



Economic
Research
Service

Situation and
Outlook

SSS-M-340

December 15, 2016

Sugar and Sweeteners Outlook

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Export Limit for Imports from Mexico in 2016/17 Anticipated To Be Unchanged From September Announcement, due to U.S. Needs Calculation Falling Below Previously Established Export Limit

The next release is
January 19, 2017

Approved by the
World Agricultural
Outlook Board.

U.S. sugar supplies in 2016/17 are projected to total 14.092 million short tons, raw value (STRV), in the December *World Agricultural Supply and Demand Estimates* (WASDE), a 14,000-STRV increase from the November report. Domestic production is projected to increase 11,000 STRV, while imports are projected to increase 5,000 STRV and beginning stocks are revised down slightly compared with last month's projection. Imports from Mexico are reduced 45,000 STRV to 972,000. The U.S. Department of Commerce (USDOC) recalculates the Export Limit for Mexico sugar processors in December, according to the terms of the suspension agreements signed in December 2014. This month's calculation of the U.S. Needs fell below the level set by USDOC in September. Therefore, according to the terms of the agreement, the Export Limit is carried over from the September level. There are no changes to projections of U.S. sugar use, totaling 12.180 million STRV. The stocks-to-use ratio is projected to be 15.7 percent for 2016/17.

Mexico sugar production in 2016/17 is projected to total 6.371 million metric tons, actual value (MT), a 71,000-MT increase from the previous month. The change is based on the first official estimate of 2016/17 production by Mexican officials. Deliveries in 2016/17 are projected to be 65,000 MT less than the November WASDE report, also based on official estimates from Mexican authorities. Exports are projected to total 1.470 million MT, based on the anticipated December Export Limit calculated by USDOC for shipments to the United States and on the remaining exportable supplies after inventories are held to meet domestic and export needs for the beginning of 2017/18. The stocks-to-consumption ratio is projected to total 28.0 percent, up from the previous month's level of 27.8 percent.

The Foreign Agricultural Service (FAS) published updated global sugar market projections in its November release of *Sugar: World Markets and Trade*. While global production is projected to increase in 2016/17 over 2015/16, the pace of global consumption is high enough for global stock levels to be drawn down for the second consecutive year. World raw sugar prices have been increasing, due in part to tighter global supplies compared with recent years of production surpluses.

Record domestic sugar production expected in 2016/17 with favorable harvest and processing conditions

The December USDA *World Agricultural Supply and Demand Estimates* (WASDE) projects total U.S. supplies at 14.092 million short tons, raw value (STRV) for 2016/17, a 14,000-STRV increase from the previous month's figure. Beginning stocks are reduced 1,000 STRV to 2.054 million STRV based on 2015/16 revisions submitted by processors in the Farm Service Agency's (FSA) *Sweetener Market Data* (SMD).

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

Items	2015/16			2016/17		
	2014/15	(estimate)	(forecast)	2014/15	(estimate)	(forecast)
	1,000 Short tons, raw value			1,000 Metric tons, raw value		
Beginning stocks	1,810	1,815	2,054	1,642	1,647	1,863
Total production	8,656	8,989	9,342	7,853	8,155	8,475
Beet sugar	4,893	5,119	5,371	4,439	4,644	4,872
Cane sugar	3,763	3,870	3,971	3,414	3,511	3,603
Florida	1,981	2,173	2,142	1,797	1,971	1,943
Louisiana	1,513	1,428	1,644	1,372	1,296	1,491
Texas	123	116	140	112	106	127
Hawaii	146	152	46	132	138	42
Total imports	3,553	3,341	2,696	3,223	3,031	2,445
Tariff-rate quota imports	1,536	1,620	1,533	1,393	1,469	1,391
Other program imports	471	396	175	427	359	159
Non-program imports	1,546	1,325	987	1,403	1,202	896
Mexico	1,532	1,309	972	1,389	1,187	882
Total supply	14,019	14,145	14,092	12,718	12,832	12,784
Total exports	185	74	25	168	67	23
Miscellaneous	0	-33	0	0	-30	0
Deliveries for domestic use	12,019	12,051	12,155	10,903	10,932	11,027
Transfer to sugar-containing products for exports under re-export program	103	148	120	93	134	109
Transfer to polyhydric alcohol, feed, other alcohol	28	22	35	25	20	32
Commodity Credit Corporation (CCC) sale for ethanol, other	0	0	0	0	0	0
Deliveries for domestic food and beverage use	11,888	11,881	12,000	10,785	10,778	10,886
Total Use	12,204	12,091	12,180	11,071	10,969	11,050
Ending stocks	1,815	2,054	1,912	1,647	1,863	1,734
Private	1,815	2,054	1,912	1,647	1,863	1,734
Commodity Credit Corporation (CCC)	0	0	0	0	0	0
Stocks-to-use ratio	14.87	16.99	15.70	14.87	16.99	15.70

