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Sugar and Sweeteners Outlook

Michael McConnell, coordinator
michael.mcconnell@ers.usda.gov
Stephanie Riche, contributor
smriche@ers.usda.gov

Improved Production Prospects for 2015/16 Reduce the Demand for Imports

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World Agricultural
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The USDA increased projections of 2014/15 sugar production by 33,000 short tons, raw value (STRV) to 8.560 million based on the improved outlook for early beet harvest for the 2015/16 crop. Projected imports are increased 58,000 STRV based on a reallocation of the raw sugar TRQ by the U.S. Trade Representative, reducing expected shortfall. Total use for 2014/15 is reduced 109,000 STRV based on pace-to-date food deliveries reported through April—particularly due to lower direct consumption imports since the beginning of the fiscal year. The projected stocks-to-use ratio is currently 15.0 percent, up from 13.2 percent the previous month. The improved outlook for the 2015/16 sugarbeet crop also resulted in a 270,000 STRV increase in projected 2015/16 sugar production. Projected food deliveries for 2015/16 are reduced 110,000 STRV to reflect the reduction in the current year's outlook. Projected imports from Mexico in 2015/16 are reduced by 595,000 STRV, as the reductions in other supplies and total use reduces the calculation of U.S. Needs, as defined in the agreement to suspend the countervailing duty investigation signed between the U.S. Department of Commerce (USDOC) and the Government of Mexico in December 2014. Projected stocks-to-use for 2015/16 remain unchanged at 12.6 percent.

Estimated Mexican sugar production in 2014/15 is reduced by 60,000 metric tons, actual value (MT) to 5.940 million MT in June based on the production reports as the harvest season nears its conclusion. There are no changes to projected domestic deliveries or exports for 2014/15 relative to the previous month. Production for 2015/16 is projected at 6.000 million MT, unchanged from the previous month. Exports to the United States are reduced by 509,000 MT due to changes in the U.S. 2015/16 balance sheet. Domestic deliveries for human consumption are increased 58,000 MT to 4.308 million MT, although high fructose corn-syrup (HFCS) consumption was decreased by the same amount to 1.420 million MT, keeping total sweetener consumption unchanged from the previous month's projection. An increase in ending stocks raises the stocks-to-consumption ratio from 15.7 in the May report to 24.6 percent in June.

United States Sugar Supply and Use for FY2015

The projected total U.S. sugar supply for 2014/15 is increased by 92,000 short tons, raw value (STRV) in the U.S. Department of Agriculture's (USDA) *World Agricultural Supply and Demand Estimates* (WASDE), to 13.892 million STRV. The increase in the June projection is based on adjusted outlook for production and imports. Beginning stocks for 2014/15 remain unchanged from the May projection at 1.810 million STRV.

Table 1 -- U.S. sugar: supply and use, by fiscal year (Oct./Sept.), June 2015.

Items	2013/14 (estimate)	2014/15 (estimate)	2015/16 (forecast)	2013/14 (estimate)	2014/15 (estimate)	2015/16 (forecast)
	1,000 Short tons, raw value			1,000 Metric tons, raw value		
Beginning stocks	2,158	1,810	1,807	1,958	1,642	1,639
Total production	8,462	8,560	8,720	7,676	7,766	7,911
Beet sugar	4,794	4,795	5,040	4,349	4,350	4,572
Cane sugar	3,667	3,765	3,680	3,327	3,416	3,338
Florida	1,763	1,975	1,825	1,599	1,792	1,656
Louisiana	1,591	1,520	1,535	1,444	1,379	1,393
Texas	145	90	130	132	82	118
Hawaii	168	180	190	153	163	172
Total imports	3,742	3,522	3,216	3,394	3,195	2,917
Tariff-rate quota imports	1,302	1,586	1,369	1,181	1,439	1,242
Other program imports	305	400	315	277	363	286
Non-program imports	2,135	1,536	1,531	1,937	1,393	1,389
Mexico	2,130	1,526	1,521	1,932	1,384	1,380
Total supply	14,362	13,892	13,743	13,029	12,603	12,467
Total exports	306	200	200	278	181	181
Miscellaneous	0	0	0	0	0	0
Deliveries for domestic use	12,246	11,885	12,010	11,109	10,782	10,895
Transfer to sugar-containing products for exports under reexport program	82	100	100	74	91	91
Transfer to polyhydric alcohol, feed, other alcohol	29	35	35	27	32	32
Commodity Credit Corporation (CCC) sale for ethanol, other	316	0	0	287	0	0
Deliveries for domestic food and beverage use	11,819	11,750	11,875	10,722	10,659	10,773
Total Use	12,552	12,085	12,210	11,387	10,963	11,077
Ending stocks	1,810	1,807	1,533	1,642	1,639	1,390
Private	1,810	1,807	1,533	1,642	1,639	1,390
Commodity Credit Corporation (CCC)	0	0	0	0	0	0
Stocks-to-use ratio	14.42	14.95	12.55	14.42	14.95	12.55

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

Total domestic sugar production for 2014/15 is projected at 8.560 million STRV, a 33,000 STRV increase from the May projection. The increase is due entirely due to a 33,000 STRV increase in projected beet sugar production, totaling 4.795 million STRV. The increased beet sugar production for 2014/15 is expected to come from early harvest of the 2015/16 crop planted this spring. Early planting of the current sugarbeet crop and improved soil moisture conditions in the production regions in North Dakota and Minnesota are expected to increase the likelihood of beets being harvested and processed in August and September, prior to the beginning of the 2016 fiscal year (FY) on October 1. Additional discussion on the current crop's production potential can be found in the subsequent section for FY2016 supply and use.

Cane sugar production remains unchanged from the previous month's projection at 3.765 million STRV. Projected sugar production for cane-producing States remains unchanged from the previous month as well—even in Texas, despite the continuation of poor weather conditions throughout this year's harvest season. Extremely wet conditions

have delayed harvest progress and adversely affected sugar yields from cane that has been sitting in the fields for a longer period than usual. Through April, Texas reported 66,000 STRV of sugar production. To reach the current projection, producers in the State would have to continue producing into June and July at unprecedented levels for that time of the year.

Projected total imports for 2014/15 are lowered by 58,000 STRV from the previous month to 3.522 million. This adjustment is attributed to a 58,000 STRV increase in projected imports under quota programs, which total 1.586 million STRV. On June 9, the Office of the U.S. Trade Representative (USTR) announced a reallocation of the current tariff-rate quota (TRQ). The total quota volume remains unchanged, but the net effect of countries surrendering and gaining quota allocation is a decrease in the projected shortfall.

