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Sugar and Sweeteners Outlook

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Slower Pace of Sugarbeet Harvest Results in Lower 2015/16 Sugar Production and Raised 2016/17 Production

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U.S. sugar production is projected to be 9.427 million short tons, raw value (STRV), a 155,000-STRV increase from the August *World Agricultural Supply and Demand Estimates* (WASDE), as raised sugarbeet production prospects outweigh reductions in sugarcane production. Total import projections are increased by 27,000 STRV to 2.678 million MT. Domestic deliveries are reduced 30,000 STRV to 12.205 million STRV due to fewer deliveries projected for food and beverage use. Ending stocks for 2016/17 are projected to be 1.762 million STRV, which results in the stocks-to-use ratio of 14.4 percent.

Total U.S. sugar production for 2015/16 is estimated to total 8.907 million STRV, a 94,000-STRV decline from the September report. The majority of this change is due to the relatively slow pace of the sugarbeet harvest, which will reallocate beet sugar production from the 2015/16 fiscal year into the 2016/17 fiscal year. Domestic delivery estimates are reduced 30,000 STRV, as a 50,000-STRV reduction in estimated food and beverage deliveries is partially offset by a 20,000-STRV increase in estimated deliveries for the re-export program.

Projected Mexico sugar production in 2016/17 is raised 200,000 metric tons, actual value (MT), to 6.300 MT based on source-reporting by the Foreign Agricultural Service Post in Mexico City. This is the primary contributor to higher projected supplies for 2016/17. As a result, exports are projected to increase 197,000 MT, all of them to countries outside of the United States. The stocks-to-consumption ratio remains unchanged from the previous month at 27.7 percent.

Increased sugarbeet production and later harvest contribute to larger sugar production in 2016/17 fiscal year

In the October USDA *World Agricultural Supply and Demand Estimates*, U.S. total sugar supplies in 2016/17 are projected to be 13.992 million short tons, raw value (STRV), a 77,000-STRV increase from the September projection. Due to fewer projected imports in 2016/17 compared with the previous year, however, total sugar supplies are projected to be 94,000 STRV less than current estimates for 2015/16.

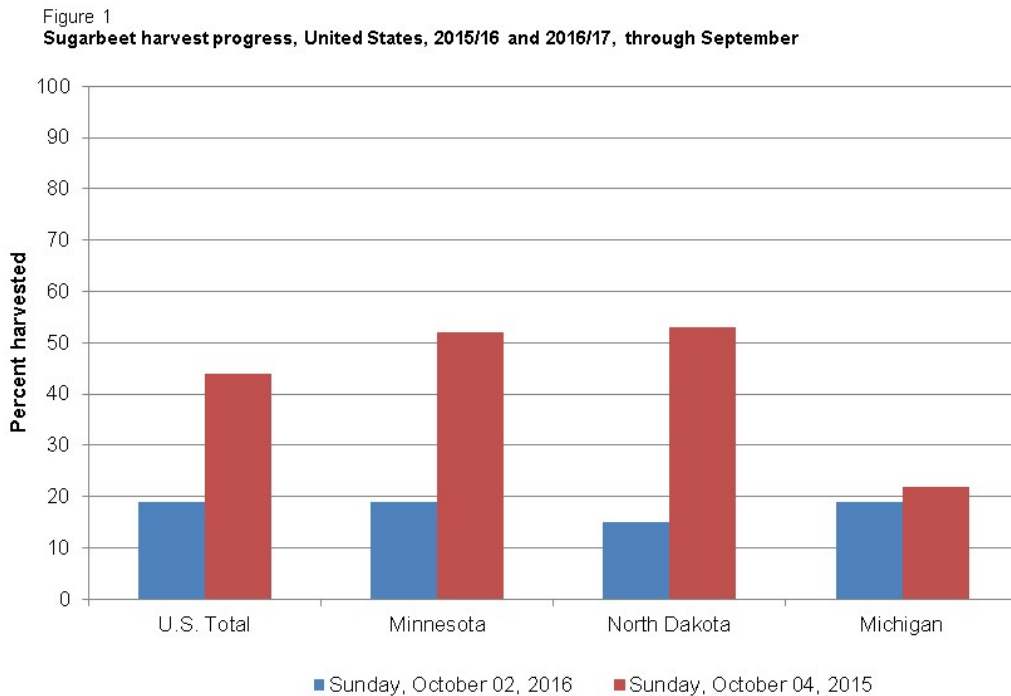
Table 1 -- U.S. sugar: supply and use, by fiscal year (Oct./Sept.), October 2016.

