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Record Sugarbeet Yield Projected, Reduction in Cane Sugar Production for 2015/16 Results in Net Reduction for U.S. Sugar Production

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Approved by the World Agricultural Outlook Board.

Total U.S. sugar domestic deliveries for 2014/15 increased by 119,000 short tons, raw value (STRV) in the USDA's September *World Agricultural Supply and Demand Estimates* (WASDE). The increase is primarily due to a 125,000 STRV increase in estimated domestic deliveries for food and beverage use to 11.875 million STRV; the result of volumes of direct consumption imports (DCI) reported in the Farm Service Agency's (FSA) *Sweetener Market Data* (SMD) over the past several months. U.S. sugar production for 2014/15 is reduced 25,000 STRV based on adjustments to cane sugar production in Louisiana and Hawaii. Estimated imports for 2014/15 are increased 19,000 STRV. Imports under quota programs are reduced 31,000 STRV, stemming from later than expected shipments under free trade agreements (FTA) that allocate quotas on a calendar-year basis, shifting those volumes into the 2015/16 fiscal year. Imports from Mexico are increased 25,000 STRV, as recent trade data indicate that Mexico will ship a higher proportion than previously expected of the Export Limit that was established in March by the U.S. Department of Commerce (USDOC) (as defined by the agreement to suspend the countervailing duties (CVD) investigation signed by the USDOC and the Government of Mexico in December 2014).

The USDA lowered U.S. sugar production for 2015/16 to 8.734 STRV. Updated sugarcane production forecasts from the National Agricultural Statistics Service (NASS) result in a 120,000 STRV net decline in cane sugar production to 3.700 million STRV, as yield increases in Florida are eclipsed by a reduction in forecast harvested area and yield in Louisiana. NASS also increased its 2015/16 production forecasts for sugarbeets in September, primarily due to a forecast record yield. As a result, the USDA increased beet sugar production by 54,000 STRV for 2015/16. U.S. sugar imports are increased by 25,000 STRV from the previous month. Imports from Mexico are reduced 8,000 STRV to account for changes in the calculated U.S. Needs from the September WASDE as defined in the agreement to suspend the CVD investigation. Total use for 2015/16 is unchanged from the previous month's projection. The stocks-to-use ratio for 2015/16 is projected to be 13.5 percent, down from the previous month's projection of 14.6 percent.

Mexico's ending stocks for 2014/15 are lowered 37,000 metric tons, actual value (MT), lowering the stocks-to-consumption ratio to 18.0 percent. Imports in Mexico are lowered 15,000 MT to account for a reduction in estimated U.S. sugar exports. Mexican exports are increased 21,000 MT, all of which is expected to be shipped to the United States. Mexican exports in 2015/16 are reduced 7,000 MT to account for adjustments to the U.S. Needs calculation based on the September WASDE.

United States Sugar Supply and Use for FY2015

Estimated domestic sugar deliveries for 2014/15 are estimated to be 12.004 million short tons, raw value (STRV), a 119,000 STRV increase from the previous month. Most of this change is accounted for by a 125,000 STRV increase in deliveries for food and beverage use, which is currently estimated at 11.875 million STRV. The increase was primarily due to the pace to date of direct consumption imports (DCI) for the year. A significant portion of these imports come from Mexico, which had slow shipments earlier in the year due to the policy uncertainties surrounding the antidumping (AD) and countervailing duty (CVD) investigations and subsequent agreements to suspend those investigations. Recent data from the Farm Service Agency's (FSA) *Sweetener Market Data* (SMD) show several strong months of DCI trade volumes. This data series, however, can be variable on a month-to-month basis, and it is not certain that the increased DCI imports will continue through the remainder of the fiscal year. The current delivery outlook reflects the current data reported, but there is no certainty that similar volumes will be reported for the remainder of the year.

Deliveries for polyhydric alcohol and livestock feed were each lowered 3,000 STRV to 12,000 STRV and 17,000 STRV, respectively, based on pace-to-date information reported in the most recent SMD. Deliveries for re-export products remained unchanged at 100,000 STRV. Estimated U.S. sugar exports for 2014/15 are also lowered 35,000 STRV to 165,000 STRV based on pace-to-date trade information. As a result, total sugar use in 2014/15 is estimated at 12.169 million STRV, an 84,000 STRV increase from the August estimate.