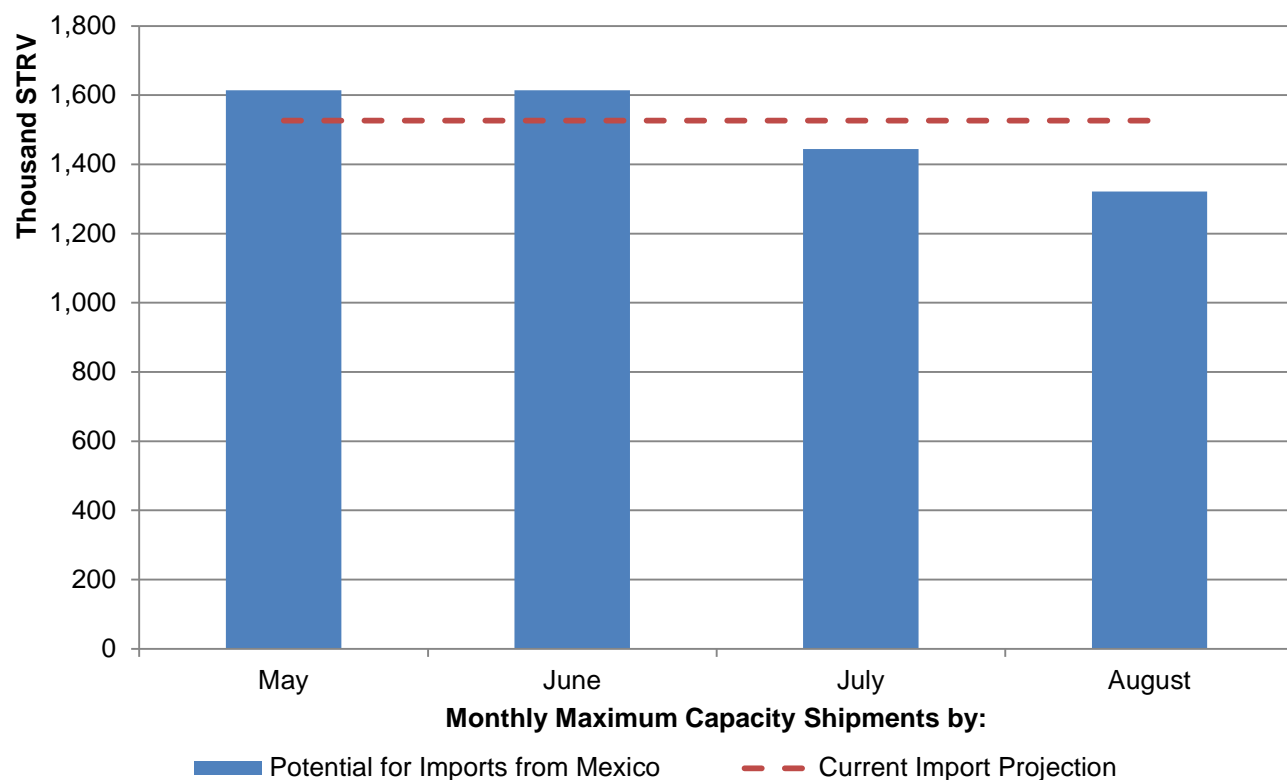
Table 2 -- U.S. Raw Sugar TRQ June FY2015 reallocation, metric tons, raw value

<i>Quota reallocated</i>		<i>Quota surrendered</i>	
Brazil	37,978	Philippines	78,700
Australia	21,739	Taiwan	12,636
Guatemala	12,572	Bolivia	8,424
Argentina	11,263	Trinidad-Tobago	7,371
Peru	10,739	Congo	7,258
El Salvador	6,810	Cote d'Ivoire	7,258
Colombia	6,286	Gabon	7,258
South Africa	6,024	Madagascar	7,258
Nicaragua	5,500	Papua New Guinea	7,258
Swaziland	4,191	St. Kitts & Nevis	7,258
Costa Rica	3,929	Uruguay	7,258
Thailand	3,667		
Mozambique	3,405		
Guyana	3,143		
Zimbabwe	3,143		
Belize	2,881		
Ecuador	2,881		
Jamaica	2,881		
Honduras	2,619		
Fiji	2,357		
India	2,095		
Barbados	1,834		

Source: Foreign Agricultural Service, USDA.

Imports from Mexico remain unchanged from the previous month at 1.526 million STRV. This total reflects the terms of the agreement to suspend the countervailing duty (CVD) investigation between the U.S. Department of Commerce (USDOC) and the Government of Mexico, signed December 2014. Because of a slow pace of imports from Mexico earlier in the fiscal year due to uncertainty surrounding the suspension agreement and volatile monthly trade flows in recent months, Mexico's ability to ship enough volume to fill its quota continues to be a potential constraint. Based on historical monthly volumes, it is still feasible for sugar imported from Mexico to reach its current quota. Analysis using monthly historical maximums as a proxy for logistical capacity, plus the average reported volumes of February and April 2015—which were relatively low—to estimate low-volume monthly scenarios demonstrates that filling the quota is still feasible. The current situation is very sensitive to any additional marketing or logistical constraints, however.

Figure 1
Imports from Mexico scenarios with 5-year monthly maximum imports



Source: USDA, Foreign Agricultural Service and ERS.

Total use for 2014/15 is projected at 11.885 million STRV, a 109,000 reduction from the previous month's estimate. The change is due entirely to a reduction in estimated food use, which was lowered by 109,000 STRV to 11.750 million STRV. This change reflects pace-to-date sugar deliveries. Through April, domestic sugar deliveries from both cane and beet refiners were 2.3 percent above the same point in FY2014. Imports from non-reporters, referred to as direction consumption imports (DCI), are currently 41.1 percent below the previous year. As a result, total deliveries for domestic consumption are down 1.1 percent through April for FY15. Strong deliveries from domestic refiners earlier in the year offset extremely low DCI deliveries, which were primarily due to the trade uncertainties between the United States and Mexico.

Ending stocks for 2014/15 are projected to be 1.807 million STRV. Increased supplies and lowered use from the previous month's projections result in a 201,000 increase in ending stocks. The stocks-to-use ratio likewise increased from 13.18 percent in May to 14.95 percent in June.

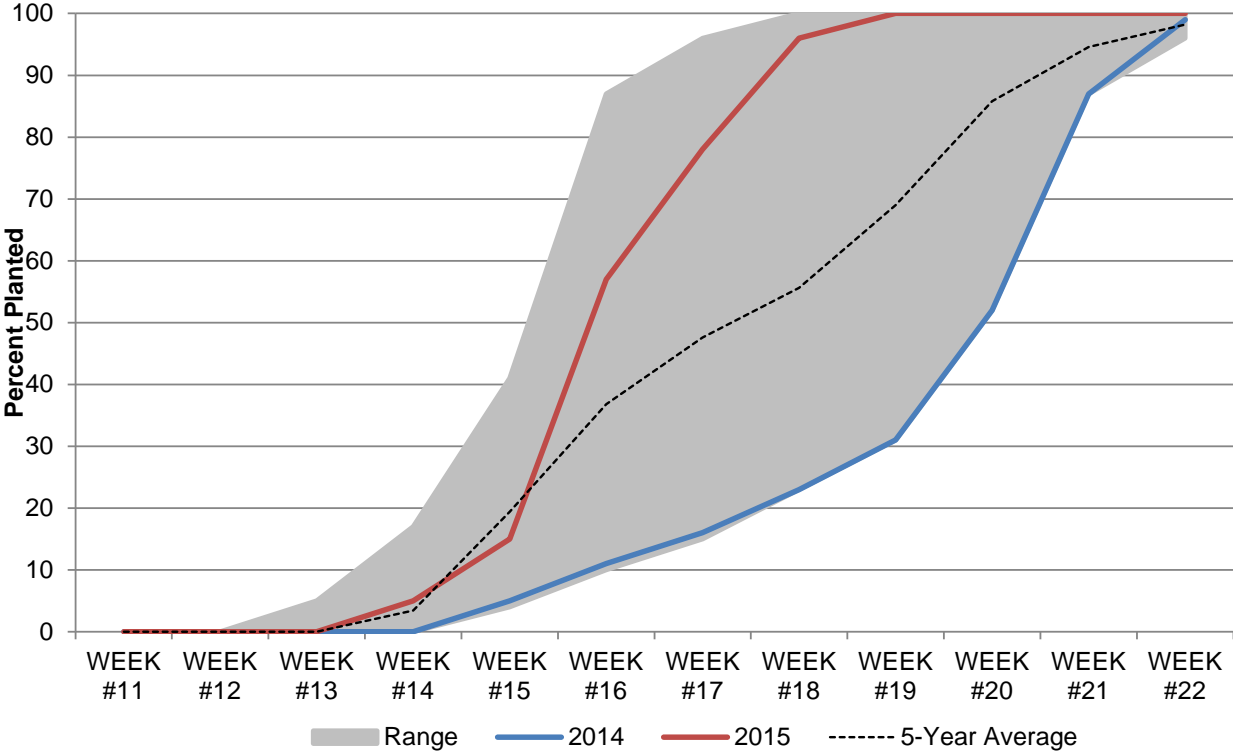
United States Sugar Supply and Use for FY2016

As a result of changes to the 2014/15 balance table, U.S. beginning stocks for 2015/16 are projected to be 1.807 million STRV. Combined with higher projected production and lower projected imports for 2015/16 compared with the previous month's projection, total supplies are projected to be 13.867 million STRV, a 125,000 STRV reduction from the previous month and a 1.1 percent decline from the estimated levels for 2014/15.

