

Crafting stronger sugar policy to ensure food security

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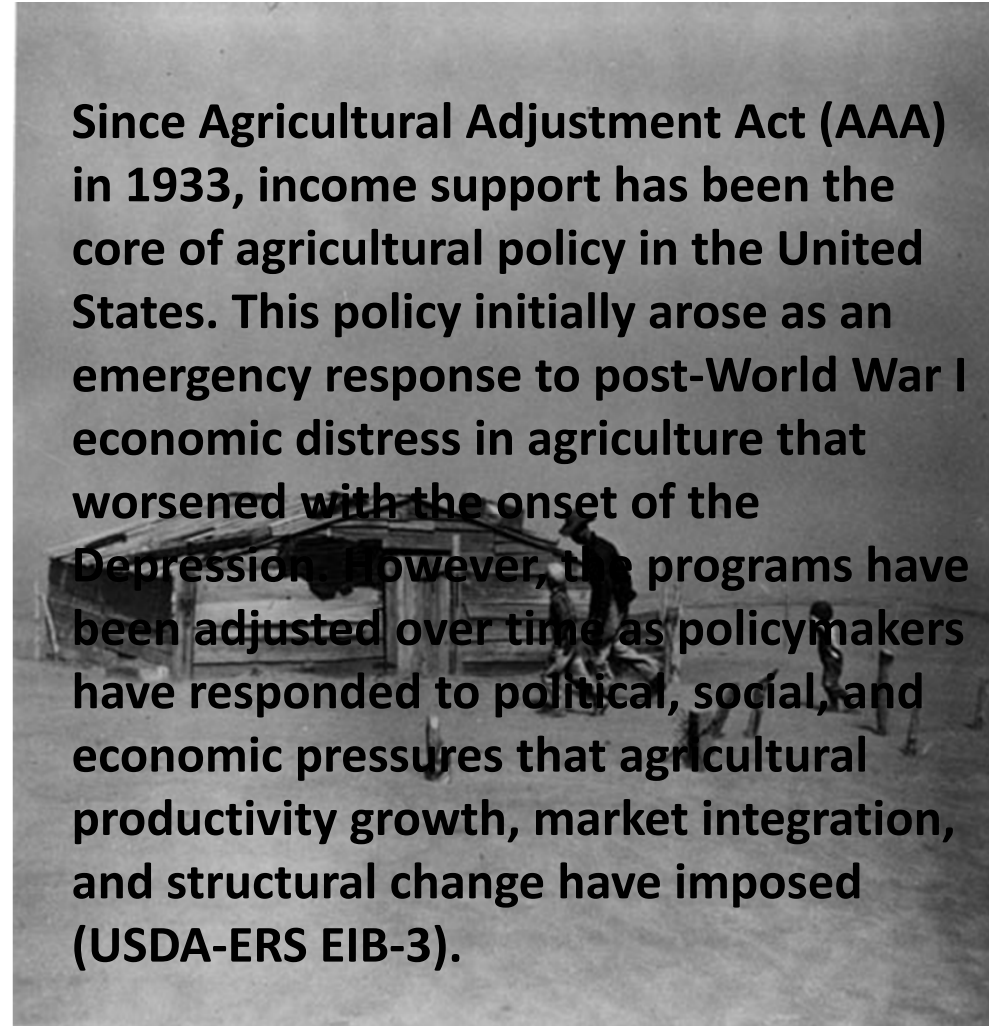
38th International Sweetener Symposium
Napa, California




It's a Farm Bill – why do we have them?

1. **Farming is risky and getting riskier** (Title I & Title XI)
 - Protection for economic cycles and weather disasters.
2. **Farming sustainably** (Title II)
 - Less disruption to limited natural resources
3. **Food safety net for 40+ million Americans** (Title IV)
4. **Doing More with Less** (Title VI)
 - Increasing productivity and ability to meet long-range climate challenges

Since Agricultural Adjustment Act (AAA) in 1933, income support has been the core of agricultural policy in the United States. This policy initially arose as an emergency response to post-World War I economic distress in agriculture that worsened with the onset of the Depression. However, the programs have been adjusted over time as policymakers have responded to political, social, and economic pressures that agricultural productivity growth, market integration, and structural change have imposed (USDA-ERS EIB-3).





With that in mind How does sugar stack up?

- Cost-of-production is rising
- Farm net returns are tightening
- Weather is getting more difficult

And yet...

- American sugar supply remains strong
- We are producing more sugar each year
- We are producing that sugar more efficiently each year
- We are delivering that sugar to our customers for just-in-time use

Costs continue to rise... squeezing operating margins



Higher Processing Costs --- machinery, labor, energy, storage

Hundreds of millions in maintenance and capital costs

About 50% of sugar wholesale price goes to process the crop.

Leaves only about 50% to cover on-farm grower costs

US farm cash expenses are up 34% since 2019 (USDA)