Total domestic sugar production for 2014/15 is estimated to be 8.589 million STRV, a 25,000 STRV decline from the August estimate. Beet sugar production remains unchanged at 4.825 million STRV. Cane sugar production for Louisiana is lowered 15,000 STRV to 1.505 million STRV based on lower September 2015 production than previously expected. Estimated production from Hawaii is also lowered from the previous month by 10,000 to 165,000 STRV based on pace-to-date production data. Estimated production in Florida and Texas remains unchanged from the previous month at 1.975 million STRV and 119,000 STRV, respectively. Total cane production is estimated at 3.764 million STRV.

Total sugar imports for 2014/15 are estimated to be 3.501 million STRV, a 19,000 STRV increase from the August estimate. Imports under quota programs are estimated to be 1.585 million STRV, a 31,000 STRV decline from the previous month. The raw sugar TRQ is estimated to have a shortfall of just over 31,000 STRV, a slight decline compared with 33,000 STRV the previous month due to additional shipments from Barbados. The change in estimated quota imports are primarily due to a reallocation of shipments for sugar imported under the CAFTA/DR and Colombia Free Trade Agreements (FTA), which have quotas based on the calendar year. Shipments from several of these countries are expected to come later in the year, falling into the 2015/16 fiscal year. Estimated imports from Mexico are increased 25,000 STRV to 1.451 million STRV based on pace-to-date shipments. However, imports from Mexico are still below the Export Limit of 1.526 million STRV, as defined by the suspension agreements between the U.S. Department of Commerce (USDOC) and the Government of Mexico, signed December 2014.

Ending stocks for 2014/15 are lowered 90,000 STRV from the August estimate to 1.730 million STRV; the result of increased deliveries and a small decline in production. The estimated stocks-to-use ratio is 14.2 percent, down from the previous month's estimate of 15.1 percent.

Table 1 -- U.S. sugar: supply and use, by fiscal year (Oct./Sept.), September 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	1,730	1,958	1,642	1,570
Total production	8,462	8,589	8,734	7,676	7,791	7,923
Beet sugar	4,794	4,825	5,034	4,349	4,377	4,567
Cane sugar	3,667	3,764	3,700	3,327	3,414	3,357
Florida	1,763	1,975	1,940	1,599	1,792	1,760
Louisiana	1,591	1,505	1,450	1,444	1,365	1,315
Texas	145	119	130	132	108	118
Hawaii	168	165	180	153	150	163
Total imports	3,742	3,501	3,394	3,394	3,176	3,079
Tariff-rate quota imports	1,302	1,585	1,524	1,181	1,438	1,383
Other program imports	305	450	315	277	408	286
Non-program imports	2,135	1,466	1,555	1,937	1,330	1,411
Mexico	2,130	1,451	1,540	1,932	1,316	1,397
Total supply	14,362	13,899	13,858	13,029	12,609	12,572
Total exports	306	165	200	278	150	181
Miscellaneous	0	0	0	0	0	0
Deliveries for domestic use	12,246	12,004	12,010	11,109	10,890	10,895
Transfer to sugar-containing products for exports under re-export program	82	100	100	74	91	91
Transfer to polyhydric alcohol, feed, other alcohol	29	29	35	27	26	32
Commodity Credit Corporation (CCC) sale for ethanol, other	316	0	0	287	0	0
Deliveries for domestic food and beverage use	11,819	11,875	11,875	10,722	10,773	10,773
Total Use	12,552	12,169	12,210	11,387	11,040	11,077
Ending stocks	1,810	1,730	1,648	1,642	1,570	1,495
Private	1,810	1,730	1,648	1,642	1,570	1,495
Commodity Credit Corporation (CCC)	0	0	0	0	0	0
Stocks-to-use ratio	14.42	14.22	13.50	14.42	14.22	13.50