Items	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
		(estimate)	(forecast)		(estimate)	(forecast)
	1,000 Short tons, raw value			1,000 Metric tons, raw value		
Beginning stocks	1,810	1,815	1,887	1,642	1,647	1,712
Total production	8,656	8,907	9,427	7,853	8,081	8,552
Beet sugar	4,893	5,024	5,468	4,439	4,558	4,960
Cane sugar	3,763	3,883	3,959	3,414	3,523	3,592
Florida	1,981	2,173	2,108	1,797	1,971	1,913
Louisiana	1,513	1,439	1,676	1,372	1,305	1,520
Texas	123	116	135	112	106	122
Hawaii	146	155	40	132	141	36
Total imports	3,553	3,364	2,678	3,223	3,052	2,430
Tariff-rate quota imports	1,536	1,621	1,533	1,393	1,470	1,391
Other program imports	471	396	125	427	359	113
Non-program imports	1,546	1,348	1,020	1,403	1,223	925
Mexico	1,532	1,332	1,005	1,389	1,208	912
Total supply	14,019	14,087	13,992	12,718	12,779	12,694
Total exports	185	75	25	168	68	23
Miscellaneous	0	0	0	0	0	0
Deliveries for domestic use	12,019	12,125	12,205	10,903	11,000	11,072
Transfer to sugar-containing products for exports under re-export program	103	150	120	93	136	109
Transfer to polyhydric alcohol, feed, other alcohol	28	25	35	25	23	32
Commodity Credit Corporation (CCC) sale for ethanol, other	0	0	0	0	0	0
Deliveries for domestic food and beverage use	11,888	11,950	12,050	10,785	10,841	10,932
Total Use	12,204	12,200	12,230	11,071	11,068	11,095
Ending stocks	1,815	1,887	1,762	1,647	1,712	1,599
Private	1,815	1,887	1,762	1,647	1,712	1,599
Commodity Credit Corporation (CCC)	0	0	0	0	0	1
Stocks-to-use ratio	14.87	15.47	14.41	14.87	15.47	14.41

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

U.S. sugar production in 2016/17 is projected to total 9.427 million STRV, 155,000 STRV larger than the previous month's projection. If realized, this total would be a record fiscal year production, significantly larger than the previous record of 9.050 million STRV in 1999/2000. Beet sugar production is projected to total 5.468 million STRV, an increase of 180,000 STRV compared with the September projection. This increase is attributed to two changes in the outlook compared with the last month. First, USDA's National Agricultural Statistics Service (NASS) forecast a sugarbeet production increase of 472,000 short tons compared with its September report. This was due to higher production in the leading sugarbeet producing States of Minnesota and North Dakota. In both States, fewer expected harvested acres are more than offset by improved yields. The increased outlook for sugarbeet production accounts for 80,000 STRV of the total increase in beet sugar production. The remaining 100,000 STRV of the increase is due to relatively lower early-season beet sugar production than previous expected. Sugarbeet harvest progress has lagged behind the previous year's pace, particularly in Minnesota and North Dakota, through September. This means that a larger proportion of the current crop will be produced after the October 1 beginning of

the 2016/17 fiscal year. As a result, 100,000 STRV of beet production is moved from 2015/16 to 2016/17 to account for the adjustment in harvesting pace.



Source: U.S. Dept. of Agriculture, National Agricultural Statistics Service.