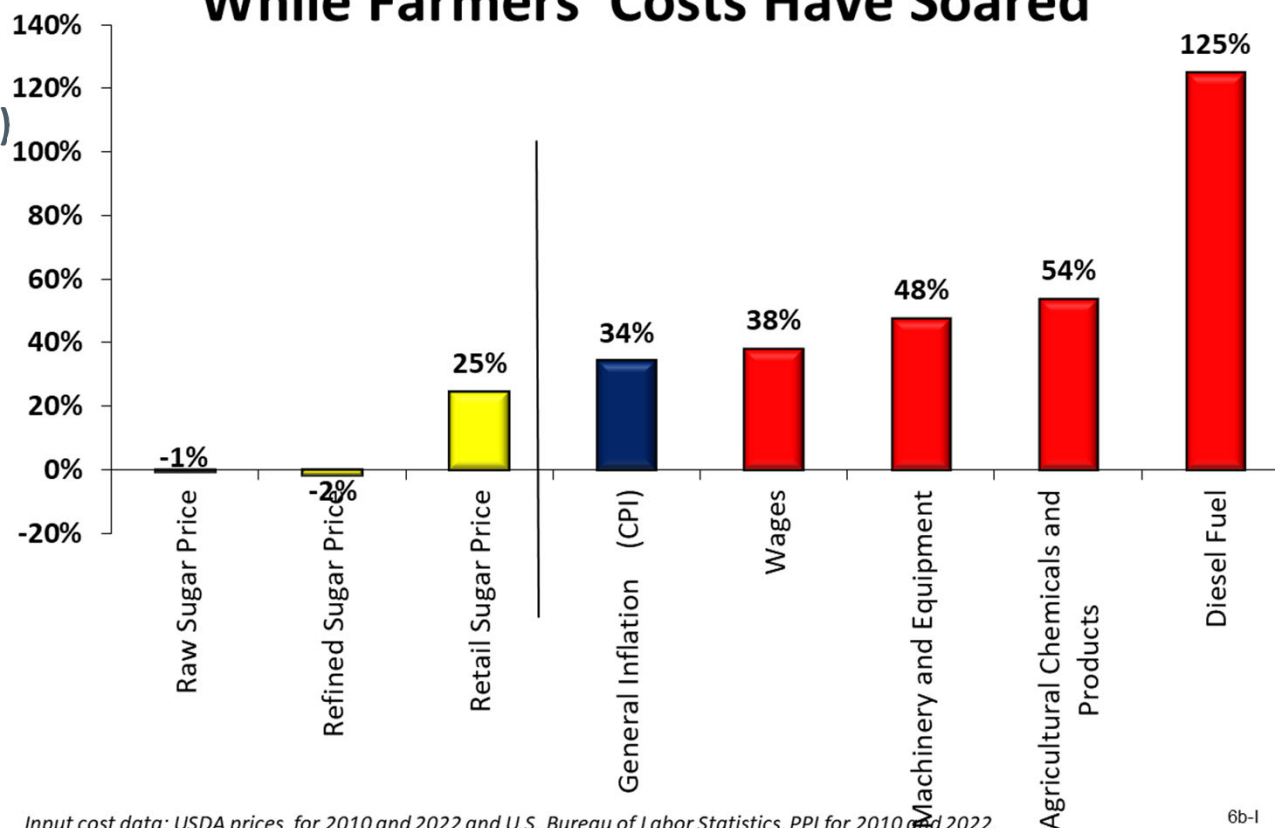
LSU – Louisiana Sugarcane

- Variable expenses up 45% (\$422 to \$617)
- Combine harvest per acre --- \$119 to \$193
- Planting whole stalk per acre--- \$37 to \$46

UMN – MN/ND Sugarbeets

- Variable expenses up 29% (\$933 to \$1200)
- Fuel & oil --- \$51 to \$77
- Hired labor --- \$14 to 31

Since 2010: Producer Prices for Sugar Falling While Farmers' Costs Have Soared

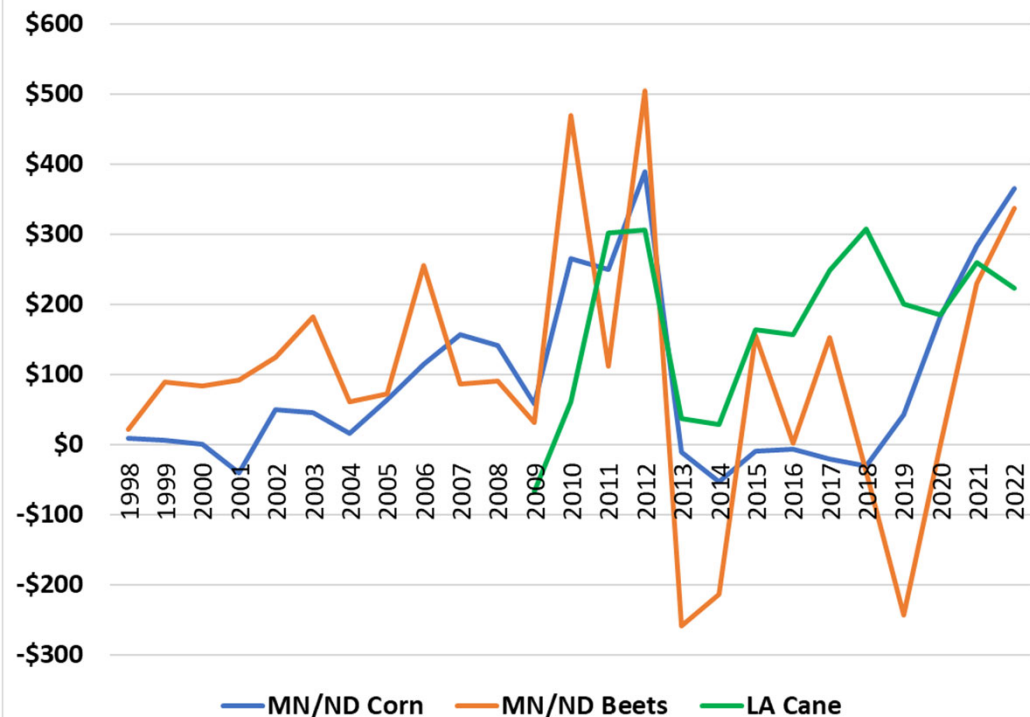


Input cost data: USDA prices for 2010 and 2022 and U.S. Bureau of Labor Statistics, PPI for 2010 and 2022.

6b-1



Net Returns (\$/acre)

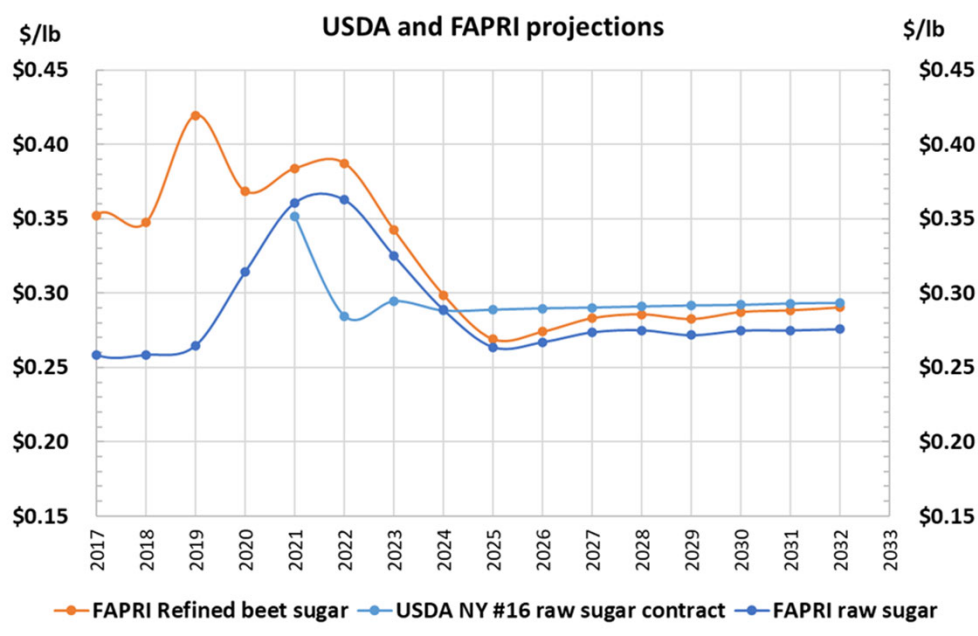


Data: UMN and LSU.