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

United States Sugar Supply and Use for FY2016

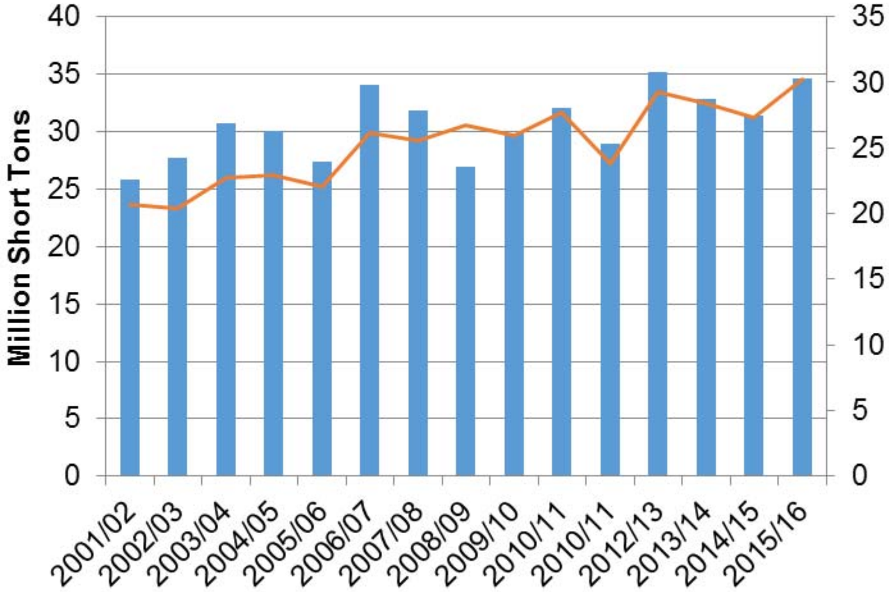
Beginning sugar stocks for 2015/16 are lowered 90,000 STRV to 1.730, the result of changes in the 2014/15 balance sheet.

Domestic sugar production for 2015/16 is projected at 8.734 million STRV, down 66,000 STRV from the previous month's estimate but still a 1.7-percent increase from 2014/15. Cane sugar production is reduced 120,000 STRV from the August estimate to 3.700 million STRV. Production in Florida is increased 30,000 STRV to 1.940 million STRV, as the National Agricultural Statistics Service (NASS) increased its sugarcane production estimates for the State based on higher forecast yields eclipsing a small decline in area harvested. More than offsetting this increase, however, production in Louisiana is lowered 140,000 STRV to 1.450 million STRV, as NASS reduced its sugarcane production forecast for the State by 8.9 percent due to a 12,000-acre reduction in expected area harvested—from 422,000 acres to 410,000 acres—and a reduction in yield from 32.0 to 30.0 tons per acre. Cane sugar production in Hawaii is also reduced by 10,000 STRV to 180,000 STRV, carried over from the revision to the 2014/15 production estimate.

Beet sugar production for fiscal 2015/16 is projected to be 5.034 million STRV, up 54,000 STRV from the previous month's estimate and 4.2 percent above current 2014/15 estimates. NASS sugarbeet production is forecast to be 34.573 million tons, an increase from the agency's previous forecast of 34.211 million tons due an increase in yields.

The current sugarbeet production forecast would be the second-largest crop produced—behind 2012/13—and would be a record yield if realized. Beet sugar for the current crop (August to July basis) is estimated at 5.217 million STRV, an increase from the previous month's estimate of 5.163 million STRV.