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

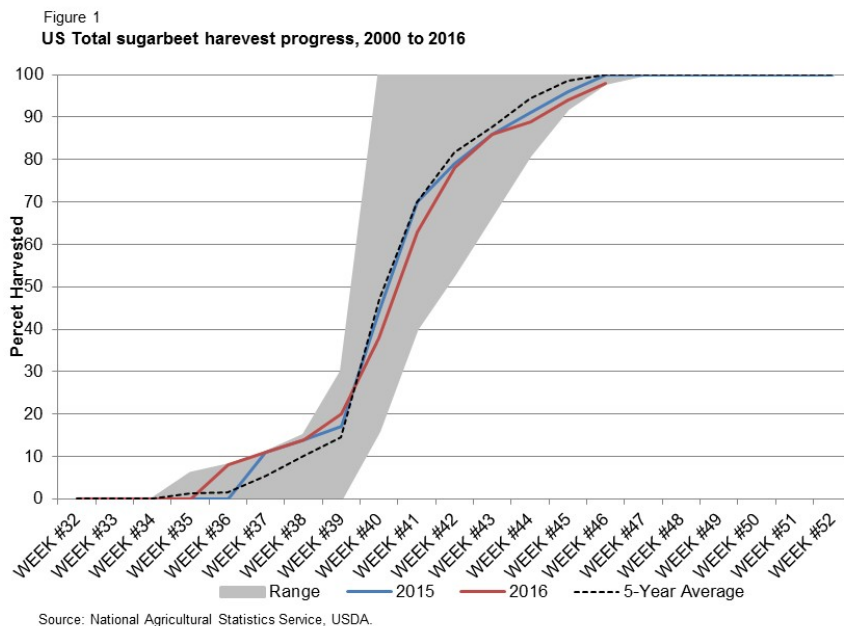
Projected U.S. domestic sugar production increased 11,000 STRV from the previous WASDE report, totaling 9.342 million STRV. If realized, this would be a record fiscal year production, eclipsing the previous record of 9.050 million STRV from 1999/2000

Cane sugar production is projected to be 3.971 million STRV, accounting for the 11,000-STRV increase, based on increased production expected from Hawaii and Texas. The increase in Hawaii of 6,000 STRV to 46,000 STRV is based on the most recent processor forecasts submitted to FSA. The last remaining sugarcane processor in the State announced that it will cease its production at the end of the calendar year, and therefore is likely close to completing production on the current crop cycle.

Projected production in Texas is increased 5,000 STRV to 140,000 STRV. After several years of poor production due to weather conditions, the State’s sugarcane sector is still in the process of recovering to levels in line with historical figures. The National Agricultural Statistics Service (NASS) increased its forecast sugarcane yield in the State from 36.8 tons per acre to 38.1 tons, increasing sugarcane production forecasts in the State by 3 percent. The increase in cane sugar production reflects the increase in sugarcane crop production.

Florida cane sugar production is projected to remain at 2.142 million STRV. NASS’s December *Crop Production* report lowered its forecast of Florida sugarcane yields from 41.7 tons per acre to 40.9 tons per acre, but that resulted in a relatively minor 0.3-percent decline in sugarcane production. Louisiana cane sugar production is projected to total 1.644 million STRV, also unchanged from the previous month. NASS forecasts for Louisiana sugarcane production were unchanged in its December crop report.

Beet sugar production for 2016/17 is projected to be 5.371 million STRV, unchanged from the previous month and besting the previous year’s fiscal year production record of 5.119 million STRV. Sugarbeet production is forecast by NASS to be a record-high 36.613 million short tons; primarily the result of favorable weather conditions during planting and key crop development stages that boosted yields to record levels. Through the last full week of November, the national sugarbeet harvest is 98 percent complete, tracking the harvest pace of the previous year and the 5-year average.



With the sugarbeet harvest nearly complete, focus now turns to the sugarbeet processing campaign, which was initiated in September for most regions and will continue likely continue into early spring. Although many sugarbeet regions experienced relatively warm conditions during the fall harvest, industry reports are that cold temperatures forecast for December will be sufficient to facilitate a deep freeze of sugarbeets stored in unventilated piles. This is particularly important for processors in Minnesota and North Dakota. The cold temperatures will allow sugarbeets to better retain their sucrose content prior to being processed. While sugarbeet yields are at or near record levels for all the major sugarbeet-producing States, the expectation for sugar recovery rates in different regions is mixed. In the Eastern sugarbeet regions of Michigan, Minnesota, and North Dakota, wet conditions facilitated cercospora leafspot disease for many producers, which can have a detrimental effect on sugar content of a harvested sugarbeet. However, even

with lower sugar content, increased field yields still allow for historically high rates of sugar per acre in most of those areas. In the Western sugarbeet regions of the Great Plains and Rocky Mountains, disease issues were not as prevalent and industry reports indicate that sugar content is in line with the previous year's crop. Processor reports in the SMD indicate recovery rates of sliced beets through October are lower than historical averages, but it is still early in the campaign. The weather's impact on sugarbeet storage conditions over the next several weeks and subsequent processor reports will be important inputs for this crop's beet sugar production outlook.

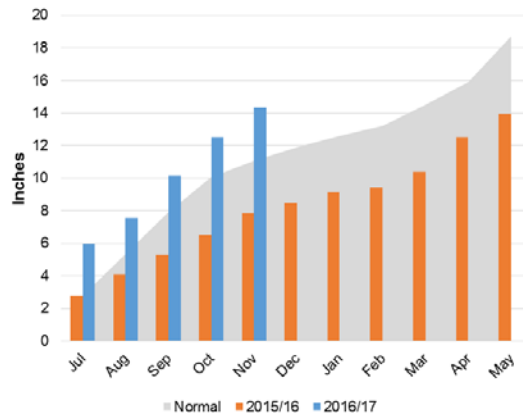
Table 2: Beet sugar production projection calculation, 2017/18