- Net returns (not including farmer labor / management or household costs) have been variable since the Mexican SA's and have been negative or below other crops for 7 of the past 10 years.

Net revenues likely declining

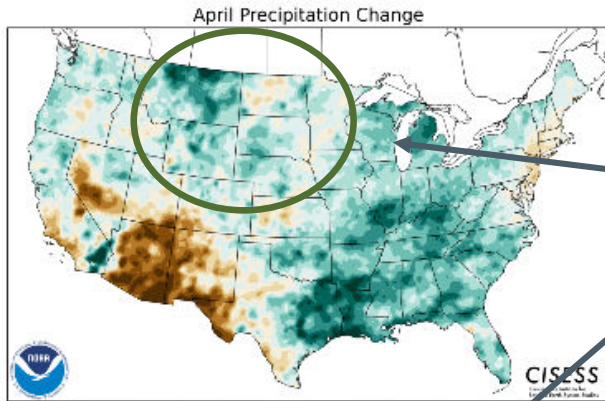
- With high input costs and expected fall in prices to pre-2018 levels, net returns are expected to fall by as much as 20%.



Data: USDA and FAPRI.



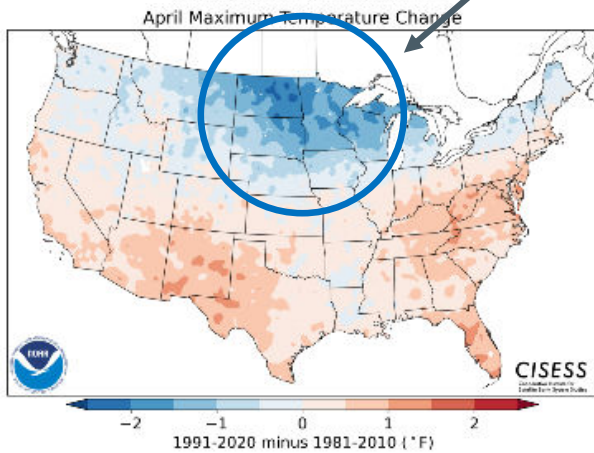
The climate is getting more difficult for beets



30-yr averages have trended towards:

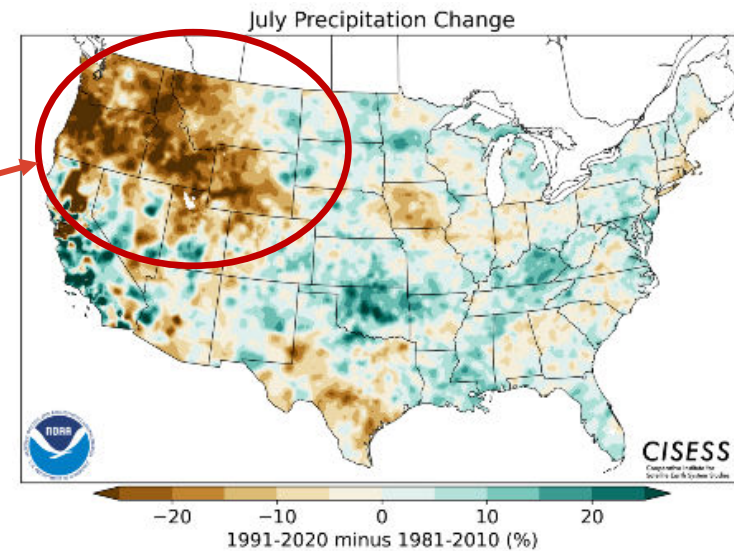
April

- Colder and wetter for planting



July

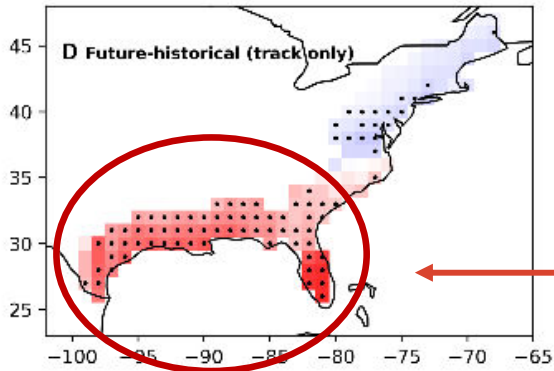
- Much dryer in the West



<https://www.ncei.noaa.gov/products/land-based-station/us-climate-normals>

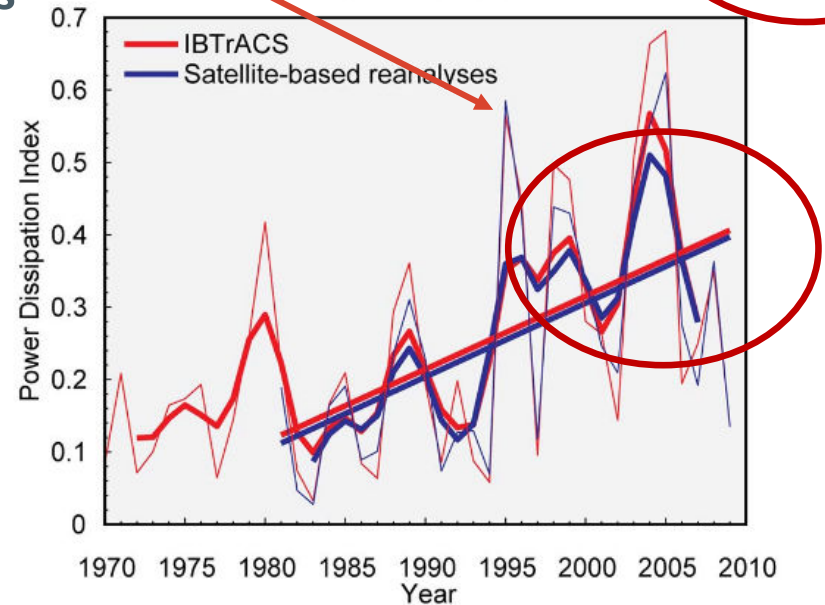
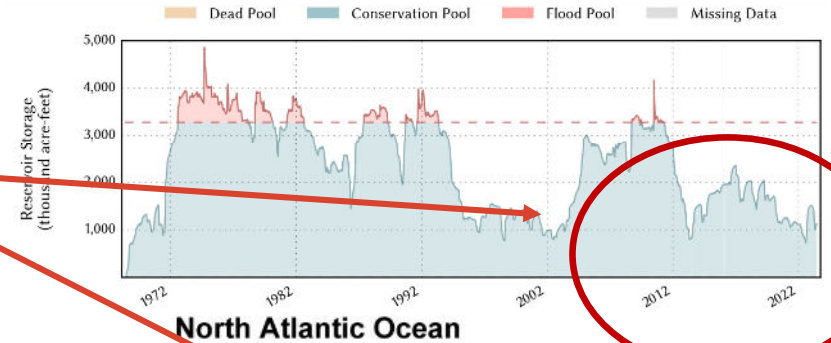