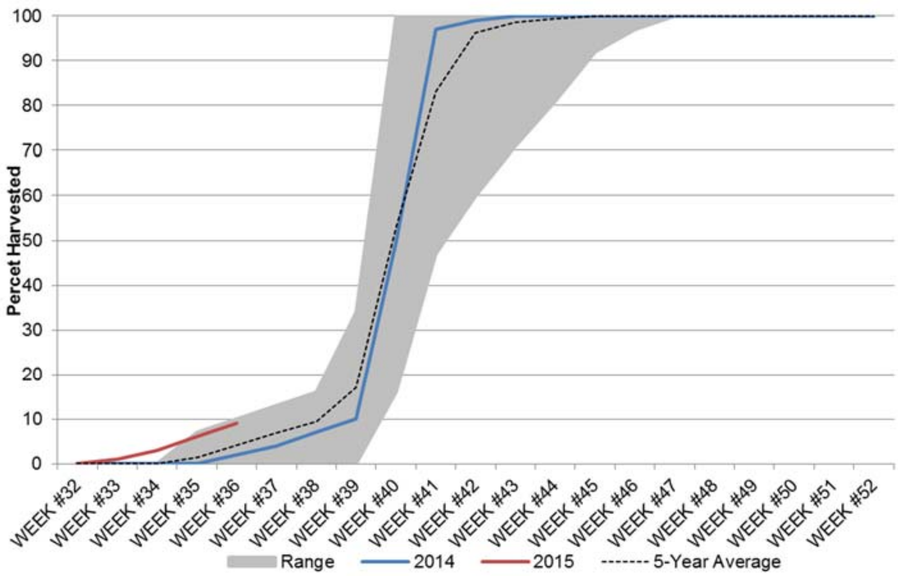
Figure 1
Sugarbeet production and yields, 2001/02-2015/16



Note: 1/ Forecast.
Source: National Agricultural Statistics Service, USDA.

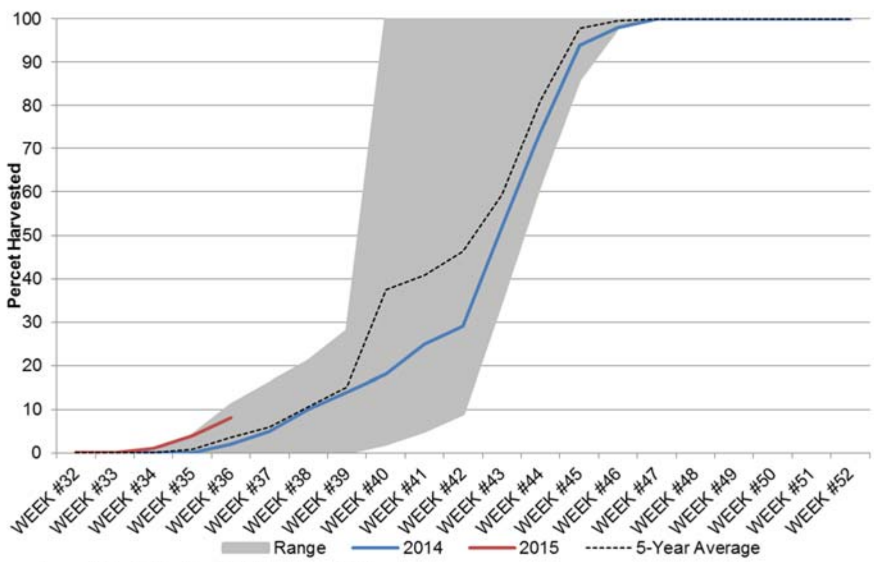
The sugar beet harvest is underway. Through September 6, some States have recorded several weeks of harvest progress, including Minnesota, with 9 percent of its crop harvested, and North Dakota and Michigan, both with 8 percent. These rates are well above 2014 and the 5-year average, although they do not represent a record pace thus far. Early-season production is expected to remain in line with the previous month's estimate, leaving 2014/15 beet sugar production unchanged, while 2015/16 beet sugar production is increased 54,000 STRV to 5.034 million STRV.

Figure 2
Sugarbeet harvest progress, Minnesota 2000 to 2015



Source: National Agricultural Statistics Service, USDA.

Figure 3
Sugarbeet harvest progress, Michigan 2000 to 2015



Source: National Agricultural Statistics Service, USDA.

Total U.S. sugar imports for 2015/16 are projected at 3.394 million STRV, a 25,000 STRV increase from the August projection. Imports under quota programs are increased 33,000 STRV to 1.524 million STRV. As with the reduction in estimated 2014/15 quota imports, shipments from the CAFTA/DR and Colombia FTAs, which are allocated on a calendar-year basis, are expected to come later in 2015, falling into the 2015/16 fiscal year. Imports from Mexico are projected to total 1.540 million STRV in-line with the calculated U.S. Needs, using data from the September WASDE as defined in the agreement to suspend the CVD investigation.