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17		2016/18	
								November	December	November	December
Sugarbeet production (1,000 short tons) 1/	29,783	32,034	28,896	35,224	32,789	31,285	35,359	36,613	36,613		
Sugarbeet shrink 2/	5.7%	5.9%	5.9%	4.8%	6.8%	5.4%	6.5%	5.8%	5.8%		
Sugarbeets sliced (1,000 short tons)	28,097	30,137	27,184	33,532	30,545	29,595	33,066	34,489	34,489		
Sugar extraction rate from slice	14.3%	15.4%	15.0%	15.3%	14.3%	14.6%	14.6%	14.8%	14.8%		
Sugar from beets slice (1,000 STRV)	4,023	4,631	4,086	5,142	4,325	4,325	4,820	5,101	5,101		
Sugar from molassees (1,000 STRV) 2/	325	357	401	327	324	341	362	353	353		
Crop year sugar production (1,000 STRV) 3/	4,348	4,987	4,487	5,469	4,648	4,667	5,183	5,454	5,454		
August-September sugar production (1,000 STRV)	396	623	294	708	315	461	688	606	606		
August-September sugar production forecast (1,000 STRV) 4/	--	--	--	--	--	--	606	483	483		
Sugar from imported beets (1,000 STRV) 5/	--	--	--	--	--	--	--	40	40		
Fiscal year sugar production (1,000 STRV)	4,575	4,659	4,900	5,076	4,794	4,893	5,119	5,371	5,371		

Notes: 1/ NASS, USDA. 2/Projections based on processor forecasts published by FSA. 3/ August-July basis. 4/ Based on 2016/17 production. 5/ Sugar from imported beets split out for projections only. They are incorporated into total production in historical data.

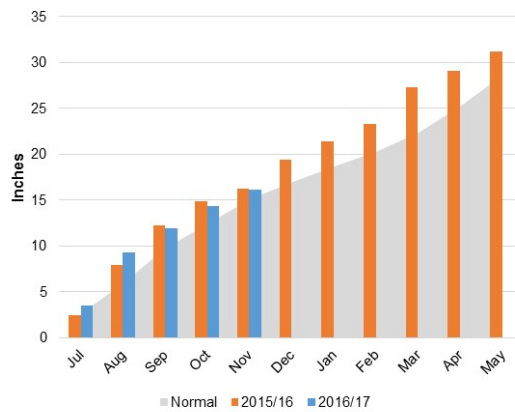
Source: Economic Research Service, USDA; World Agricultural Outlook Board, USDA.

Figure 2
 Fargo, ND precipitation, cumulative, 2015/16 to 2016/17 and normal



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

Figure 3
 Saginaw, MI precipitation, cumulative, 2015/16 to 2016/17 and normal



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

Imports from Mexico projection carried over from September Export Limit, as U.S. Needs declines in December

U.S. sugar imports in 2016/17 are projected to be 2.696 million STRV, a 5,000-STRV increase from the November projection. Imports under quota programs remain unchanged at 1.533 million STRV. The shortfall for the WTO raw sugar TRQ is 99,000 STRV, also unchanged from the previous month, based on expected quota-holders' shipments for the year. Imports under the re-export program are raised 50,000 STRV in the December projection to 175,000 STRV based on pace-to-date shipments. The Foreign Agricultural Service reported imports under the re-export program at 136,000 STRV through the first 2 months of the fiscal year due to 108,000 STRV entering through the program in October 2016. Typical trade flows under the program are expected to be disrupted as the market adjusts to changes in Mexico's IMMEX program regulations that disqualify U.S. sugar exports from benefiting from duty-free status.

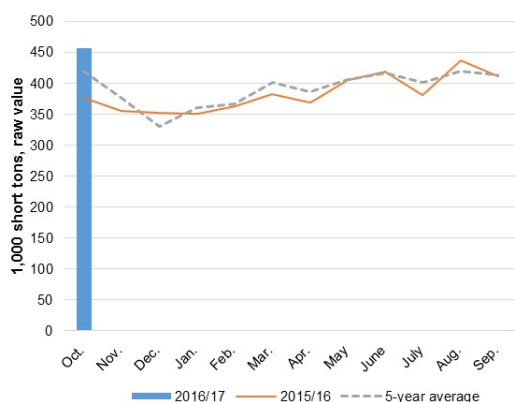
Imports from Mexico are projected to be 972,000 STRV, a 45,000-STRV decline from the previous month. Calculated U.S. Needs from the December WASDE are 709,000 STRV, as defined by the

suspension agreements signed between the U.S. Department of Commerce (USDOC) and the Government of Mexico. However, this amount is lower than the previous period’s Export Limit of 960,000—determined as 70 percent of U.S. Needs from the July WASDE. As a result, the Export Limit remains unchanged. In addition to the Export Limit, the projection includes 12,000 STRV, which was recorded by U.S. Customs as entering after October 1 and the beginning of the 2016/17 fiscal year, but was counted under the 2015/16 Export Limit period.