And climate is getting more difficult for cane



- Low reservoirs for TX
- Stronger
- And potentially more hurricanes

Amistad Reservoir: 99.9% full as of 2023-06-22



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RESEARCH ARTICLE CLIMATOLOGY

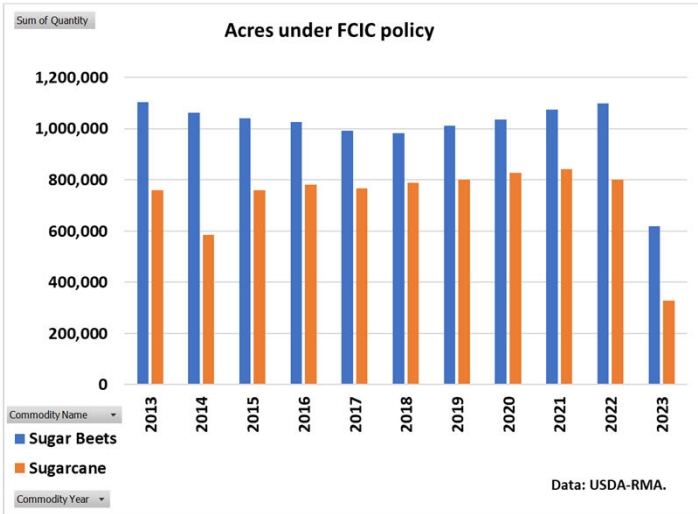
Increased U.S. coastal hurricane risk under climate change

KARTHIK BALAGURU WENWEI XU CHUAN-CHIEH CHANG L. RUBY LEUNG DAVID R. JUDI SAMSON M. HAGOS MICHAEL F. WEHNER JAMES P. KOSSIN, AND MINGFANG TING

Authors info & Affiliations

<https://nca2014.globalchange.gov/report/our-changing-climate/changes-hurricanes#intro-section-2>

Growing need for crop insurance

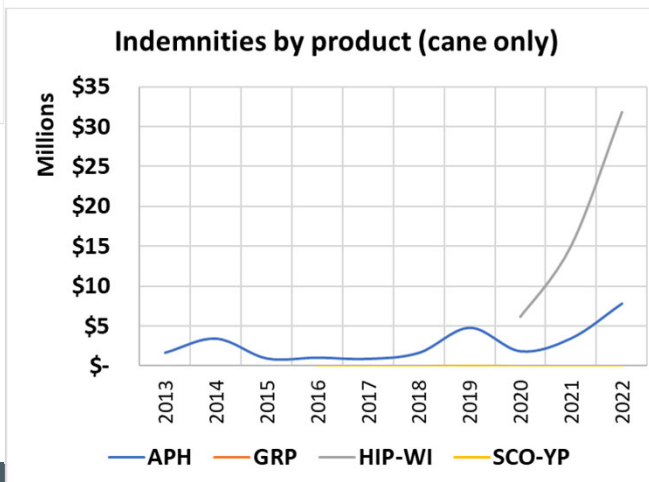
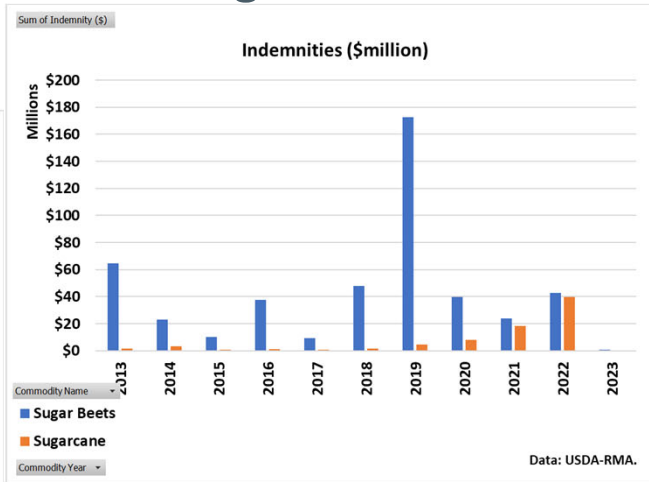