Domestic sugar deliveries in 2015/16 remain unchanged from the previous month, totaling 12.010 million STRV. Deliveries for food and beverage use remains at 11.875 million STRV, unchanged from the previous month. Other sugar deliveries remain unchanged at 135,000 STRV. Exports also are unchanged at 200,000 STRV, resulting in an unchanged total use for 2015/16, projected at 12.210 million STRV.

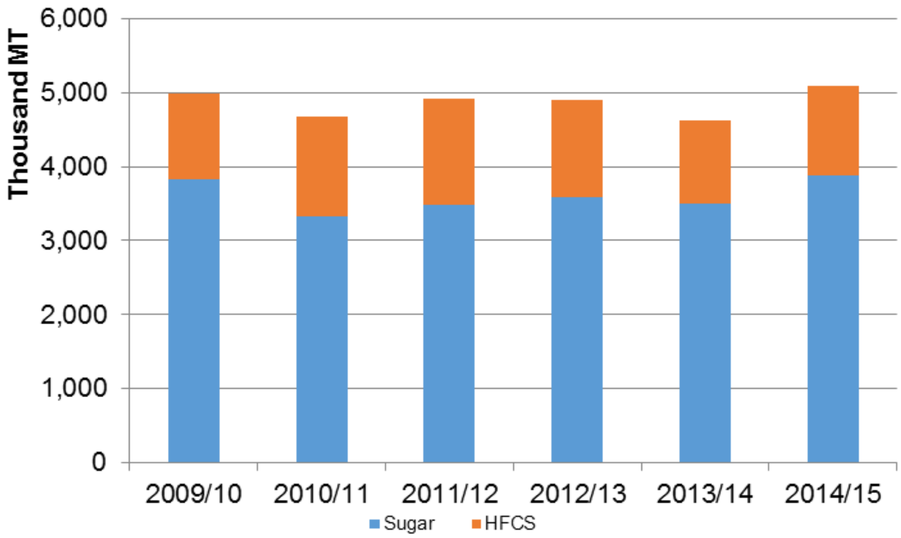
U.S. sugar ending stocks for 2015/16 are reduced 131,000 STRV to 1.648 million STRV, due to the net reduction in supply and no change in use. The stocks-to-use ratio is estimated at 13.5 percent, down from the previous month's estimate of 14.6 percent.

Mexico Sugar Supply and Use in FY2015

Mexican sugar production for 2014/15 is estimated at 5.985 million metric tons, actual weight (MT). This is essentially unchanged from the August WASDE and in line with the updated information from the *Comité Nacional Para Desarrollo de la Caña de Azúcar's* (Conadesuca) on the 2014/15 crop. Sugar imports from Mexico are estimated at 140,000 MT, down 15,000 MT from the previous month. The decline in imports is due to a 15,000 MT reduction in imports for the IMMEX program. The decline in IMMEX imports are the result of lower estimated exports from the United States, although partially offset by an increase in IMMEX imports from other countries. Beginning stocks in 2014/15 remain unchanged from the previous month's report at 831,000 MT. Overall, total Mexican sugar supplies for 2014/15 are estimated at 6.956 million MT, a 15,000 MT decline from the August WASDE.

Estimated Mexican domestic sugar deliveries remain unchanged from the August WASDE, totaling 4.764 million MT. Domestic human consumption is also unchanged from the previous month at 4.441 million MT. Estimated high fructose corn syrup (HFCS) deliveries for consumption are raised from 1.420 million MT to 1.446 million MT in September. The increase is based on pace-to-date consumption figures from Conadesuca and represents a 7.6 percent increase in total Mexican sweetener consumption from 2013/14, which would more than offset the 6.5 percent decline in 2013/14. Through July, fiscal year domestic deliveries of sugar are up 10.9 percent, while HFCS deliveries have increased 6.8 percent compared with the same period in 2013/14. Total sweetener deliveries have increased by 9.9 percent during the period.