U.S. domestic sugar production for 2015/16 is projected at 8.720 million STRV, a 270,000 STRV increase from the previous year and a 1.8-percent increase from the prior year. The monthly adjustment is due entirely to an increase in projected beet sugar. Beet sugar production is projected at 5.040 million STRV for 2015/16, a 4.9-percent

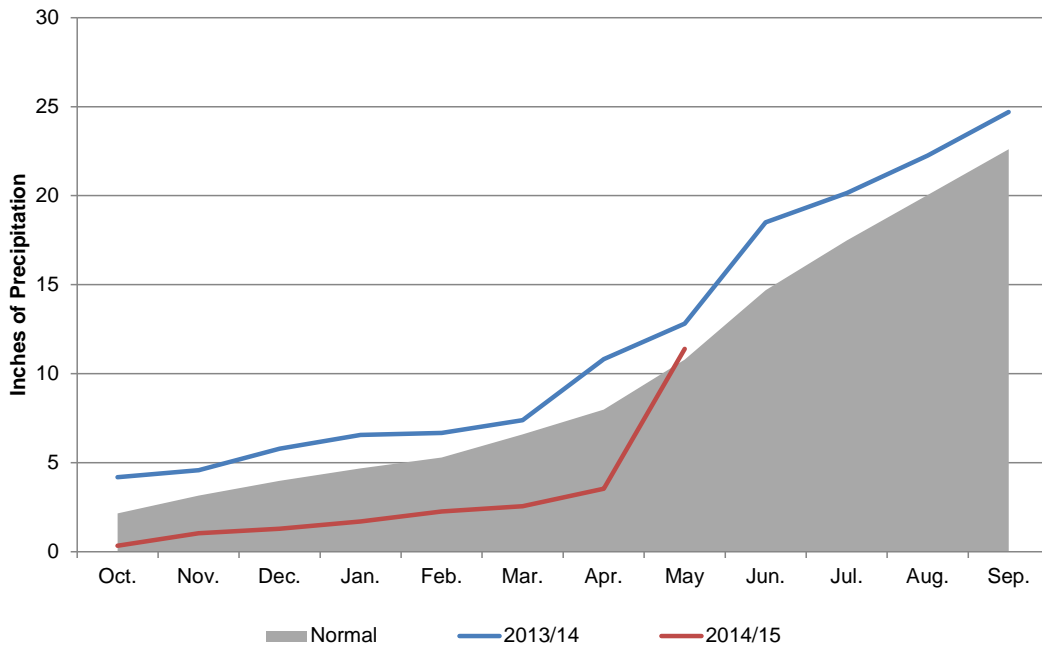
increase from 2014/15. Planting progress was completed well ahead of the average pace in 2015. Strong planting progress by mid-May has historically been a significant variable in determining the sugarbeet crop’s potential. Additionally, low precipitation in the Red River Valley region through the winter and into the planting season posed a threat to the yield potential for the region. Considerable precipitation during May, however, brought the cumulative amount more in line with normal levels, alleviating some of the risk for the current crop. While key stages of crop development still lie ahead, the developments of the past month have allowed an outlook based on yields that reflect early plantings and normal weather conditions.

Figure 2
Sugarbeet planting progress, United States 2000 to 2015



Source: National Agricultural Statistics Service, USDA.

Figure 3
Cumulative precipitation, Fargo, ND



Source: Office of the Chief Economist, USDA.

Currently, the USDA is projecting beet sugar production at 5.200 million STRV for the current crop year, up from 4.900 million STRV projected in May. Adjusting the crop-year production to the fiscal-year basis (October to September), the early planting suggests a larger than average proportion of the crop will be harvested in August and September, which would be accounted for in 2014/15 production. This projected early harvest accounts for the 33,000 STRV increase in beet production—with an estimated total 580,000 STRV sugar from the currently planted crop being produced before October 1. The remaining sugar from the current crop year, along with estimated early production from the 2016/17 crop in line with historical averages, results in the 5.040 million STRV beet sugar projection for 2015/16.

Cane sugar is projected to be 3.680 million STRV, unchanged from the May projection and a 2.3-percent reduction from 2014/15. Projections for cane sugar at the State level are also unchanged from the May projection. Texas cane sugar in 2015/16 could be affected by current efforts to complete the 2014/15 harvest late in the year under difficult field conditions. Otherwise, crop and weather conditions will be the main issues monitored to evaluate the potential of the 2015/16 cane crop.

Total U.S. imports for 2015/16 are projected at 3.216 million STRV, a 595,000 STRV decline from the May projections. Imports under quota programs are projected to total 1.369 million STRV, unchanged from May. With no announcements regarding import quotas at the time of the WASDE release, the number represents minimum requirements under WTO obligations and existing free-trade agreements (FTAs). Imports from other import programs and high-tier sugar also remain unchanged from May projections.

Imports from Mexico accounted for the entirety of changes in imports for 2015/16, with projections totaling 1.521 million STRV, down from 2.116 million STRV projected in May, but only 0.3 percent below current 2014/15 projections. Projections are based on the terms of the “Agreement Suspending the Countervailing Duty Investigation on Sugar from Mexico” signed between the USDOC and the Government of Mexico. The adjustment is the result of higher projected beginning stocks and U.S. production, combined with lower projections for use due to adjusted projected deliveries for food use (see below for further discussion). As with the May projections, the

calculation of U.S. Needs for 2015/16 includes an assumed 115,000 STRV for the specialty sugar quota. The quota for 2015/16 has not yet been announced, so the established 2014/15 volume is used as an estimate.

Total sugar use for 2015/16 is projected at 12.210 million STRV. Exports are projected at 200,000 STRV, unchanged from the May projections. Re-exports and alcohol and livestock deliveries also remain unchanged from the prior month's projections.

Food deliveries for 2015/16 are projected at 11.875 million STRV, which is a 110,000 STRV reduction from the prior month's projection. The current projection represents the same year-over-year growth presented in last month's WASDE. The growth rate reflects long-term trends for refined sugar deliveries, as well as trends for refined sugar as a share of total caloric sweetener deliveries (including corn sweeteners, honey, and other sweeteners).

With reductions in supplies eclipsing reductions in use, projected ending stocks for 2015/16 are lowered by 15,000 STRV from the previous month to 1.533 million STRV. The stocks-to-use ratio remains at 12.6 percent, unchanged from the previous month. As noted last month, while the calculation of U.S. Needs for imports for Mexico carries over the 2014/15 specialty sugar quota amount, that quota was not announced before the WASDE was published and is not included in the current projection for imports under quota. As a result, the stocks-to-use ratio is below the target rate of 13.5 set by the suspension agreement.

USDA Announces the FY2016 Sugar Quotas

On June 12, 2015, the USDA announced the FY2016 raw and refined TRQ. The TRQ for raw cane sugar was set at 1.231 million STRV, reflecting the WTO minimum quantity. The FY2016 refined sugar TRQ was announced at 145,505 STRV, with 123,079 STRV reserved for the importation of specialty sugar. The current Farm Bill states that the Secretary of Agriculture must set the TRQs at the WTO minimum quantity levels, other than for specialty sugar. Since the FY2016 TRQ had not yet been announced, the June WASDE projections for FY2016 WTO raw sugar and refined TRQs were at the minimum levels to which the United States is committed. The projected refined TRQ did not include the additional amount for specialty sugar. Future projections will incorporate the updated policy announcement.