Cane sugar production is projected to be 3.959 million STRV, a 25,000-STRV decline from the previous month. Florida cane sugar production is reduced by 25,000 STRV to 2.108 million STRV—accounting for all of the total change in cane sugar production. The reduction is due to NASS lowering of sugarcane harvested area in the State by 5,000 acres to 420,000. It should be noted that these forecasts do not take into account the impacts of Hurricane Matthew, which made landfall in Florida on October 7. Louisiana, Texas, and Hawaii cane sugar production remains unchanged from the previous month, totaling 1.676 million STRV, 135,000 STRV, and 40,000 STRV, respectively.

Sugar production in 2015/16 is estimated to be 8.907 million STRV, a 94,000-STRV reduction from the September estimate. Beet sugar production is estimated to total 5.024 million STRV, a 100,000-STRV decrease from the previous month due to a slower expected pace of the sugarbeet harvest through the end of September. This sugar production is reallocated into 2016/17 totals, however, as described above. Cane sugar production estimates are raised 6,000 STRV to 3.883 million STRV. A 10,000-STRV reduction in estimated Hawaii production, due to pace-to-date production data, is more than offset by a 16,000-STRV increase in estimated September production in Louisiana.

Imports in 2016/17 increased due to shipping patterns from quota programs

Total U.S. sugar imports are projected to be 2.678 million STRV, a 27,000-STRV increase from the September projection. Imports under quota programs are projected to be 1.533 million STRV, accounting for the entirety of the increase. The projected shortfall of the 2016/17 WTO raw sugar TRQ remains unchanged at 99,000 STRV. Higher imports in 2016/17 are expected to come under the Colombia FTA during the October-to-December quarter, as shipments expected under the agreement's 2016 calendar year quota did not enter within the 2015/16 fiscal year ending in September. Projected imports from Mexico remain at 1.005 million STRV, unchanged from the previous

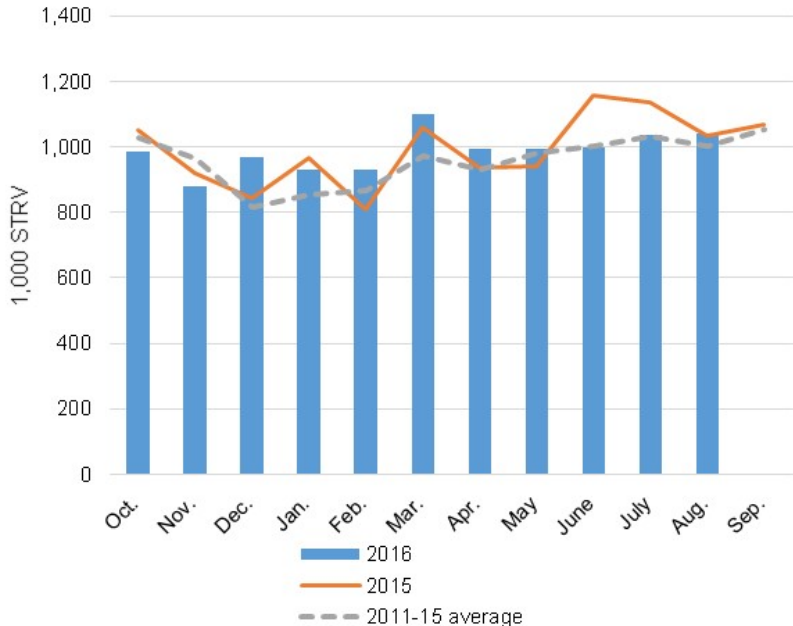
month’s projection and in line with the terms of the suspension agreements between the U.S. Department of Commerce (USDOC) and the Government of Mexico signed in December 2014.

Total imports for 2015/16 are estimated to be 1.621 million STRV, a 41,000-STRV reduction from the previous month’s estimate. Imports under quota programs are reduced 66,000 STRV to 1.621 million STRV. The WTO raw sugar TRQ estimated shortfall is increased 35,000 STRV to 125,000 STRV, as fewer shipments are estimated to have entered in 2015/16 than expected. Additionally, estimated shipments under the Colombia FTA are reduced by 27,000 STRV, corresponding to the increase in 2016/17 imports as explained above. Finally, estimated imports from Mexico are increased by 3,000 STRV to account for the entry of additional shipments in September.