Figure 4
Mexican sweetener consumption October to July, fiscal year



Source: Conadesuca.

Table 2 -- Mexico sugar supply and use, 2012/13 - 2013/14 and projected 2014/15, September 2015

Items	2013/14	2014/15 (estimate)	2015/16 (forecast)
		1,000 metric tons, actual weight	
Beginning stocks	1,460	831	800
Production	6,021	5,985	6,000
Imports	131	140	155
Imports for consumption	9	10	10
Imports for sugar-containing product exports (IMMEX) 1/	123	130	145
Total supply	7,613	6,956	6,955
Disappearance			
Human consumption	4,098	4,441	4,501
For sugar-containing product exports (IMMEX)	324	324	324
Statistical adjustment	-151	0	
Total	4,271	4,764	4,825
Exports	2,511	1,392	1,328
Exports to the United States & Puerto Rico	1,823	1,242	1,318
Exports to other countries	689	150	10
Total use	6,782	6,156	6,153
Ending stocks	831	800	803
		1,000 metric tons, raw value	
Beginning stocks	1,548	881	848
Production	6,383	6,344	6,360
Imports	139	148	165
Imports for consumption	9	11	11
Imports for sugar-containing product exports (IMMEX)	130	138	154
Total supply	8,069	7,374	7,373
Disappearance			
Human consumption	4,344	4,707	4,771
For sugar-containing product exports (IMMEX)	343	343	343
Statistical adjustment	-160	0	0
Total	4,527	5,050	5,114
Exports	2,662	1,475	1,408
Exports to the United States & Puerto Rico	1,932	1,316	1,397
Exports to other countries	730	159	11
Total use	7,189	6,526	6,522
Ending stocks	881	848	851
Stocks-to-human consumption (percent)	20.3	18.0	17.8
Stocks-to-use (percent)	12.3	13.0	13.0
High fructose corn syrup (HFCS) consumption (dry weight)	1,372	1,446	1,446

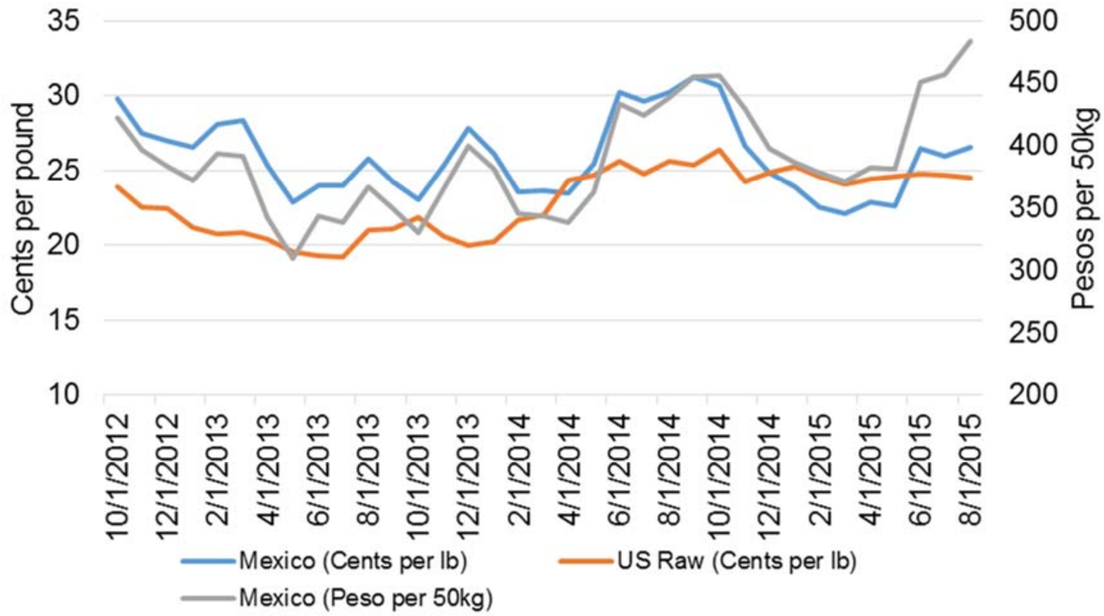
1/ IMMEX = Industria Manufacturera, Maquiladora y de Servicios de Exportación.