Additionally, the USDA announced a 22,046 STRV increase to the FY2015 specialty sugar TRQ. Similarly to the FY2016 announcements, June WASDE import estimates do not include this announcement. Subsequent reports will incorporate the policy announcement into the estimates.

Mexico Sugar Supply and Use in FY2015

The total Mexican sugar supply for 2014/15 is projected at 6.927 million metric tons, actual value (MT), a 60,000 MT reduction from the May estimate. Beginning stocks remain unchanged at 831,000 MT. Total imports also remain unchanged from the prior month's estimate at 155,000 MT, as imports from IMMEX are projected at 145,000 MT since there is no change in projected U.S. exports. Imports for human consumption remain projected at 10,000 MT.

Table 3 -- Mexico sugar supply and use, 2012/13 - 2013/14 and projected 2014/15, June 2015

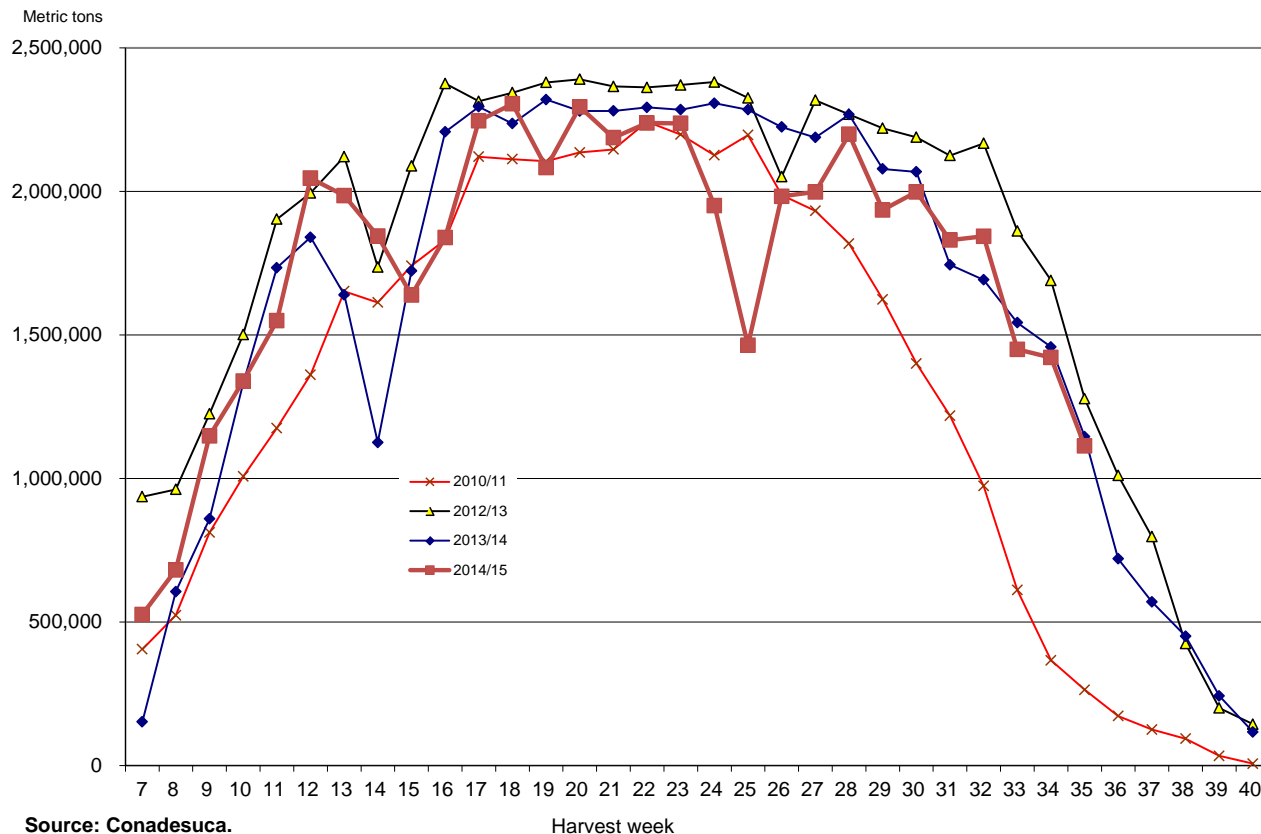
Items	2013/14 (estimate)	2014/15 (forecast)	2015/16 (forecast)
	1,000 metric tons, actual weight		
Beginning stocks	1,460	831	847
Production	6,021	5,940	6,000
Imports	131	155	155
Imports for consumption	9	10	10
Imports for sugar-containing product exports (IMMEX) 1/	123	145	145
Total supply	7,613	6,927	7,002
Disappearance			
Human consumption	4,098	4,250	4,308
For sugar-containing product exports (IMMEX)	324	324	324
Statistical adjustment	-151	0	
Total	4,271	4,574	4,632
Exports	2,511	1,506	1,312
Exports to the United States & Puerto Rico	1,823	1,306	1,302
Exports to other countries	689	200	10
Total use	6,782	6,080	5,944
Ending stocks	831	847	1,059
	1,000 metric tons, raw value		
Beginning stocks	1,548	881	898
Production	6,383	6,296	6,360
Imports	139	165	165
Imports for consumption	9	11	11
Imports for sugar-containing product exports (IMMEX)	130	154	154
Total supply	8,069	7,342	7,423
Disappearance			
Human consumption	4,344	4,505	4,566
For sugar-containing product exports (IMMEX)	343	343	343
Statistical adjustment	-160	0	0
Total	4,527	4,848	4,910
Exports	2,662	1,596	1,390
Exports to the United States & Puerto Rico	1,932	1,384	1,380
Exports to other countries	730	212	11
Total use	7,189	6,445	6,300
Ending stocks	881	898	1,122
Stocks-to-human consumption (percent)	20.3	19.9	24.6
Stocks-to-use (percent)	12.3	13.9	17.8
High fructose corn syrup (HFCS) consumption (dry weight)	1,372	1,420	1,420

1/ IMMEX = Industria Manufacturera, Maquiladora y de Servicios de Exportación.

Source: USDA, WASDE and ERS, Sugar and Sweeteners Outlook; Conadesuca.

Mexican sugar production for 2014/15 is projected at 5.940 million MT, down from 6.000 million the previous month. The reduction is the result of weekly production information issued by the *Comité Nacional Para Desarrollo de la Caña de Azúcar* (Conadesuca). In recent weeks, weekly sugarcane production has followed a nearly identical trajectory to the prior year, despite the weather-related disruption to the harvest in Veracruz in March and April that had the potential to push harvest later into the year.

Figure 4
Mexican sugarcane production, by week of harvest, 2010/11-2014/15



Source: Conadesuca.

Total use in Mexico for 2014/15 is projected at 6.080 million MT, unchanged from the previous month. Likewise, each component of use remains unchanged. Exports in June are projected at 1.506 million MT. Exports to the United States are projected at 1.306 million MT, calculated from the terms of the suspension agreement. Exports to other destinations are projected at 200,000 MT. Domestic deliveries are projected at 4.574 million MT. Domestic human consumption is expected to be 4.250 million MT. Forecast sugar consumption, combined with 1.420 million MT of projected high-fructose corn syrup (HFCS) deliveries, results in total sweetener consumption of 5.670 million MT, a 3.7-percent increase from the prior year. Deliveries from the IMMEX program are projected to be 324,000 MT.

Lower projected supplies and unchanged use result in projected ending stocks for 2014/15 of 846,000 MT—a 60,000 MT reduction from the prior month. The projected stocks-to-consumption ratio is 19.9 percent, which is down from the previous month’s projection of 21.2 percent but in line with historical levels.

Conadesuca released its revised projection for 2014/15 on May 31. The agency forecasts production of 5.973 million MT, domestic sugar consumption at 4.352 million MT, and HFCS consumption at 1.337 million MT—making total projected domestic sweetener consumption 5.688 million MT.