Domestic deliveries reduced based on a slower pace for food and beverage use

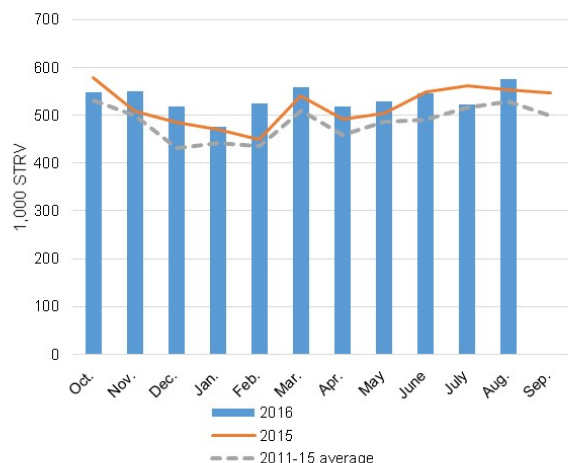
Total use in 2015/16 is estimated at 12.200 million STRV, a 30,000-STRV reduction from the September estimate. Estimated deliveries under the re-export program are increased 20,000 STRV to 150,000 STRV based on pace-to-date data through August. This was more than offset, though, by the 50,000-STRV reduction in food and beverage deliveries to 11.950 million STRV. This would represent a 0.2 percent increase from 2014/15 levels. Through August, domestic food and beverage deliveries are essentially unchanged from the previous year, with beet sugar deliveries 2.7 percent lower and cane sugar deliveries 3.0 percent higher. Estimated U.S. sugar exports in 2015/16 are unchanged from the previous month at 75,000 STRV.

Figure 2
Total sugar deliveries for human consumption, monthly, fiscal year



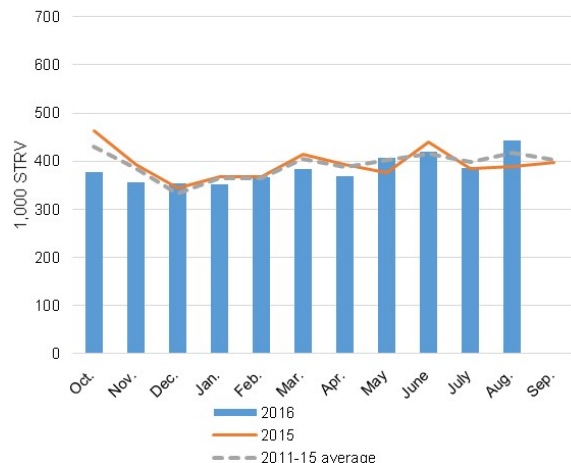
Source: U.S. Dept. of Agriculture, Economic Research Service.

Figure 3
Cane sugar deliveries for human consumption, monthly, fiscal year



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

Figure 4
Beetsugar deliveries for human consumption, monthly, fiscal year



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

Projected domestic food and beverage deliveries for 2016/17 are 12.050 million STRV, a 30,000-STRV reduction from the previous month, in line with the reduction made to 2015/16 estimates. If realized, the 2016/17 projection would be a 0.8 percent increase from the 2015/16 estimate. Other domestic deliveries remain unchanged from the previous month's projection at 155,000 STRV. Projected exports are also unchanged at 25,000 STRV, down substantially from the current 2015/16 estimate due to changes to the withdrawal by Mexico of duty-free treatment of imports from the United States that benefitted from the U.S. re-export import program.

Ending stocks for 2015/16 are estimated to be 1.887 million STRV, resulting in a stocks-to-use ratio of 15.5 percent. Both are down compared with the previous month, where the estimated stocks-to-use ratio was 16.3 percent. Ending stocks for 2016/17 are projected to be 1.762 million STRV, with the stocks-to-use ratio raised from 13.5 percent in September to 14.4 percent.

