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Sugar and Sweeteners Outlook

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On August 15, 2013, the Farm Service Agency (FSA) of the U.S. Department of Agriculture (USDA) announced that purchase invitations have been extended to solicit bids to the Commodity Credit Corporation (CCC) through the Feedstock Flexibility Program (FFP). FSA stipulated that sugar offered by raw cane or refined beet sugar processors must be already pledged as collateral for a CCC loan with a maturity date of August 31, 2013. On August 30, the CCC announced its purchase of 14,235,000 pounds (7,118 tons) of refined beet sugar from a processor in Nebraska for approximately \$3.6 million. CCC then re-sold the sugar to a bioenergy producer for approximately \$0.9 million, resulting in a net expenditure to CCC of \$2.7 million.

At the end of August, raw cane sugar processors in Louisiana forfeited 140,750,000 pounds (70,375 tons) of sugar to the CCC and a beet processor in North Dakota forfeited 30,000,000 pounds (15,000 tons). The remaining sugar under loan and due for repayment at

Recent *Sugar and Sweeteners Outlook* Special Articles

“Long-term Projection of U.S. and Mexico Sugar Supply and Use through 2022/23,” pdf pages 13-30 of the *Sugar and Sweetener* report
(<http://www.ers.usda.gov/media/1023493/sssm294.pdf>)

“FY 2013 Sugar Outlook—A Method for Analyzing Excess Supply,” pdf pages 11-27 of the *Sugar and Sweetener* report
<http://www.ers.usda.gov/media/1059159/sssm295.pdf>)

“Indeterminacy in Measuring U.S. Sugar Deliveries for Human Consumption,” pdf pages 13-30 of the *Sugar and Sweetener* report
(<http://www.ers.usda.gov/media/1079499/sssm296.pdf>)

at the end of September is valued at \$281.5 million. Difficult marketing options for certain firms may make additional forfeitures appear likely. The CCC is currently evaluating options to avoid September forfeitures.

On August 30, 2013, the USDA announced the initial fiscal year (FY) 2014 overall sugar marketing allotment (OAQ) at 9,843,000 short tons, raw value (STRV). The OAQ is equal to 85 percent of the estimated human consumption for the crop year of 11,580,000 STRV as forecast in the August 2013 *World Agricultural Supply and Demand Estimates* (WASDE). In accordance with the 2008 Farm Act, the USDA allocated the FY 2014 beet sugar allotment of 5,349,671 STRV (54.35 percent of the OAQ) among sugarbeet processors and the cane sugar allotment of 4,493,330 STRV (45.65 percent of the OAQ) among sugarcane States and processors within the States.

On September 13, 2013, the Secretary of Agriculture established the 2013/14 raw sugar tariff-rate quota (TRQ) at 1,117,195 MTRV, the minimum amount to which the United States is committed under the World Trade Organization (WTO) Uruguay Round Agreement. The Secretary also established the refined sugar TRQ at 122,000 MTRV. Of this quantity, 101,656 MTRV is reserved for the importation of specialty sugars.

On September 12, 2013, the USDA published in the WASDE its latest sugar supply and use projections for the United States and Mexico for 2012/13 and projections for 2013/14.

The USDA revised 2013/14 sugar production forecasts on the basis of new sugar crop forecasts made by the National Agricultural Statistics Service (NASS) on September 12. The 2013/14 beet sugar forecast was increased 150,000 STRV to 4.950 million STRV, up 3.0 percent from last month. The 2013/14 cane sugar forecast was increased by 100,000 STRV to 3.753 million STRV, due to higher expected sugarcane yields in Louisiana.

The USDA increased overall 2012/13 import estimate by 106,168 STRV to 3.226 million STRV because of increased imports from Mexico and a reduced TRQ shortfall estimate. Although the USDA reduced its projected 2013/14 imports from Mexico by 38,000 STRV, overall 2013/14 imports are projected to increase 172,232 STRV to 3.400 million STRV. The increase is attributable to a 100,000 STRV reduction in expected 2013/14 TRQ shortfall and 110,231 STRV of specialty sugar included in the recently established 2013/14 refined sugar TRQ.

The USDA increased its estimate of 2012/13 sugar deliveries to 11.550 million STRV, an increase of 80,000 STRV relative to last month's estimate on the basis of pace to date. The forecast of next year's deliveries was increased by 20,000 STRV to 11.600 million STRV.

The USDA calculates ending stocks residually: 2.215 million STRV for 2012/13 and 2.333 million STRV for 2013/14. Corresponding ending stocks-to-use ratios are 18.45 percent for 2012/13 and 19.46 percent for 2013/14. The ratio for 2013/14 in particular presages a continuing oversupply of sugar in the domestic market.

U.S. Sugar Program: Policy Actions and Results

Feedstock Flexibility Program

As reported last month, on July 29, 2013, the final rule for the establishment of Feedstock Flexibility Program (FFP) to be administered by the Commodity Credit Corporation (CCC) was made effective. Through FFP, the Secretary of Agriculture purchases sugar and then sells it to produce bioenergy as a means to avoid forfeitures of sugar loan collateral under the Sugar Program. The FFP regulations are required by the Food, Conservation, and Energy Act of 2008 (“2008 Farm Act”) amendments to the Food Security and Rural Investment Act of 2002 (“2002 Farm Act”).