Strong monthly beet sugar deliveries at end of 2015/16 carry over into first month of 2016/17

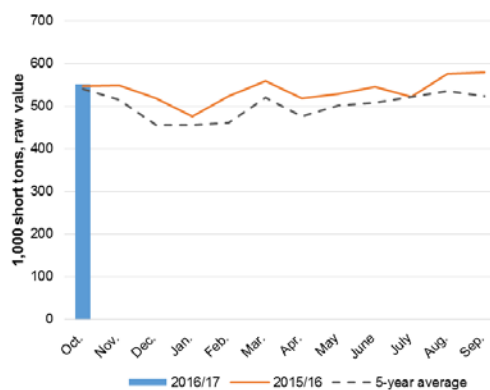
Projected domestic deliveries are 12.155 million STRV, unchanged from the November WASDE. Deliveries for food and beverage use is projected to be 12.000 million STRV, also unchanged from the previous report. This would represent a 1.0-percent increase from the 2015/16 total of 11.881 million STRV, which was reduced 24,000 STRV this month due to revisions by processors and reflected in the SMD. Total sugar deliveries in October 2016—the first month of the fiscal year—totaled 1.133 million STRV, a 15.2-percent increase compared with the same period the previous year. Beet sugar deliveries, in particular, were strong, recording a 21.3-percent increase from the previous year’s very low performance, but also exceeding the 5-year average. While it is difficult to extrapolate too much from a single month of data, several factors likely contributed to this. First, relatively large inventories of beet sugar from 2015/16 and a price discount for beet sugar compared to cane that has persisted for several months may be spurring beet sugar sales—a continuation of a trend seen in the final few months of 2015/16. Second, beet sugar deliveries appear to have improved since the passage of legislation to establish a national labeling standard for food products made with genetically modified ingredients, rather than relying on multiple State-level laws and regulations. Finally, uncertainty surrounding the USDOC review of the suspension agreements, combined with a smaller Export Limit for 2016/17, may be constraining some sales of Mexican sugar into the U.S. market, since the termination of the suspension agreements may result in shipments en route being liable for additional duties in order to enter the country. Imports from Mexico in October and November, however, did exceed the totals from the same period in 2015/16. Direct year-over-year comparisons are complicated, however, by the fact that the policies are still relatively new to the market and have shifted trade patterns throughout the implementation of the suspension agreements.

Figure 4
Beet sugar deliveries for human consumption, monthly, 2008/09 to 2016/17



Source: U.S. Department of Agriculture, Farm Service Agency.

Figure 5
Cane sugar deliveries for human consumption, monthly, 2008/09 to 2016/17



Source: U.S. Department of Agriculture, Farm Service Agency.

Domestic deliveries for other uses remain unchanged at 155,000 STRV. Exports are projected to be 25,000 STRV in 2016/17, also unchanged from the previous month. Similar to the changes to imports to

the re-export program, export flows are expected to be disrupted by recent changes to the Mexican IMMEX program.

Ending stocks are projected to total 1.912 million STRV, a 14,000-STRV increase from the previous month. The increase reflects the net increase in total supplies and no change to total use compared with the November report. The resultant stocks-to-use ratio is 15.7 percent, a slight increase from the previous month's total of 15.6 percent. While the terms of the suspension agreements between the USDOC and Government of Mexico would typically result in a stocks-to-use ratio of 13.5 percent for the December WASDE, because calculated U.S. Needs are currently below the previously published Export Limit, the higher ratio reflects the larger projected supplies.

First official Mexican production forecast indicates strong production growth in 2016/17

Mexico sugar production is projected to be 6.371 million metric tons, actual value (MT) in 2016/17, a 71,000-MT increase from the November projection. The updated projection matches the current projection published by Mexico's *Comité Nacional para el Desarrollo Sustentable de la Caña de Azúcar* (Conadesuca) in November.

Table 3 -- Mexico sugar supply and use, 2014/15 - 2015/16 and projected 2016/17, December 2016

Items	2014/15	2015/16 (estimate)	2016/17 (forecast)
	1,000 metric tons, actual weight		
Beginning stocks	831	811	1,037
Production	5,985	6,117	6,371
Imports	128	70	10
Imports for consumption	8	17	10
Imports for sugar-containing product exports (IMMEX) 1/	121	53	0
Total supply	6,944	6,998	7,418
Disappearance			
Human consumption	4,408	4,387	4,389
For sugar-containing product exports (IMMEX)	337	330	330
Statistical adjustment	-54	37	
Total	4,691	4,754	4,719
Exports	1,442	1,207	1,470
Exports to the United States & Puerto Rico	1,311	1,120	832
Exports to other countries	131	86	638
Total use	6,134	5,961	6,188
Ending stocks	811	1,037	1,229
	1,000 metric tons, raw value		
Beginning stocks	881	859	1,099
Production	6,344	6,484	6,753
Imports	136	74	11
Imports for consumption	8	18	11
Imports for sugar-containing product exports (IMMEX)	128	57	0
Total supply	7,361	7,418	7,863
Disappearance			
Human consumption	4,673	4,650	4,652
For sugar-containing product exports (IMMEX)	357	350	350
Statistical adjustment	-57	39	0
Total	4,973	5,039	5,002
Exports	1,529	1,279	1,558
Exports to the United States & Puerto Rico	1,389	1,187	882
Exports to other countries	139	92	676
Total use	6,502	6,318	6,560
Ending stocks	859	1,099	1,303
Stocks-to-human consumption (percent)	18.4	23.6	28.0
Stocks-to-use (percent)	13.2	17.4	19.9
High fructose corn syrup (HFCS) consumption (dry weight)	1,444	1,482	1,459

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.

Conadesuca's first estimate for the 2016/17 sugarcane crop projects a 4.2-percent increase in sugar production compared to the 2015/16 campaign. The projected growth is primarily due to higher area harvested, increasing 3.8 percent from 779,000 hectares to 808,000 hectares. If realized, this would be a record-large harvest, eclipsing the previous record in 2013/14. The projected sugarcane yields and recovery rates are slightly larger than 2015/16, but they further increase sugar production over 2015/16, although it would still be lower than the record-level sugar production achieved in 2012/13.