More acreage enrolled

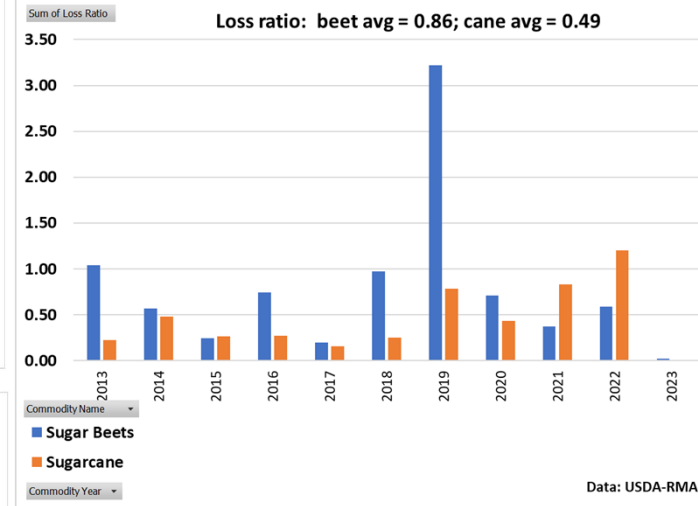
Uptick in hurricane wind indemnities



Growing indemnities



Loss ratios still low for cane

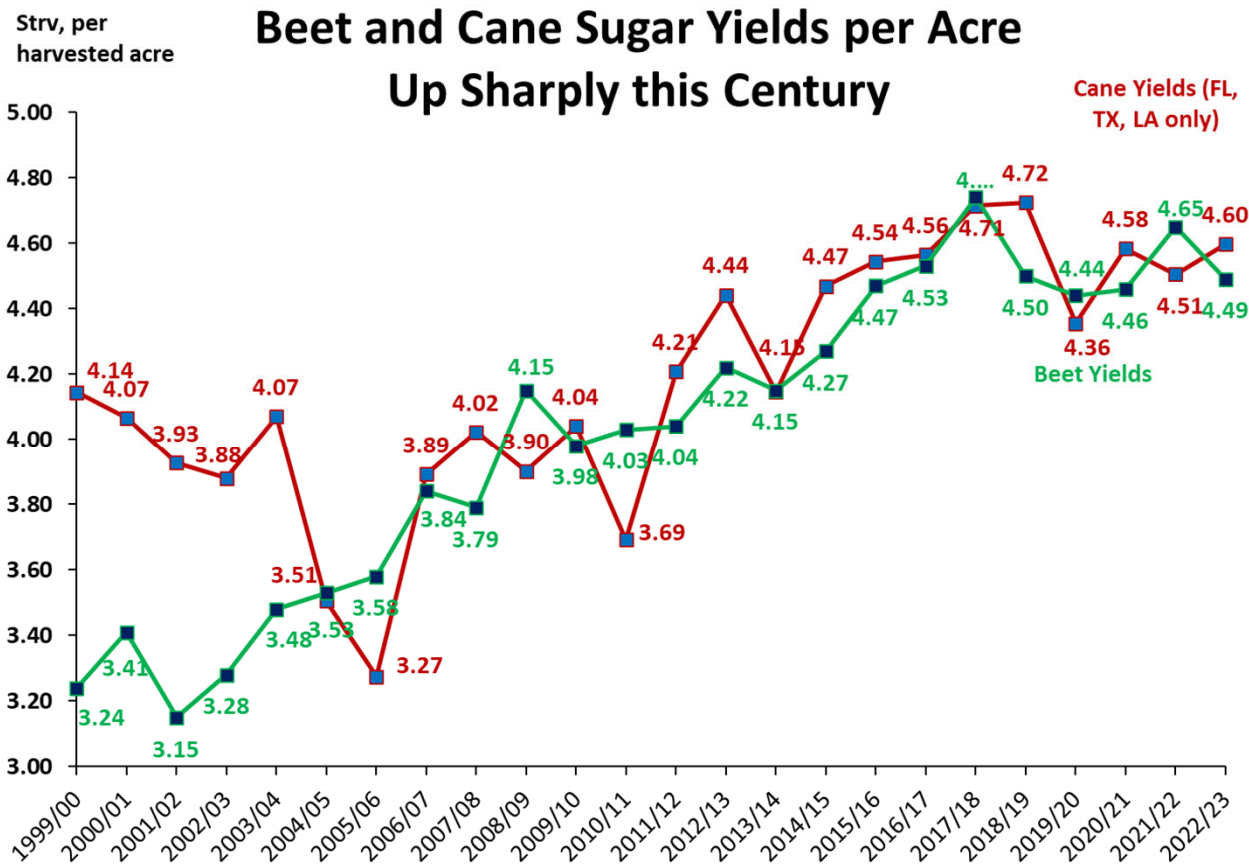


Suggests premium is too high for cane.

Target loss ratio = 0.88



We are doing more with less over last 20 years



Data source: USDA, ERS. Feb. 2023. Excludes Hawaii.

23-D2

Field (past 20 years)

- 8% less land
- 14% more sugar
- Yields up 23%

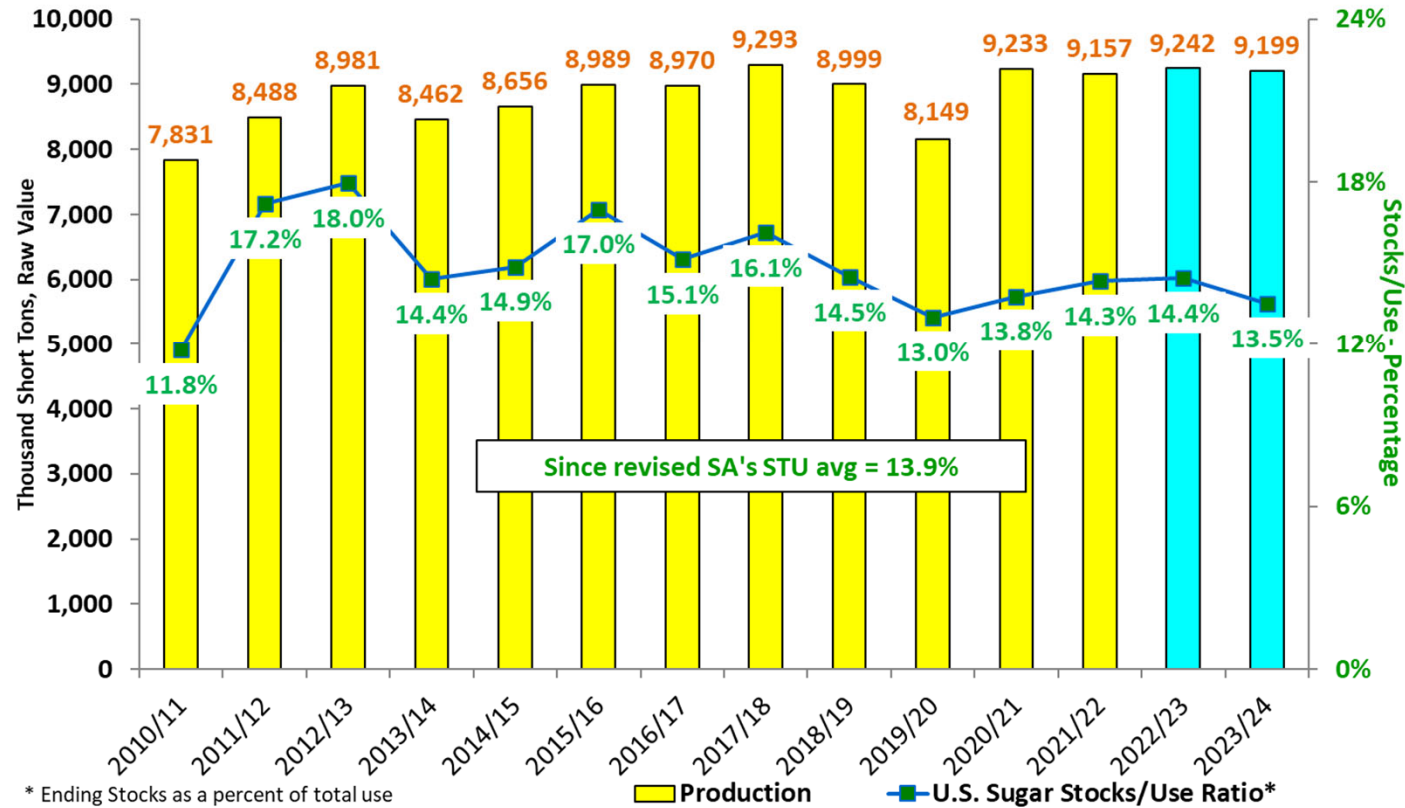
Factory (past 10 years)

