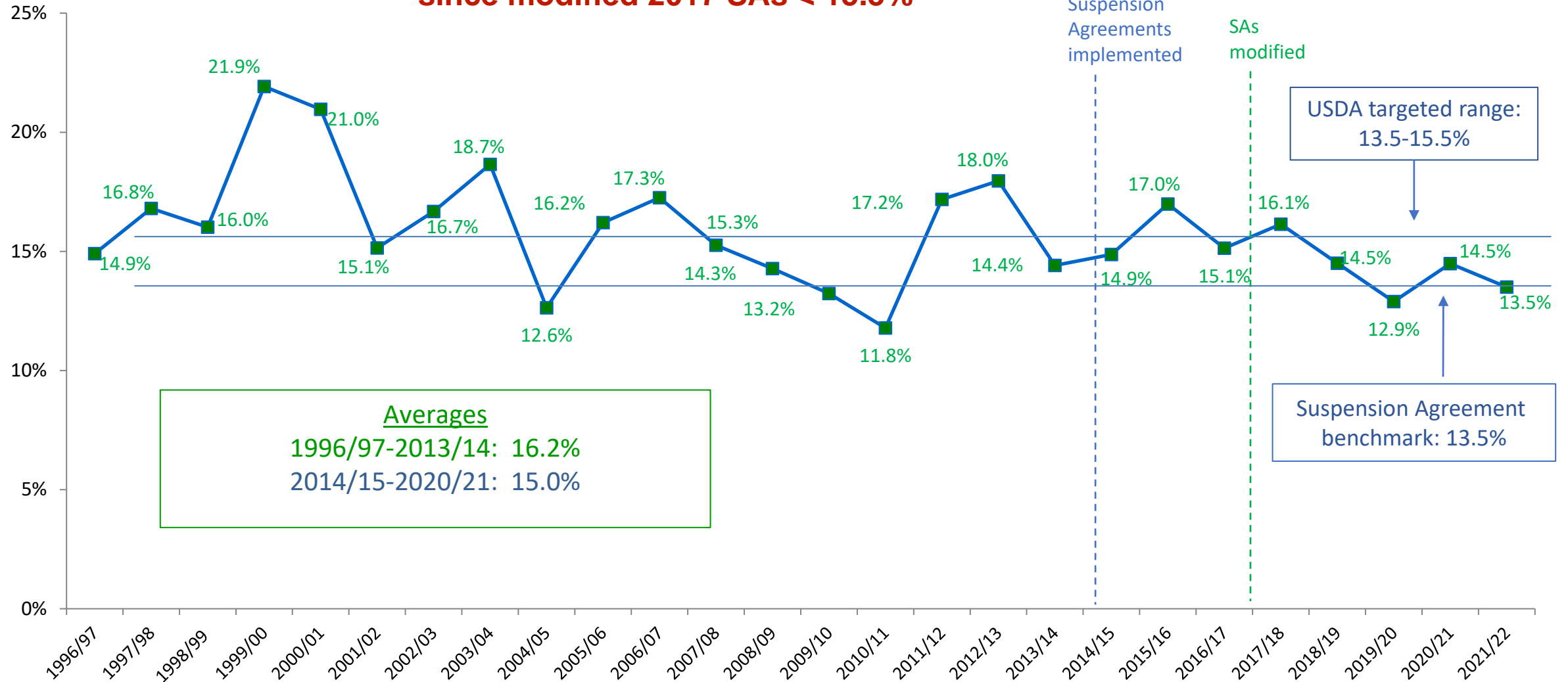


Source: USDA. U.S: wholesale refined, Midwest markets. World: #5 refined contract, London. Monthly Average prices, 1997-2021.

\*Gap = U.S. refined price minus sum of world refined price plus 6 cents transportation. Tier-2 refined sugar import tariff = 16.21 cents/lb.

# U.S. sugar: ending stocks/use ratio\*

--- since modified 2017 SAs < 15.5%



\* Ending Stocks as a percent of total use  
 Data Source: USDA, 2020/21 forecast; 2021/22 projection.

# U.S. policy outlook

## Short-run:

- Maintain stocks-to-use in desired range
- Potential disaster responses --- WHIP+ extension
- Potential infrastructure bill with new conservation provisions

## Longer-run:

- Farm Bill discussions starting up next year: a new standing disaster program
- Regulatory agenda: Climate, RFS, WOTUS, clean air rules (e.g., PM in 2023)
- Litigation: pesticide registration (e.g., glyphosate, atrazine, others)
- Dietary guidelines: 2025
- SAs sunset review begins in 2024



# Market outlook 2021/22:

## --- Reasons for cautious optimism

- Industry smoothly dealt with domestic availability challenges (US and MX crop problems) in 2019/20 + large COVID shifts in consumer demands from food service to retail.
- Record crop last year, but drought is a concern for this fall up North and it's too wet down South.
- Stocks-to-use within target range: 13.5% - 15.5%.
- Expectation that demand will remain steady in 2021/22.
- Prices remain strong.







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