Table 4 -- Mexico sugar supply and use projections, 2014/15, metric tons, actual value

	USDA 1/	Conadesuca 2/
Beginning stocks	831	831
Production	5,940	5,973
Imports	155	10
Imports for consumption	10	10
Imports for IMMEX 3/	145	--
 Total Supply	 6,927	 6,814
 Domestic deliveries	 4,574	 4,497
Domestic consumption	4,250	4,352
IMMEX deliveries 3/	324	145
Exports	1,506	1,568
Exports to the United States	1,306	1,306
Exports to the Rest of World	200	262
 Total use	 6,080	 6,065
 Ending Stocks	 847	 749
 Stocks-to-consumption ratio (percent)	 19.9	 17.2
Stocks-to-use ratio (percent)	13.9	12.4
HFCS Deliveries	1,420	1,337

1/ Released June 10, 2015.

2/ Released May 31, 2015.

3/ Differences between USDA and Conadesuca values due to differences in accounting for IMMEX sugar moving through the sweetener market. Conadesuca do not count sugar imported under the IMMEX program as imports or deliveries if the sugar is re-exported in sugar-containing products.

Source: U.S. Dept. of Agriculture; Conadesuca.

Mexico Sugar Supply and Use in FY2016

Projected beginning stocks in Mexico for 2015/16 are 846,000 MT, down 60,000 MT, reflecting 2014/15 changes. Projected imports are unchanged from May, totaling 155,000 MT. Imports from the IMMEX program are projected at 145,000 MT, with an additional 10,000 MT imported for direct domestic consumption. Production for 2015/16 is forecast at 6,000 MT, unchanged from the prior month but 1.0 percent above the current figure for 2014/15.

The most substantial change to Mexico's 2015/16 balance table is the 509,000 MT reduction in projected exports to the United States. The current projection for 2014/15 is 1.302 million MT—a slight decline from current 2014/15 projections. The reduction reflects changes made to the 2015/16 U.S. sugar balance table and lower calculated U.S. Needs—due primarily to larger beginning stocks, higher projected U.S. production, and a reduction in total use. Total exports are projected at 1.312 million MT, as an additional 10,000 MT are expected to be shipped to countries other than the United States.

Total domestic deliveries for 2015/16 are projected at 4.633 million MT, a 58,000 MT increase from the previous month. The increase is attributed to a 58,000 MT increase in domestic human consumption, projected at 4.308

million MT in June. With fewer projected exports, more sugar will be available for the domestic market. The increase in domestic sugar consumption—combined with a reduction in projected HFCS from 1.478 million MT in May to 1.420 million MT in June— keeps total sweetener consumption unchanged from the prior month, but the growth in sweetener consumption is now expected to come from additional sugar consumption.

Mexico’s projected ending stocks for 2015/16 are increased 391,000 MT to 1.059 million MT. This change is the result of the reduction in total use eclipsing the reduction in total supplies. The projected stocks-to-use ratio is 24.6 percent, up considerably from the previous month’s projection of 15.7 percent. The current projected rate is relatively large and above the historical target rate of 22 percent.

World Sugar Projections for 2014/15

On May 21, 2015, FAS released *Sugar: World Markets and Trade*.¹ The report provided an update to global market projections for the 2014/15 marketing year as well as initial projections for 2015/16. The projections are based heavily upon the information and analysis provided by FAS attaché reports received in April and May 2015.²

Overall, the outlook for the world 2014/15 sugar market shows a relatively higher supply situation compared with the outlook in November. Projected global production is increased from 172.5 million MT in November to 174.3 million MT in May. Combined with a slight 0.4 million MT downward revision in consumption, projected ending stocks are projected to increase 2.1 million MT to 44.3 million for the year.

Table 5 -- USDA world sugar market estimates

	MY 2014/15		Change
	Nov. 2014	May 2015	
	1,000 MT, raw value		
Production	172,458	174,308	1,850
Imports	51,763	51,551	-212
Exports	53,697	54,155	458
Human consumption	170,996	170,600	-396
Ending stocks	42,215	44,281	2,066

Note: MY = Marketing Year

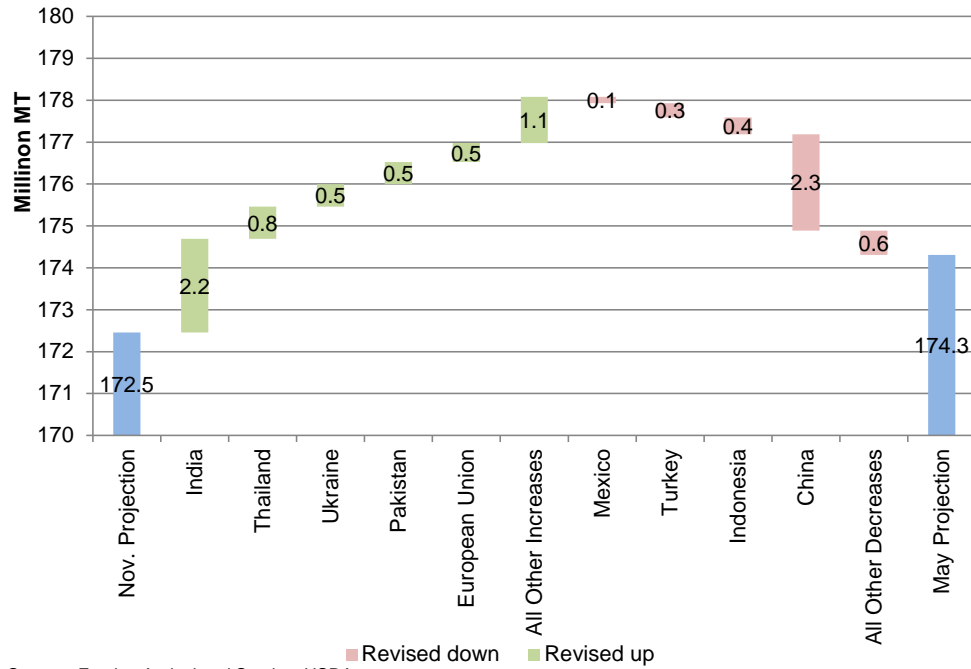
Source: Foreign Agricultural Service, USDA.

Projected production for 2014/15 was raised, as the total volume of upward revisions eclipsed downward revisions between November and May. India accounted for the largest proportion of upward revisions with an increase of 2.1 million MT, primarily due to an increased amount of cane used for sugar rather than *gur*, an alternative sweetener in the country. Poor weather conditions in China throughout the year resulted in a 2.3 million MT decrease in 2014/15 production, which accounts for the majority of downward revisions during the period. It should be noted that projected 2014/15 production in Brazil—the largest sugar producer and exporter—was increased only by 50,000 MT. The November production projection of 35.8 million was made prior to the market realization of potential impacts of a drought in the Center-South production region. Since the November projections, the global sugar market has witnessed, first, the threat of a drought-impacted harvest and then the subsiding of that threat as precipitation resumed in the region. As a result, the projected production for Brazil changed little.

¹ The full report can be found at: <http://www.fas.usda.gov/data/sugar-world-markets-and-trade>.

² The attaché reports can be found on FAS’s GAIN system at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>.