- 15% increase in sugar produced per employee

Strong Production & Solid Stocks

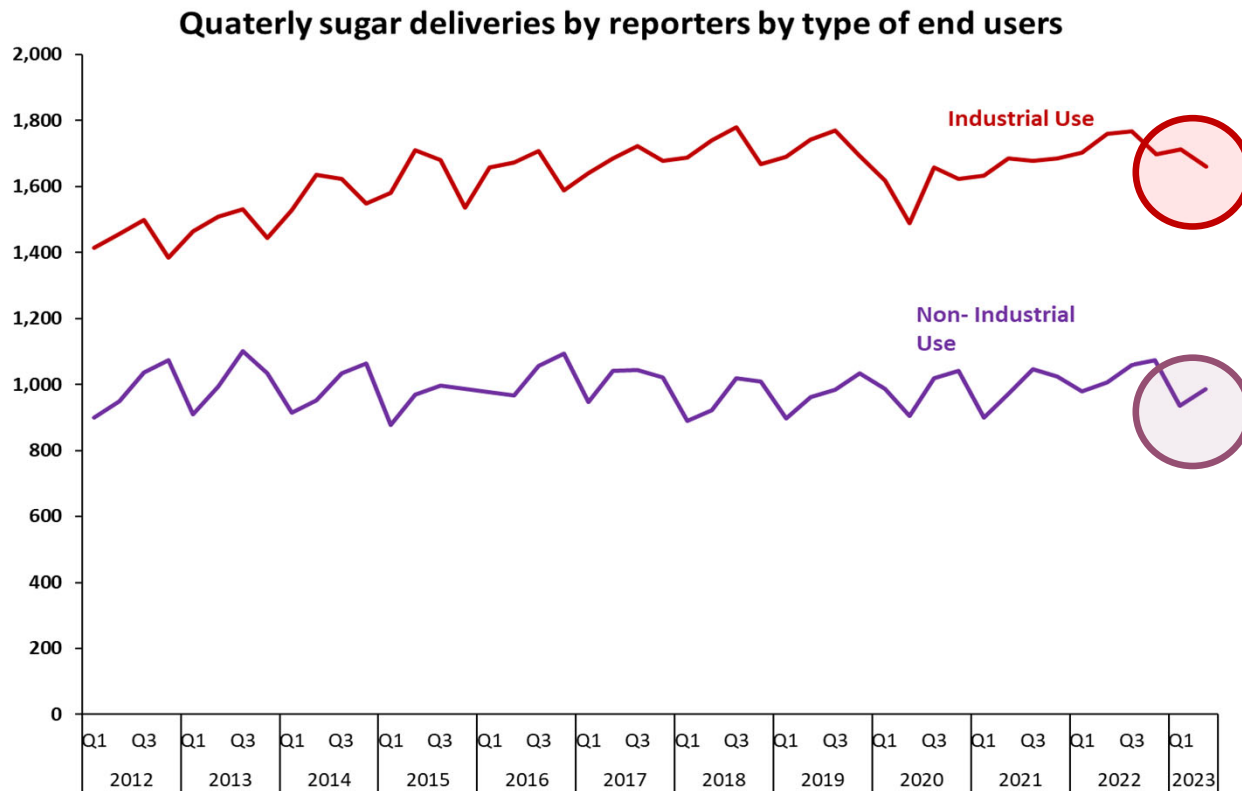
1. Since the Revised SA's have been in place the ending stocks-to-use has averaged 13.9%.
2. Meaning that more than **3.5 billion pounds** of sugar are expected to be carried into the next marketing year.
3. USDA has been doing a good job maintaining supplies in the target range.

U.S. Sugar: Ending Stocks and Stocks/Use Ratio* 2010/11 - 2023/2



Return to Just-in-time?

Deliveries have been weakening following uptick (just-in-case) from COVID --- with rising interest rates holding inventory becomes more expensive as well.



Data: USDA/ERS; Q2-2023 pace to date.