Table 4: Mexico sugarcane crop and sugar production, 2012/13 to 2016/17

		2012/13	2013/14	2014/15	2015/16	2016/17 (proj.)	Annual Change
Area harvested	Hectares	780,253	789,490	783,416	778,930	808,218	3.8%
Sugarcane yield	MT per hectares	78.74	68.82	68.42	69.57	69.79	0.3%
Sugarcane production	MT	61,438,536	54,329,039	53,601,178	54,188,609	56,408,239	4.1%
Recovery rate	Percent	11.35%	11.08%	11.17%	11.29%	11.29%	0.1%
Sugar production	MT	6,974,799	6,021,292	5,984,903	6,117,048	6,370,922	4.2%

Source: Conadesuca.

Projected Mexico sugar imports in 2016/17 are at 10,000 MT, unchanged from the previous month's projection. Mexico is not projected to import sugar for its IMMEX program; instead, the program is projected to rely on domestic supplies. Regulations to the program were changed in February 2016, making U.S. sugar from the U.S. re-export program ineligible for duty-free benefits of the IMMEX program. Projected total supplies for Mexico are 7.418 million MT, a 71,000-MT increase from the previous month, reflecting the change in production. This would constitute a 6.0-percent increase from 2015/16, due to higher projected production and larger stocks carried in from the previous year.

Domestic sugar deliveries in Mexico are projected to be 4.719 million MT, a 65,000-MT decline from the November projection. Similar to production, projected deliveries match the forecasts released by Conadesuca last month. Deliveries for human consumption are projected to total 4.389 million MT, accounting for the entirety of the monthly change. It would also represent nearly the same human consumption as 2015/16, which would imply that deliveries per capita would fall from 47.65 kg per person in 2015/16 to 46.95. Deliveries to the IMMEX program are projected to total 330,000 MT, unchanged from the November projection and also the same as 2016/17. As noted above, deliveries of sugar to the IMMEX program are projected to come entirely from domestically sourced sugar and not from foreign-sourced imports.

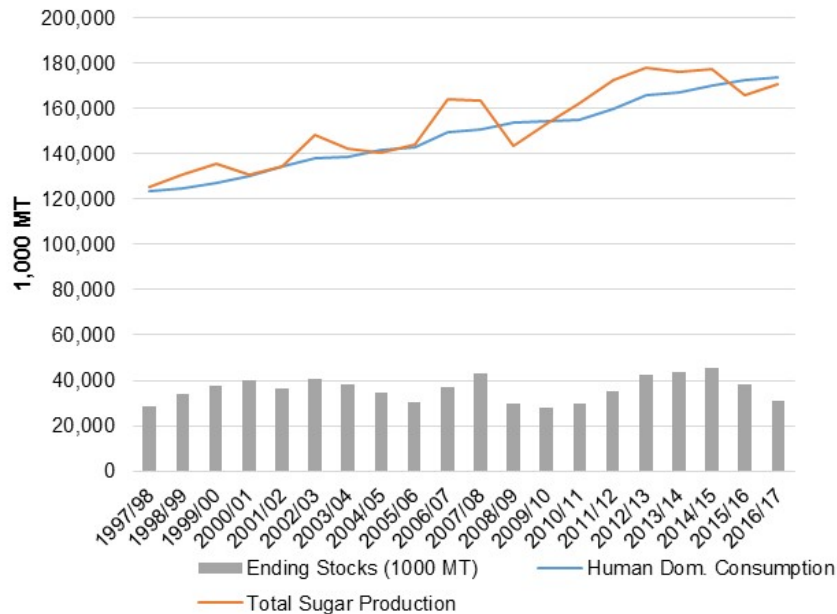
Total Mexico sugar exports are projected to total 1.470 million MT, a 145,000-MT increase from the previous month's projection. Exports to the United States are reduced 39,000 MT to 832,000 MT. As explained in the United States' supply and use outlook section, this total reflects the Export Limit set by USDOC in September, as calculated U.S. Needs from the December WASDE fall below the previously set Export Limit. Exports for 2016/17 also include an 11,000 MT October 2016 entry that was part of a shipment that entered under the 2015/16 Export Limit period but was not registered by U.S. Customs until after the October 1 start of the fiscal year. Exports to other countries are projected to total 638,000 MT, a 183,000 MT increase from the previous month. Exports to other countries are calculated residually, based on the calculated projected ending stocks.

Ending stocks for 2016/17 are projected to be 1.229 million MT, an 8,000-MT decline from the previous month's projection. Ending stocks are calculated partially by using the methodology presented by Conadesuca's November forecasts. Mexico is expected to hold in inventory enough sugar to satisfy two-and-a-half months of domestic deliveries—taking into account both deliveries for human consumption and those to IMMEX. Additionally, ending stock projections take into account an additional 30 percent of expected U.S. Needs for 2017/18 that is available to Mexico exporters between October 1 and December 31 as part of the shipping pattern provisions of the suspension agreements. The resulting stocks-to-consumption ratio is 28.0 percent, a slight increase from the previous month's projection of 27.8 percent.