Source: USDA, *World Agricultural Supply and Demand Estimates* and Economic Research Service, Sugar and Sweeteners Outlook; Conadesuca.

Mexican exports for 2014/15 are estimated to be 1.392 million MT, a 21,000 MT increase from the previous month. Exports to the United States are estimated to be 1.242 million MT, accounting for the entirety of the increase, as pace-to-date shipments to the United States indicate that Mexico will ship a higher percentage of the 2014/15 Export Limit volume determined by the agreement to suspend the CVD investigation. Estimated exports to other countries remain unchanged from the previous month at 150,000 MT.

Mexican ending stocks for 2014/15 are estimated to be 800,000 MT, down 37,000 MT from the August estimate, as total supplies are reduced and estimated exports increased. The stocks-to-consumption ratio is estimated at 18.0 percent, down from the previous month's estimate of 18.8 percent. The current 2014/15 balance sheet shows that sugar supplies in Mexico are relatively tight, based on historical averages. Sugar prices in Mexico have increased as the strong year-over-year increase in sugar consumption has continued. Average monthly prices for *estandar* sugar reported in Mexico's Federal District have increased 26.9 percent from May 2015 to August 2015. Volatility in global foreign exchange markets and a weakening of the Mexican peso relative to the U.S. dollar have contributed, at least partially, to the increase in sugar prices in Mexico, but Mexican prices in U.S. dollar terms have also increased since May 2015. In comparison, U.S. raw sugar prices have remained relatively stable over the same period. The increase in prices cannot be attributed to a single factor, but any future price movements could have important implications for the Mexican sugar market, as well as for sweetener trade flows between the United States and Mexico.

Figure 5
U.S. and Mexico raw sugar prices, monthly FY2013 to FY2015



Note: U.S. Raw Sugar price is ICE No. 16 contract; Mexico price is Estandar sugar price reported in C.A. Iztapalapa, D.F.
Source: Economic Research Service, USDA; Servicio Nacional de Informacion de Mercados SNIIM-ECONOMICA.

Mexico Sugar Supply and Use in FY2016

Beginning stocks in Mexico for 2015/16 were lowered 37,000 MT from the August estimate to 800,000 MT based on changes to the 2014/15 market outlook, representing the only change in projected supplies for Mexico. Production is projected at 6.000 million MT, unchanged from the previous month. Additional information related to the 2015/16 crop is expected from crop survey results typically released by Conadesuca in the fall. Total imports also remain unchanged from the previous estimate at 155,000 MT.

Domestic deliveries for human consumption are unchanged from the previous month's estimate of 4.501 million MT. Projected HFCS consumption is raised 26,000 MT to 1.446 million MT, in line with the increase to the 2014/15 outlook. As a result, total sweetener consumption is projected to increase 1.0 percent in 2015/16 compared with the previous year's estimate. Projected deliveries for the IMMEX program remain unchanged from the previous month at 324,000 MT. Total domestic sugar deliveries are projected to be 4.825 million MT, a 1.3 percent increase from 2014/15 estimates.

Projected Mexican sugar exports for 2015/16 are 1.328 million MT. Exports to the United States are projected at 1.318 million MT, down 7,000 MT from the August projection due to the revised calculation of U.S. Needs, as defined in the agreement to suspend the CVD investigation. Projected exports outside of the United States remain at

10,000 MT, unchanged from the previous month. Low prices in the world market continue to dampen the prospect for significant amounts of Mexican exports outside of the United States.

Ending stocks for 2015/16 are projected to be 803,000 MT—a 30,000 MT decrease from the August estimate, as the reduction in projected supplies eclipse the reduction in use. The stocks-to-consumption ratio is projected to be 17.8 percent, down from the August projection of 18.5 percent. The projected level remains below the historical 22.0 percent benchmark for stocks-to-consumption, implying a relatively tight market by historical standards, but still well within the historical range.

Contacts and Links

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