Just-in-time benefits to U.S. food sector

PMN Business

Dreyfus sees sugar loading delays in Brazil, prices could go higher

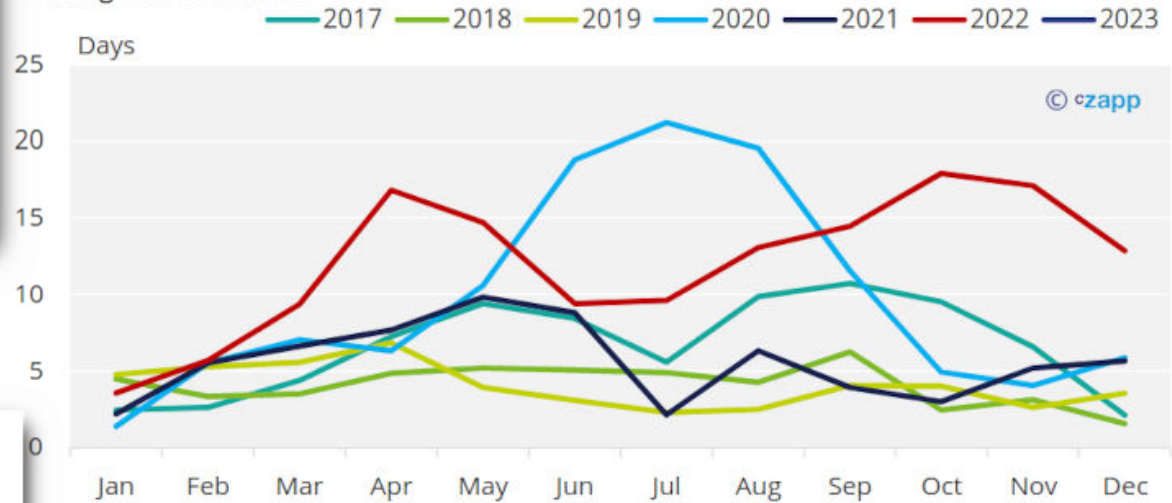


Reuters
Marcelo Teixeira

Published May 03, 2023 • 1 minute read

Domestic production is food security

Waiting Time At Santos



Commodities

India to cap sugar exports until first half of 2024 as El Nino looms

By Rajendra Jadhav and Mayank Bhardwaj

June 12, 2023 6:01 AM EDT • Updated a month ago

<https://www.czapp.com/analyst-insights/ask-the-analyst-why-do-sugar-and-grain-compete-for-logistics-in-brazil/>

Stable and ready supplies of sugar have helped Grocery and Restaurant unlike other supply chain disruptions



PRESS RELEASE
ISSUES & TRENDS
Food shipping industry grapples with supply chain challenges

Survey highlights key obstacles facing shippers of food and beverages

Oct 26, 2022

- **Labor and talent management (49%)**
- **Transportation capacity issues (39%)**
- **Supply and demand planning disruptions (35%)**

Supply chain shortages still affecting industry

Operators say lack of items, increased prices are toughest to deal with.



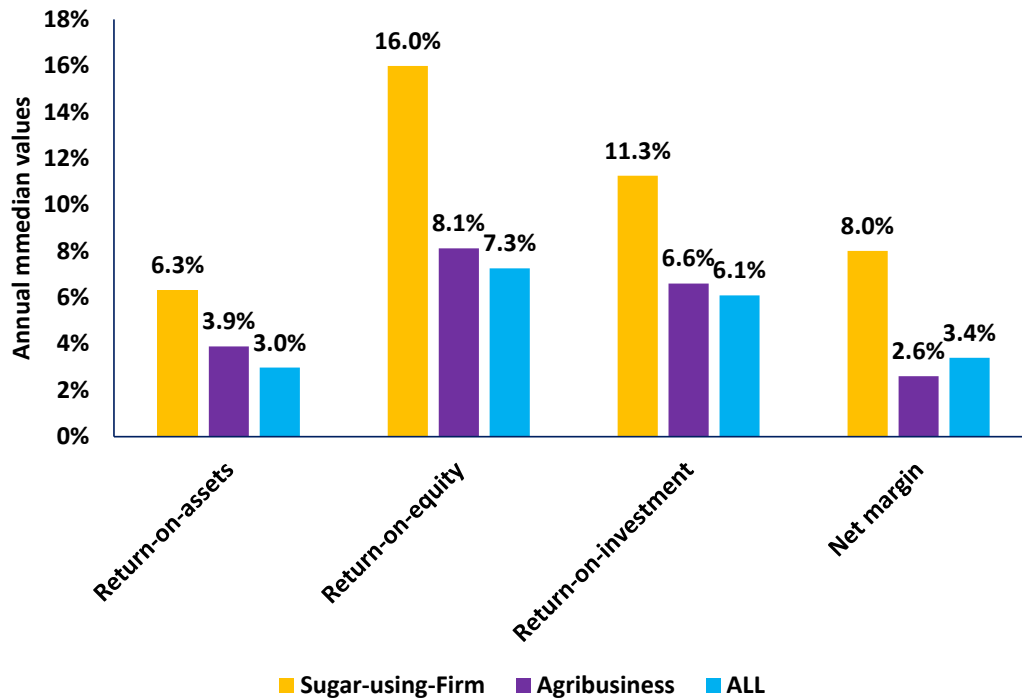
Everything from proteins to packaging materials are currently in short supply.

<https://restaurant.org/education-and-resources/resource-library/supply-chain-shortages-continue-to-affect-restaurant-businesses/>



... And the same for food manufacturers

Profitability and margin metrics of sugar-using firms (SUF), other agribusinesses (AGB), and the complete US market (ALL)



Over the past 10 years, candy corporations posted high profits and a nearly double the return on investment compared to an average publicly traded U.S. firm.

“...results suggest that current sugar policies in the United States are not likely to hinder the economic performance of SUFs, but may be facilitating improved performance...”

Source: Agricultural Finance Review (2023)
<https://www.emerald.com/insight/content/doi/10.1108/AFR-08-2022-0103/full/html>