Mexico ending stocks in 2015/16 reduced slightly as shipments to United States increased

Mexico total sugar supplies for 2015/16 are estimated to be 6.998 million metric tons, actual value (MT), unchanged from the previous month's estimate. Domestic production remains estimated at 6.117 million MT, based on the latest data reported by Mexico's *Comité Nacional para el Desarrollo Sustentable de la Caña de Azúcar* (Conadesuca). Import estimates are unchanged from the previous month, totaling 70,000 MT. Imports for the IMMEX program are projected to total 57,000 MT, with the remaining 13,000 MT imported for domestic consumption, both projections unchanged from the previous month.

Table 2 -- Mexico sugar supply and use, 2014/15 - 2015/16 and projected 2016/17, October 2016

Items	2014/15	2015/16 (estimate)	2016/17 (forecast)
	1,000 metric tons, actual weight		
Beginning stocks	831	811	1,047
Production	5,985	6,117	6,300
Imports	128	70	10
Imports for consumption	8	13	10
Imports for sugar-containing product exports (IMMEX) 1/	121	57	0
Total supply	6,944	6,998	7,357
Disappearance			
Human consumption	4,408	4,431	4,498
For sugar-containing product exports (IMMEX)	337	330	330
Statistical adjustment	-54		
Total	4,691	4,761	4,828
Exports	1,442	1,190	1,282
Exports to the United States & Puerto Rico	1,311	1,140	860
Exports to other countries	131	50	421
Total use	6,134	5,950	6,110
Ending stocks	811	1,047	1,248
	1,000 metric tons, raw value		
Beginning stocks	881	859	1,110
Production	6,344	6,484	6,678
Imports	136	74	11
Imports for consumption	8	14	11
Imports for sugar-containing product exports (IMMEX)	128	60	0
Total supply	7,361	7,418	7,799
Disappearance			
Human consumption	4,673	4,697	4,768
For sugar-containing product exports (IMMEX)	357	350	350
Statistical adjustment	-57	0	0
Total	4,973	5,046	5,118
Exports	1,529	1,261	1,358
Exports to the United States & Puerto Rico	1,389	1,208	912
Exports to other countries	139	53	447
Total use	6,502	6,307	6,476
Ending stocks	859	1,110	1,322
Stocks-to-human consumption (percent)	18.4	23.6	27.7
Stocks-to-use (percent)	13.2	17.6	20.4
High fructose corn syrup (HFCS) consumption (dry weight)	1,444	1,450	1,450

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.

Estimated domestic sugar deliveries for domestic consumption are unchanged from the previous month, totaling 4.431 million MT. This would represent a 0.5-percent increase in domestic consumption compared with 2014/15. Through August, Conadesuca has reported that 4.196 million MT of sugar has been delivered for domestic consumption—1.0 percent higher than 2014/15.

Figure 5
Mexican sweetener consumption October to August



Source: Conadesuca.

Domestic deliveries for the IMMEX program in 2015/16 are estimated to be 330,000 MT, unchanged from the previous month's estimate. One significant change to the IMMEX program thus far in 2015/16 is the large increase in sugar supplied from domestic sources rather than import sugar. Domestic deliveries to the IMMEX program through August, are 64 percent higher than the same period the previous year, including totals for the month of August that were nearly three times larger than in 2014/15. This is primarily due to changes to IMMEX regulations beginning in February 2016 that removed duty-free status to U.S. sugar imports benefiting from the U.S. re-export import program.

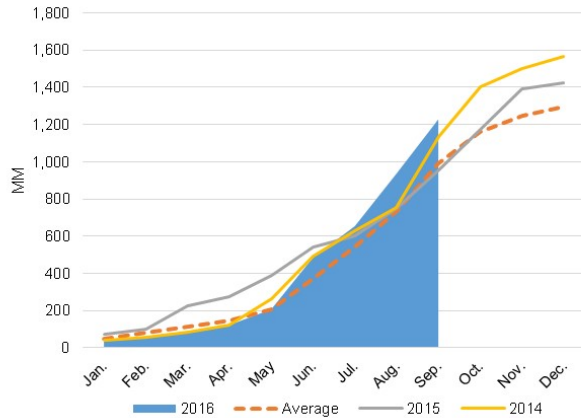
Mexico exports are estimated to be 1.190 million MT in 2015/16, a 3,000-MT increase from the September estimate. Exports to the United States account for the entirety of the monthly change, with estimates for 2015/16 at 1.140 million MT. The change reflects entries of sugar from Mexico reported by U.S. Customs. Exports to other countries are estimated to be 50,000 MT, unchanged from the previous month. Through August, 42,000 MT have been shipped to other countries.