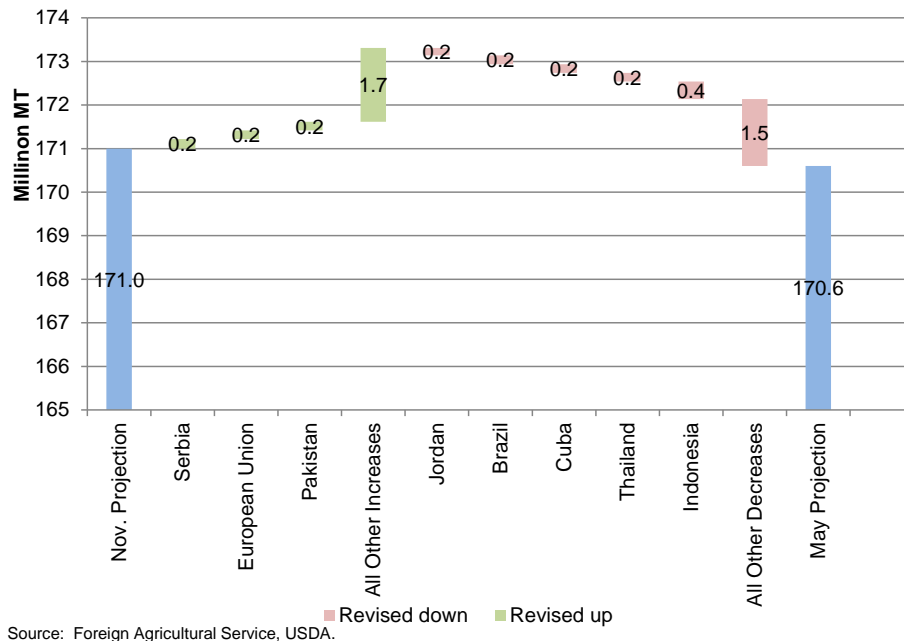
Figure 5
World 2014/15 production revisions, November 2014 to May 2015



Source: Foreign Agricultural Service, USDA.

Changes to the outlook for human consumption were more dispersed and smaller in magnitude than the revisions to production—with global consumption declining by only by a net of 396,000 MT. Revisions to the 2014/15 outlook were characterized by a number of relatively small adjustments across many countries. Serbia accounted for the largest upward revision at 220,000 MT, while Indonesia accounted for the largest downward revision at 400,000 MT.

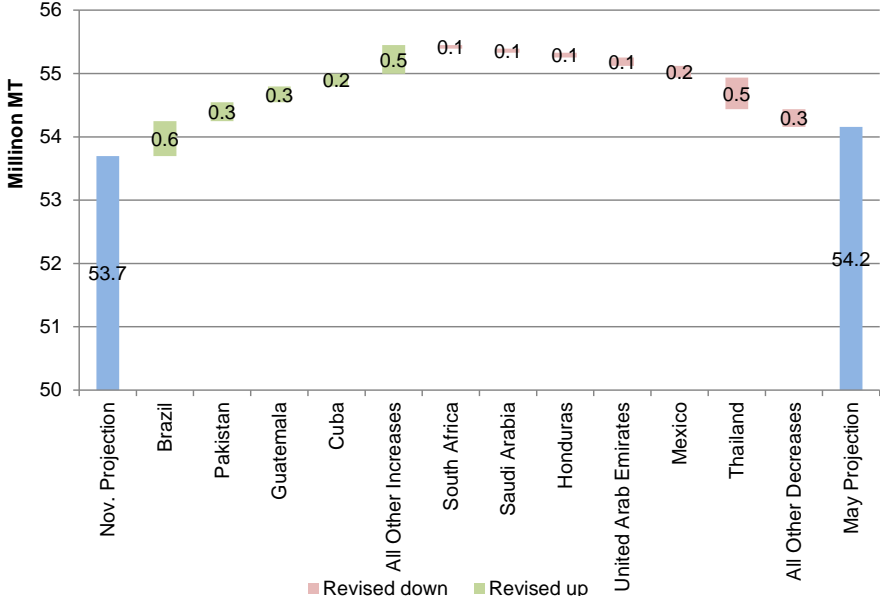
Figure 6
World 2014/15 consumption revisions, November 2014 to May 2015



Source: Foreign Agricultural Service, USDA.

Exports for 2014/15 were increased by 458,000 MT from the November projection. By country, Brazil accounted for the largest upward revision at 550,000 MT, based on a higher expected exportable crop. More than offsetting that increase was a 500,000 MT downward revision to Thailand’s exports, the largest such revision for any country. Lower global sugar prices and increased competition with Brazilian exports were cited as the primary factors driving the changed trade outlook for Thailand.

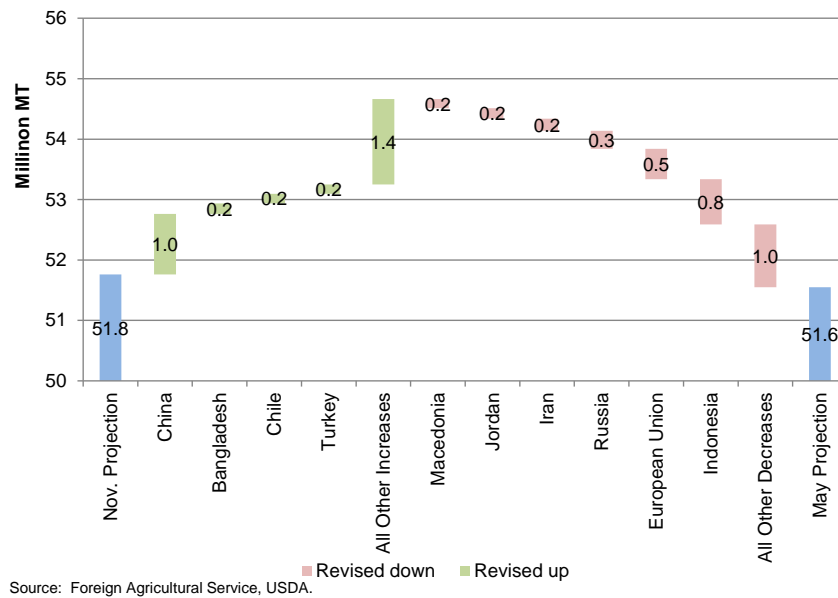
Figure 7
World 2014/15 export revisions, November 2014 to May 2015



Source: Foreign Agricultural Service, USDA.

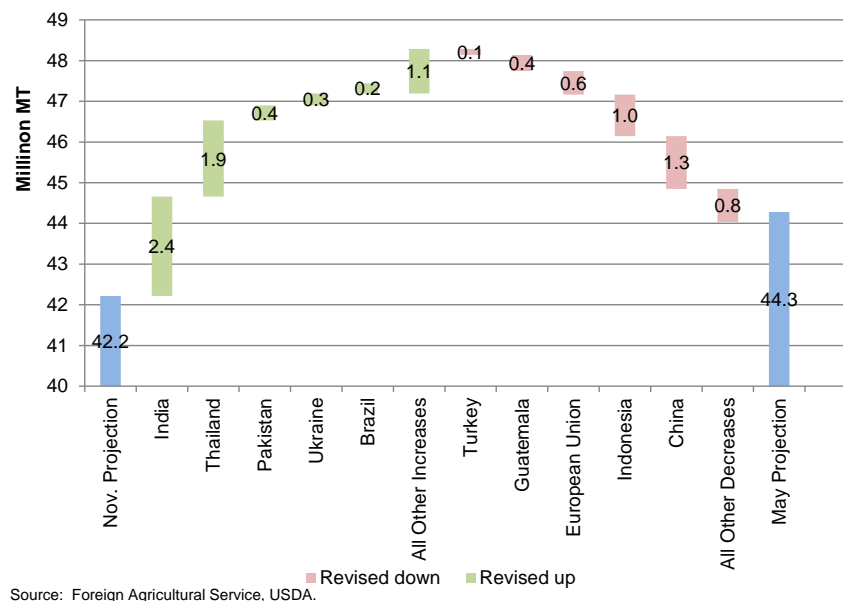
Global imports in 2014/15 were revised down by 212,000 MT from the November projections. The largest increase by country in 2014/15 imports was China, increasing 1.0 million MT, primarily in response to the lowering of expected production for the year. Indonesia represented the largest downward revision (750,000 MT) of 2014/15 imports, due primarily to lower utilization of Government-issued import licenses for calendar year 2014. Imports in the EU were also revised down by 500,000 MT, due to hesitancy from importers in paying tariffs associated with import quotas. Aside from these relatively large country adjustments, revisions to imports were generally small and distributed across many countries, resulting in the net decline in global imports compared with November’s projection.