Special Article: Global Sugar Production Projected To Rebound in 2016/17, but Stocks Continue To Decline

World sugar ending stocks are projected to decline for the second consecutive year, according to the Foreign Agricultural Service’s (FAS) *Sugar: World Markets and Trade* released in November. Falling stocks are the result of projected production lagging behind projected consumption once again in 2016/17. Global sugar production in 2016/17 is projected to total 170.9 million metric tons, raw value (MT), a 3.1-percent increase from the 2015/16 production estimate. Projected domestic human consumption for 2016/17 is 173.6 million MT, a 0.6-percent increase from the previous year.

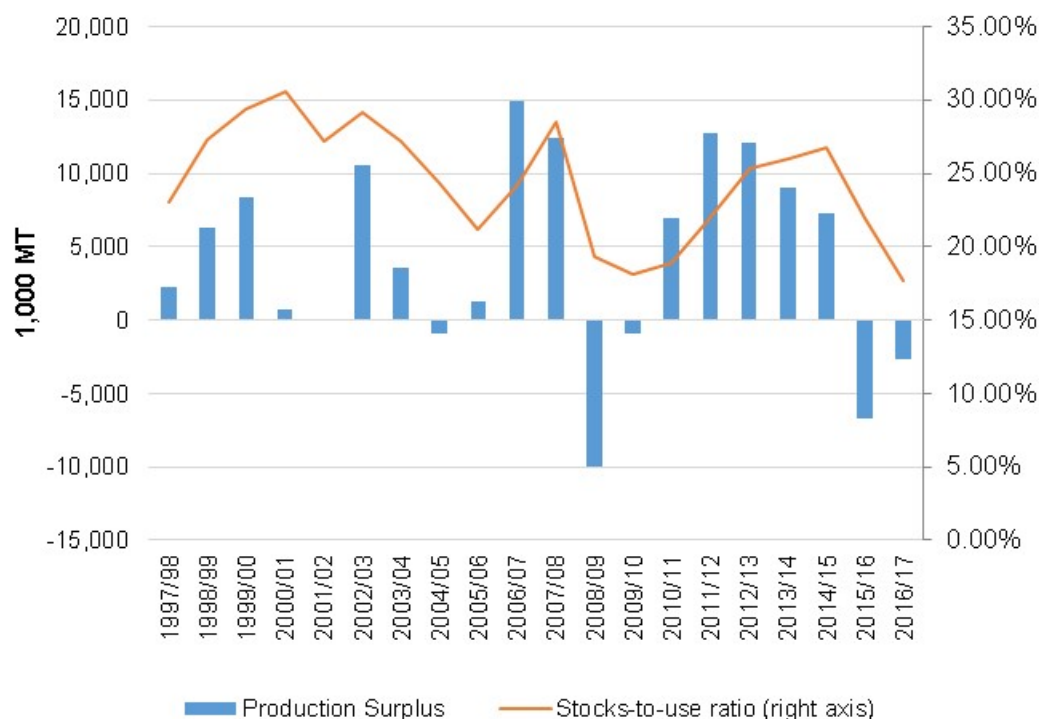
Figure 6
**World sugar production, human consumption, and production surplus,
 1997/98 to 2016/17**



Source: U.S. Department of Agriculture, Foreign Agricultural Service.

Due primarily to the relatively lower production levels in 2015/16 and projected in 2016/17, a sugar production deficit is projected for the second consecutive year. World sugar markets are characterized by consumption increasing at a steady, consistent pace and production following cyclical patterns that have a much larger variance, leading to alternating periods of production surplus and deficits. From 2010/11 to 2014/15, the global sugar market faced a prolonged period of supplies exceeding consumption, allowing stocks to build and putting downward pressure on prices. The most recent years’ deficits have allowed for a drawdown of stocks that had been built up. The projected 2016/17 stocks-to-use ratio of 17.7 percent would be the lowest in more than 20 years.

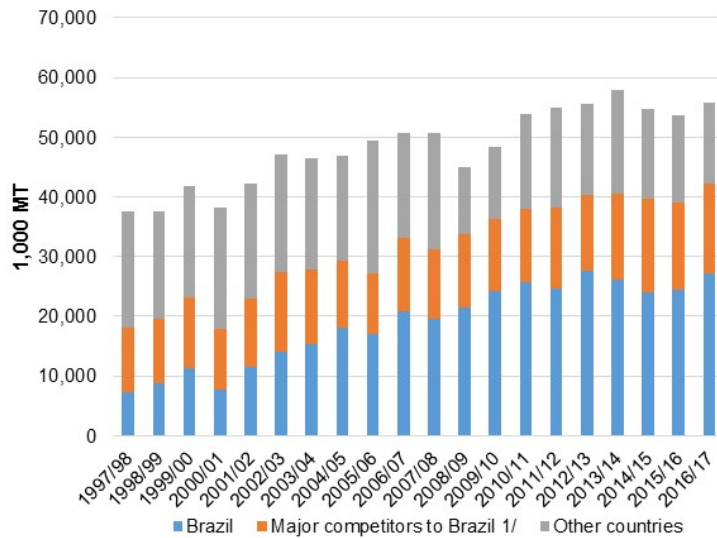
Figure 7
World sugar production, human consumption, and production surplus, 1997/98 to 2016/17



Source: U.S. Department of Agriculture, Foreign Agricultural Service.

Brazil remains the largest sugar exporter in the world. After annual declines for 2 consecutive years, Brazil is projected to increase its exports by 11.4 percent, accounting for nearly half of world exports. The second-largest exporter, Thailand, is projected to increase its exports by 2.6 percent, accounting for just 14 percent of total exports. Thailand plus the four other major sugar exporters, is projected to increase exports by 3.5 percent. While Brazil remains the dominant exporter on the global market, these competitors have continued the trend of increasing their market share of a growing market for sugar exports.