Ending stocks in 2015/16 are estimated to be 1.047 million MT, a 3,000-MT decrease, reflecting the change in estimated exports. The stocks-to-consumption ratio is estimated to be 23.6 percent, down slightly from the previous month's estimate of 23.7 percent.

Larger Mexico sugar production in 2016/17 increase the outlook for exports to other countries

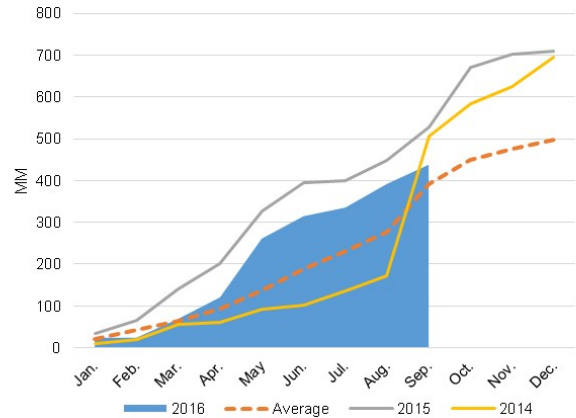
Mexico sugar production in 2016/17 is projected to be 6.300 million metric tons, actual value (MT), a 200,000-MT increase from the September projection. The increase is based on information gathered by the Foreign Agricultural Service Post in Mexico City from contacts in the government and industry. The Post pointed out that rainfall that should benefit a large portion of sugarcane-producing regions in the country and increased use of yield-enhancing inputs made possible by good returns from the 2015/16 campaign. This would represent a 3.0-percent increase from the current 2015/16 production estimates.

Figure 6
Cumulative precipitation levels, Veracruz, Mexico



Source: U.S. Dept. of Agriculture, Office of the Chief Economist.

Figure 7
Cumulative precipitation levels, Northeast, Mexico



Source: U.S. Dept. of Agriculture, Office of the Chief Economist.

Imports are projected to be 10,000 MT, unchanged from the previous month. All imports are projected to be used for human consumption, as IMMEX program regulation changes in February 2016 are expected to eliminate sugar from the United States that benefits from the re-export program. These U.S. supplies had accounted for the majority of Mexican U.S. exports in recent years. Total supplies are projected to be 197,000 larger than the previous month, totaling 7.357 million MT, as slightly lower beginning stocks combine with the larger projected production.

Projected deliveries to domestic users are unchanged from the September report, totaling 4.828 million MT. Domestic deliveries for domestic consumption are projected to be 4.498 million MT, also unchanged from the previous month but a 1.5-percent increase from 2015/16 estimates. The increase represents the growth in population, keeping per capita high-fructose corn syrup (HFCS) consistent with levels from the previous year. Deliveries to the IMMEX program are projected to be 330,000 MT, unchanged from both the previous year and 2015/16 levels.

Ending stocks in 2016/17 are projected to be 1.248 million MT, unchanged from the previous month. The stocks-to-consumption ratio is also unchanged from the previous month at 27.7 percent. Ending stock projections are calculated based on expected domestic and export needs. Mexico is projected to hold no more than 22 percent of its domestic needs, as well as a portion of supplies to satisfy 30 percent of the 2017/18 Export Limit in the United States—which is in accordance with the suspension agreements between the USDOC and the Government of Mexico.

Exports in 2016/17 are projected to total 1.282 million MT, a 197,000-MT increase from the previous month's report. Exports to the United States are projected to be 860,000 MT, unchanged from September and totaling the U.S. Needs calculation from the September WASDE, as described in the suspension agreements. Exports to other countries are projected to total 421,000 MT, accounting for the 197,000-MT increase.

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