Figure 8
World 2014/15 import revisions, November 2014 to May 2015



Projected ending stocks for 2014/15 are 2.1 million MT higher than the projection issued in November. The main reasons for the change are the relatively large upward revisions for India (up 2.4 million MT) and Thailand (up 1.9 million MT), both due primarily to higher production and government policies that impact domestic prices and the competitiveness of exports. Downward revisions in ending stocks for 2014/15 were led by China (down 1.3 million MT) and Indonesia (down 1.0 million MT). The decline in China's ending stocks is the result of the relatively poor production season, which will likely cause the country to tap into its inventories—as well as increase imports—to meet demand. As mentioned, Indonesia's relatively lower outlook for imports will result in fewer supplies being available for 2014/15, lowering ending stocks for the year.

Figure 9
World 2014/15 ending stocks revisions, November 2014 to May 2015



World Sugar Projections for 2015/16

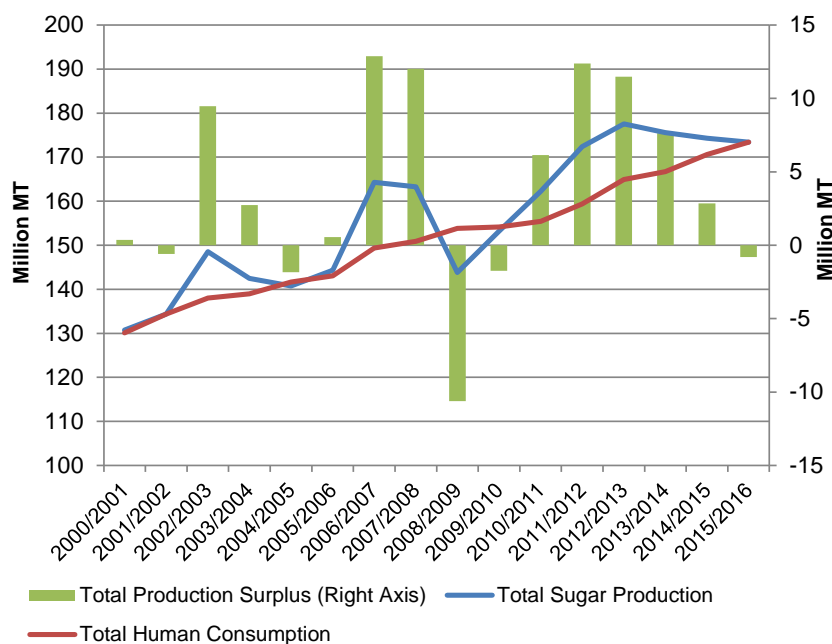
Global ending stocks for 2015/16 are expected to decline for the first time since 2009/10, which was also the last time that global sugar use exceeded production. Compared with 2014/15 projections, global human consumption is expected to increase by 1.6 percent, continuing the steady upward trend that has taken place for more than a decade. Production, which has been more volatile, is projected to decline by 0.5 percent in 2015/16. This would mark the third consecutive year of production declines, but demand has still been catching up with a surge in global production that took place between 2009/10 and 2012/13.

Table 6 -- USDA world sugar market projections, 2005/06 to 2015/16

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16 - 2014/15 Change
	1,000 metric tons, raw value									
Beginning stocks	36,736	43,080	29,836	28,028	29,526	35,288	42,631	44,031	44,281	0.6%
Production	163,257	143,833	153,179	162,219	172,359	177,550	175,563	174,308	173,405	-0.5%
Imports	44,959	42,333	48,261	49,137	48,326	51,010	51,301	51,551	52,867	2.6%
Total supply	244,952	229,246	231,276	239,384	250,211	263,848	269,495	269,890	270,553	0.2%
Exports	50,625	44,962	48,327	53,786	54,936	55,143	57,529	54,155	55,812	3.1%
Human consumption	150,876	153,847	154,142	155,403	159,365	164,920	166,724	170,600	173,413	1.6%
Other disappearance	371	601	779	669	622	1,154	1,211	854	799	-6.4%
Total use	151,247	154,448	154,921	156,072	159,987	166,074	167,935	171,454	174,212	1.6%
Ending stocks	43,080	29,836	28,028	29,526	35,288	42,631	44,031	44,281	40,529	-8.5%
Stocks-to-use ratio	28.48%	19.32%	18.09%	18.92%	22.06%	25.67%	26.22%	25.83%	23.26%	-9.9%

Source: Foreign Agricultural Service, USDA.

Figure 10
World production and consumption, 2000/01 to 2015/16

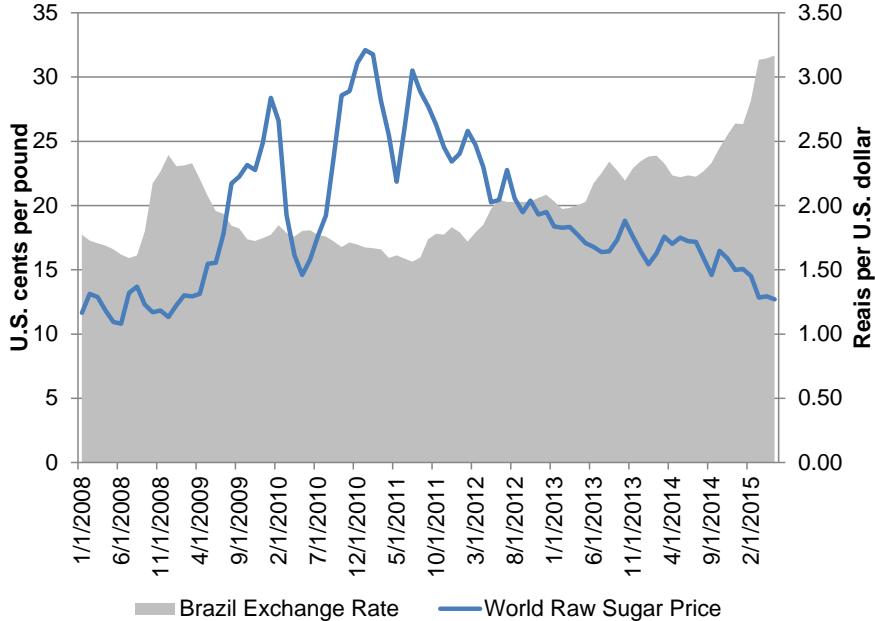


Source: Foreign Agricultural Service, USDA.

After an extremely volatile period for world prices between 2009 and 2012, prices have been less unstable but have steadily declined since. Several factors contributed to the volatility between 2009 and 2012, including the

considerable swings in production, varying from large surpluses to large deficits from year to year.³ While many of the same factors are still affecting global sugar markets, the consecutive years of production surpluses starting in 2010/11 have contributed to steadily falling world raw sugar prices. Additionally, in recent months a weaker currency in Brazil—the world’s largest sugar producer and exporter—has been a prominent factor. The weaker *real* relative to the U.S. dollar effectively lowers the costs of production for producers.