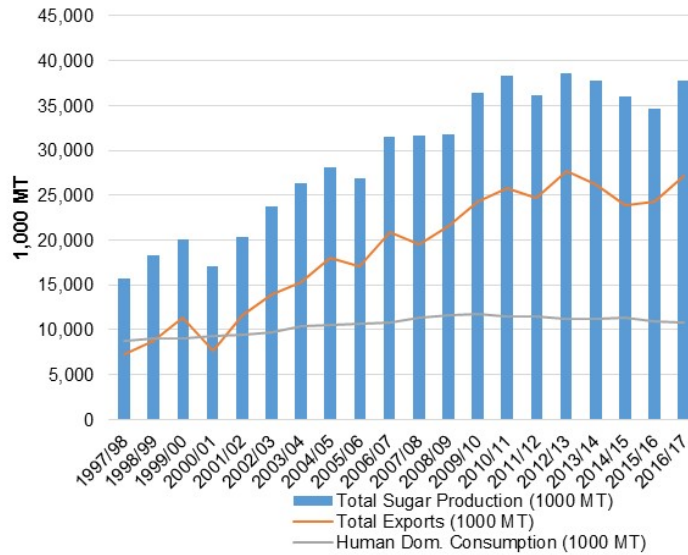
Figure 8
World sugar exports 1997/98 to 2016/17



1/ Includes: Thailand, Australia, Guatemala, Colombia, and South Africa.
Source: U.S. Department of Agriculture, Foreign Agricultural Service.

Brazil sugar production declined each year between 2011/12 and 2015/16. Production in 2016/17 is expected to increase 9.0 percent compared with the previous year. Likewise, exports are projected to increase 11.4 percent in 2016/17 after a small rebound in 2015/16. Brazil's sugarcane crop for 2016/17 is expected to increase from the previous year, and through mid-November production is ahead of the past several years' pace. More significantly, however, Brazilian sugarcane processors are allocating a larger share of the crop toward sugar production and away from ethanol production, responding to stronger sugar prices. Through mid-November, the share of sugar produced from the country's main Center-South sugarcane crop is on pace to be the largest since 2012/13.

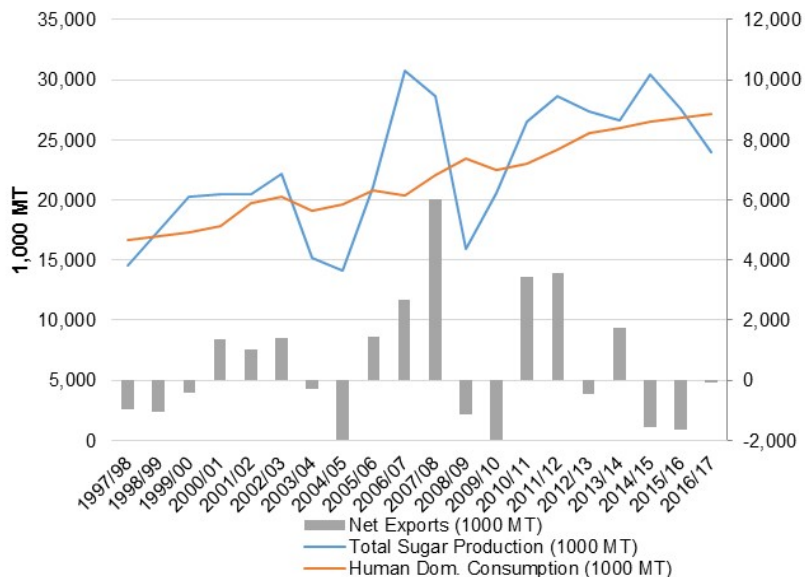
Figure 9
Brazil sugar production, exports, and domestic consumption 1997/98 to 2016/17



Source: U.S. Department of Agriculture, Foreign Agricultural Service.

India is the world's largest market for sugar consumption. In 2016/17, India sugar production is expected to decline for the second consecutive year falling 13.0 percent from the previous year. National- and State-level Government policies provide price supports that encourage production from sugarcane growers, and are partially responsible for India having a net surplus of sugar production from 2011/12 to 2015/16. Indian sugar trade is projected to be relatively small for 2016/17. Historically, large swings in Indian sugar production and the resulting trade patterns have weighed on the world sugar market.

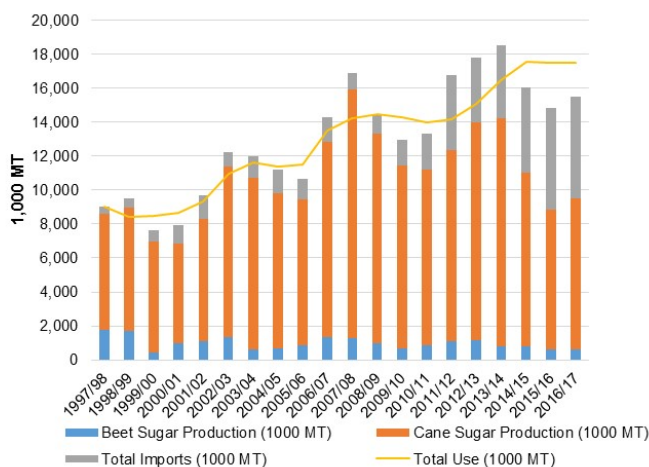
Figure 10
India sugar production, exports, and domestic consumption 1997/98 to 2016/17



Source: U.S. Department of Agriculture, Foreign Agricultural Service.