American Sugar Alliance backing America's Beet and Cane Growers



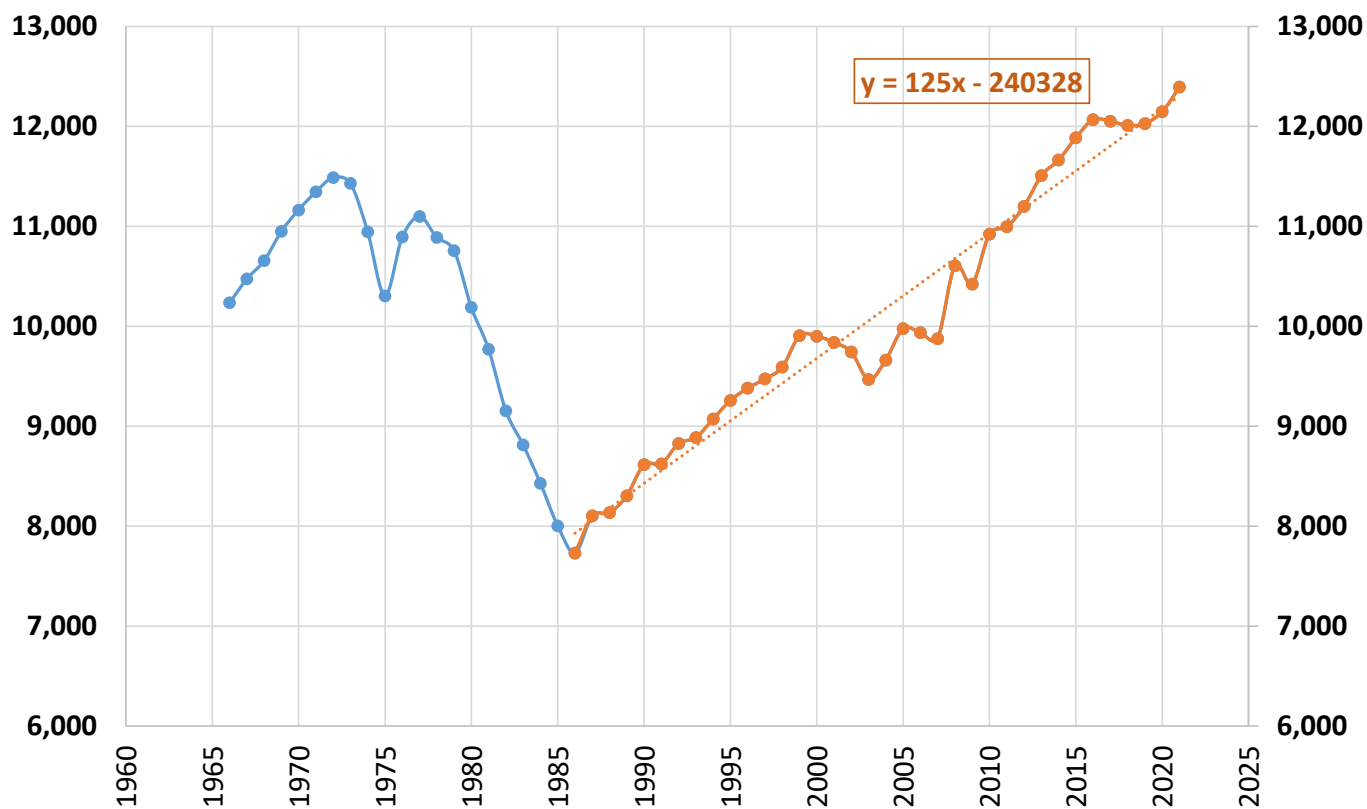
New farm bill should contain



1. Marketing loans that allow sugar producers to plant, cultivate, harvest, and process sugar throughout the year --- *just-in-time* delivery
2. Strong and affordable crop insurance --- to cover increased risks
3. Support productivity improvements --- research and investments
4. Acknowledge importance of domestic food security

USDA is doing a good job with the tools they have, but US Sugar Farmers Need a Stronger Sugar Policy

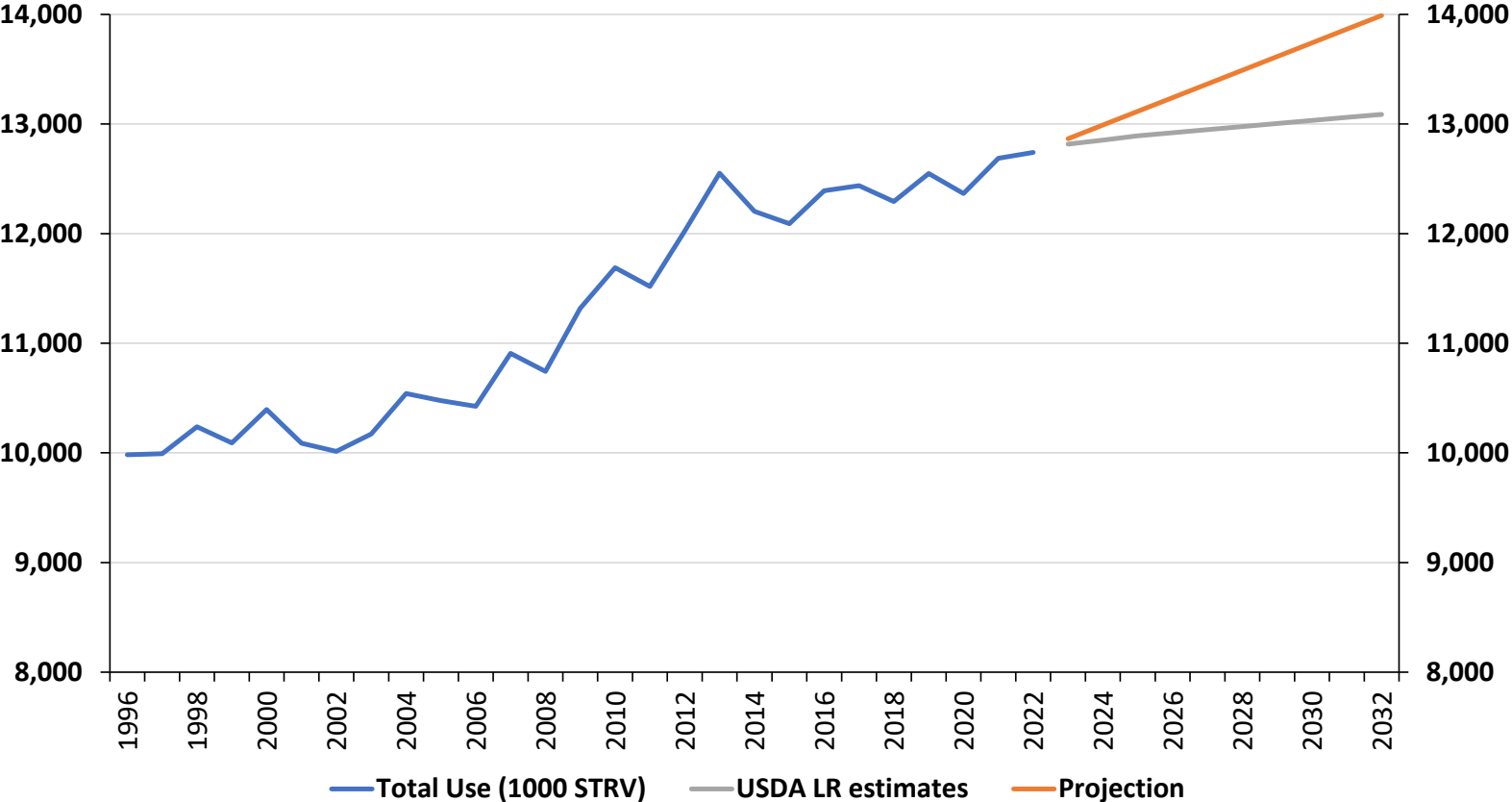
Total sugar deliveries (1,000 short tons raw value)



Use trend (since 1986) is pretty linear at about 125,000 tons per year increase.

Data: USDA-ERS.

Total use (1000 STRV) --- projections



USDA estimates show total use reaching 13 mil STRV by 2029/30

Using earlier estimate of +125,000 per year increase, you get to nearly 14 mil STRV by 2032/33

Data: USDA-ERS.



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