Figure 11:
Monthly world raw sugar prices and Brazilian exchange rates, January 2008 to May 2015

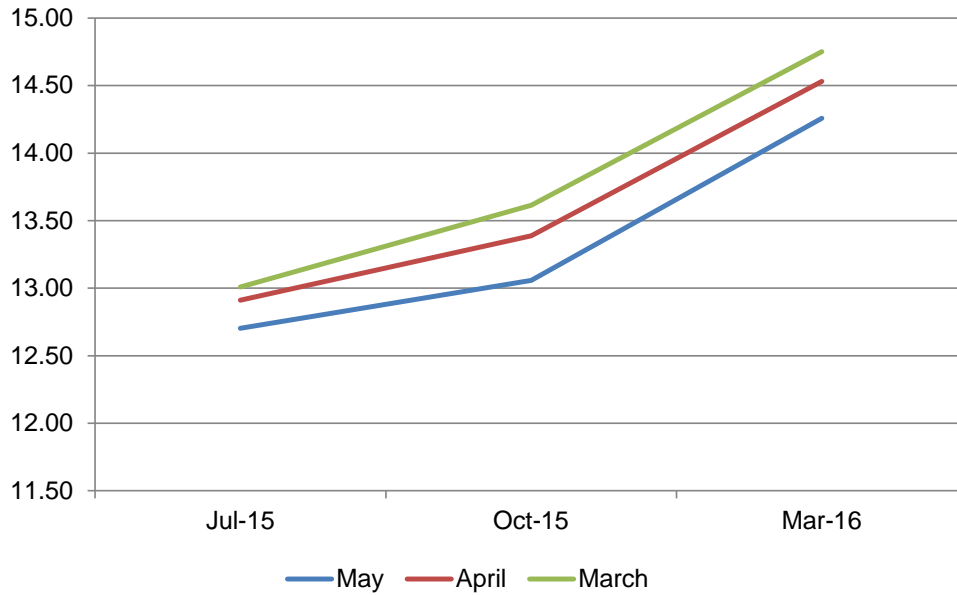


Source: Economic Research Service, USDA.

Futures prices for world sugar have been very low in recent months, with the monthly average July delivery contract falling below 13 cents per pound. Future delivery contracts show higher prices, however, supporting the expectation that the projected tighter global supplies will result in higher prices for sugar. This is particularly true for the March 2016 delivery contract, which occurs as the sugar from the 2015/16 Brazilian harvest comes to market.

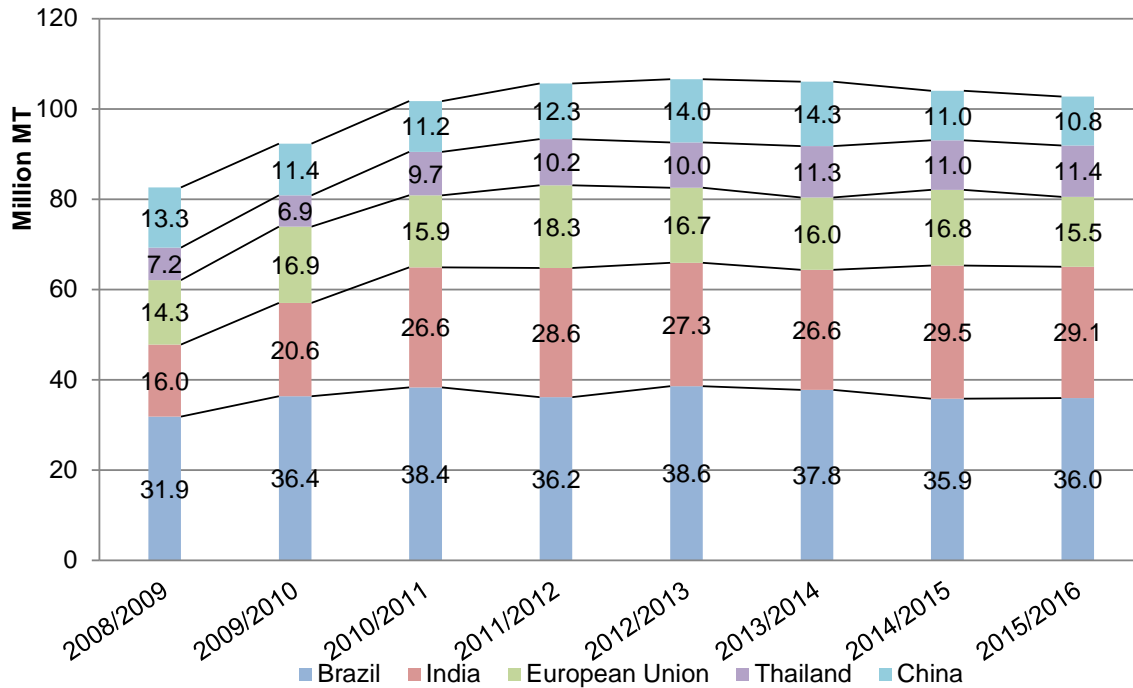
³ For additional information on volatility in sugar markets see McConnell, Dohlman, and Haley, 2010. <http://www.ers.usda.gov/amber-waves/2010-september/world-sugar-price-volatility-intensified-by-market-and-policy-factors.aspx#.VXmqCU9VhBc>.

Figure 12:
World raw sugar futures average monthly settlement prices, March to May 2015



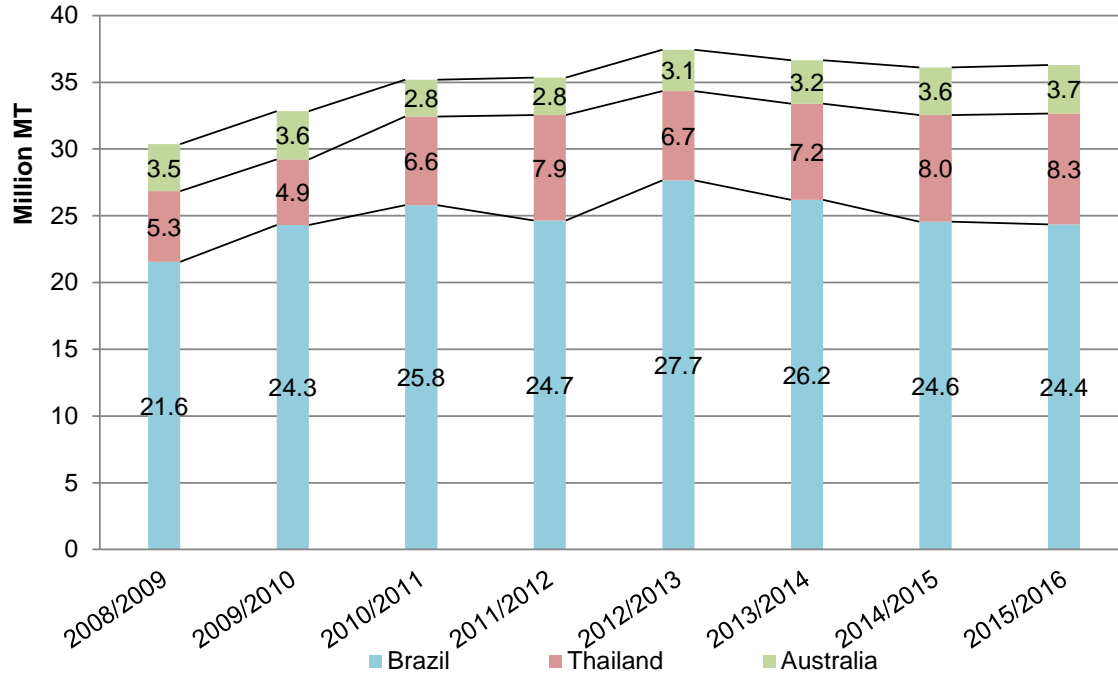
Source: Intercontinental Exchange, Inc.

Figure 13
Production of top global producers, 2008/09 to 2015/16



Note: Top producers have accounted for between 57 and 63 percent of global production.
 Source: Foreign Agricultural Service, USDA.

Figure 14
Exports of top global exporters , 2008/09 to 2015/16



Note: Top exporters have accounted for between 65 and 75 percent of global exports.
Source: Foreign Agricultural Service, USDA.

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Michael McConnell, (202) 694-5184, michael.mcconnell@ers.usda.gov (coordinator)
Verna Daniels, (202) 694-5301, vblake@ers.usda.gov (web publishing)

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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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