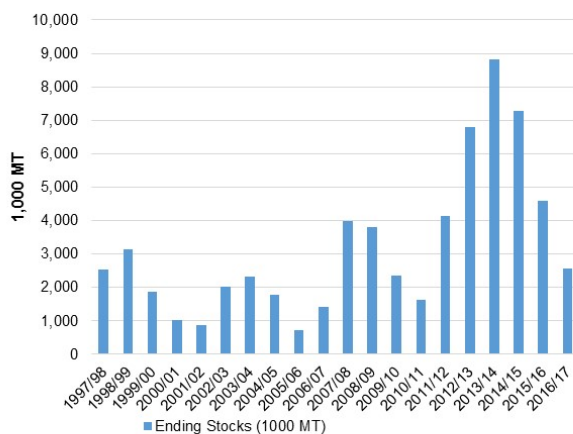
China has become a more important country for world sugar markets in recent years, primarily because declining domestic production and steadily increasing consumption has resulted in China increasing imports substantially since 2011/12. The growth in imports has resulted in ending stocks building significantly, particularly from 2012/13 to 2015/16. Ending stocks for 2016/17 are projected to fall 44.1 percent from the previous year, but remain in line with historical levels. Imports are projected to remain relatively large, but unchanged from the current 2015/16 estimate. Domestic sugar production is also expected to rebound in 2016/17 after 2 years of decline.

Figure 11
China sugar production, exports, and domestic consumption 1997/98 to 2016/17



Source: U.S. Department of Agriculture, Foreign Agricultural Service.

Figure 12
China sugar ending stocks, 1997/98 to 2016/17

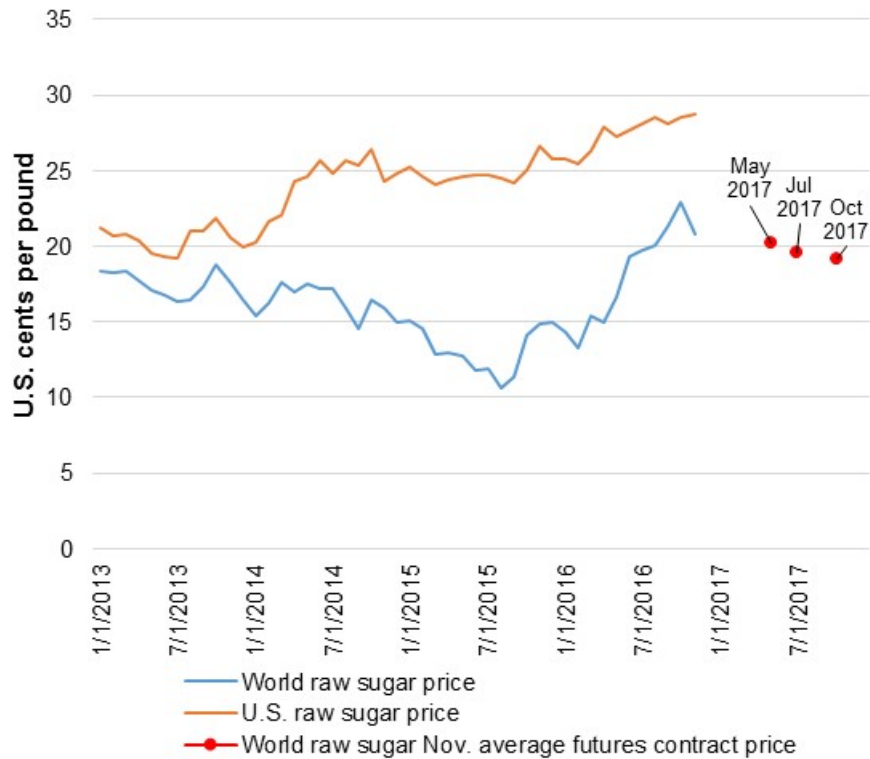


Source: U.S. Department of Agriculture, Foreign Agricultural Service.

Relatively tighter world sugar supplies have contributed to world sugar prices increasing over the past few months. The change in price direction came abruptly in the fall of 2015, as prices began to reflect the market fundamentals of the 2016/17 Brazil sugar crop that began its harvest in March 2016. November nearby future price averages were 20.81 cents per pound, down slightly from the October average of 22.92 but well above the November 2015 level of 14.89 cents. Additionally, futures contract prices show prices maintaining their present levels for the duration of the current crop cycle. November averages of

the May 2017, July 2017, and October 2017 Intercontinental Exchange raw sugar contracts averaged between 19.19 and 20.26 cents per pound, in line with current nearby futures contract prices. By comparison, U.S. raw sugar prices in November were 28.76 cents per pound, representing a 7.95-cent spread. U.S. raw sugar prices over the past several years reflect the market conditions surrounding the trade injury investigation against sugar from Mexico, and subsequent suspension agreements, rather than factors occurring in the world sugar market. Nonetheless, the spread between the U.S. and world raw sugar market have narrowed compared with the previous year. If that trend continues, factors affecting the world sugar market could have a more direct impact on price movements within the United States.

Figure 13
World and U.S. raw sugar prices, 2013 to 2016



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

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Sugar and Sweeteners Outlook <http://www.ers.usda.gov/Publications/SSS/WASDE> <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documented=1194>
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