Under the Sugar Program, domestic sugarbeet or sugarcane processors may receive loans from CCC, pledging their sugar production as collateral for any such loan, and then satisfy their loans either by repaying the loan on or before loan maturity or by transferring the title for the collateral to CCC immediately following loan maturity. (This is commonly also referred to as “sugar loan forfeitures.”)

The Farm Service Agency (FSA) administers the Sugar Program for CCC. The program is required to be operated, to the maximum extent practicable, at no cost to the Federal Government by avoiding forfeitures to CCC. If domestic sugar market conditions are such that market prices are less than forfeiture levels (determined by FSA), then current law requires CCC to use FFP to purchase sugar and sell this sugar to bioenergy producers to avoid forfeitures. Current law provides USDA authority for these programs through the 2013/14 sugar crop year (which runs from October 1, 2013 to September 30, 2014). Recent indications in the sugar market suggest that forfeitures may occur in crop year 2012/13.

On August 15, 2013, the FSA announced that purchase invitations have been extended to solicit bids to the CCC through the FFP. FSA stipulated that sugar offered by raw cane or refined beet sugar processors must be already pledged as collateral for a CCC loan with a maturity date of August 31, 2013. The invitation solicited responses by raw cane sugar processors in Louisiana of 138,750,000 pounds (69,375 tons) and by beet sugar processors in North Dakota of 45,000,000 pounds (22,500 tons) and in Nebraska of 15,000,000 pounds (7,500 tons).

On August 30, the CCC announced its purchase of 14,235,000 pounds (7,118 tons) of refined beet sugar from the processor in Nebraska for approximately \$3.6 million (table 1). CCC then re-sold the sugar to a bioenergy producer for approximately \$0.9 million, resulting in a net expenditure to CCC of \$2.7 million. To comply with the Federal Government sequestration order, the amount of sugar purchased for the FFP was reduced by 5.1 percent below the amount that was offered (15,000,000 pounds).

Although the ethanol sale is a small proportion of what processors were willing to offer, the USDA cited transport and volume issues as limiting ethanol producer interest. The short time period in which processors had to act may have been an issue as well. The firm that purchased the sugar intends to experiment with the amounts that can be optimally mixed with its grain mash. The firm does not believe that additional infrastructure or ingredients (yeast or enzymes) will be necessary. The firm expressed its willingness to purchase more, depending on price and the results of its testing.

Sugar Forfeitures

Raw cane sugar processors in Louisiana forfeited 140,750,000 pounds (70,375 tons) of sugar to the CCC, and a beet processor in North Dakota forfeited 30,000,000 pounds (15,000 tons), for loans payable at the end of August. Although the firms were not identified, there seems to be a close correspondence between where the sugar was forfeited and the sites listed for the FFP offers, as well as the amounts forfeited and offered. The CCC expended \$34.569 million for the forfeited sugar. Table 1 summarizes the details.

Table 1 -- Commodity Credit Corporation (CCC) purchase and sale of sugar under the Feedstock Flexibility Program (FFP) and forfeiture data: August 2013

Sugar storage location	Type of sugar	Purchase/forfeiture quantity (pounds)	CCC-purchase price (Cents/pound)	FFP purchaser	FFP bid price (Cents/pound)	CCC cost (Dollars)
<u>Purchase/Sales</u>						
Gering, NE	Beet	14,235,000	25.20	Front Range Energy	6.00	2,733,120
Sub-total		14,235,000	25.20	---	6.00	2,733,120
<u>Forfeitures</u>						
Richland Co., ND	Beet	30,000,000	23.93	---	---	7,179,000
Assumption Parish, LA	Raw cane	72,000,000	19.46	---	---	14,011,200
Lafourage, LA	Raw cane	38,750,000	19.46	---	---	7,540,750
Pt. Coupee, LA	Raw cane	30,000,000	19.46	---	---	5,838,000
Sub-total		170,750,000	20.25			34,568,950
Total		184,985,000	20.16	---	---	37,302,070

Source: United States Department of Agricultural, Foreign Service Agency, Commodity Credit Corporation.

Table 2 -- Commodity Credit Corporation (CCC) sugar loans outstanding, mid-September 2013

Sugar storage location	Quantity (pounds)	Value (Dollars)	Unit value (Cents per pound)
<u>Beet sugar</u>			
Colorado	159,500,000	38,938,800	24.41
Idaho	337,000,000	78,521,000	23.30
Michigan	82,500,000	21,095,250	25.57
Minnesota	315,000,000	75,561,500	23.99
North Dakota	45,000,000	10,768,500	23.93
Sub-total		224,885,050	23.95
<u>In-process beet sugar</u>			
Idaho	141,000,000	26,282,400	18.64
<u>Raw cane sugar</u>			
Louisiana	155,800,000	30,318,680	19.46
Total		281,486,130	22.78

Source: United States Department of Agriculture, Foreign Service Agency, Commodity Credit Corporation.

Table 2 shows CCC outstanding sugar loans as of mid-September, along with where the pledged sugar is located and its value. In all, the sum of beet, in-process beet, and cane sugar under loan is valued at \$281.5 million. Difficult marketing options for certain firms may make additional forfeiture appear likely in spite of recent increases in the nearby Intercontinental Exchange (ICE) No. 16 raw sugar quote and despite the lower end of the beet sugar Midwest

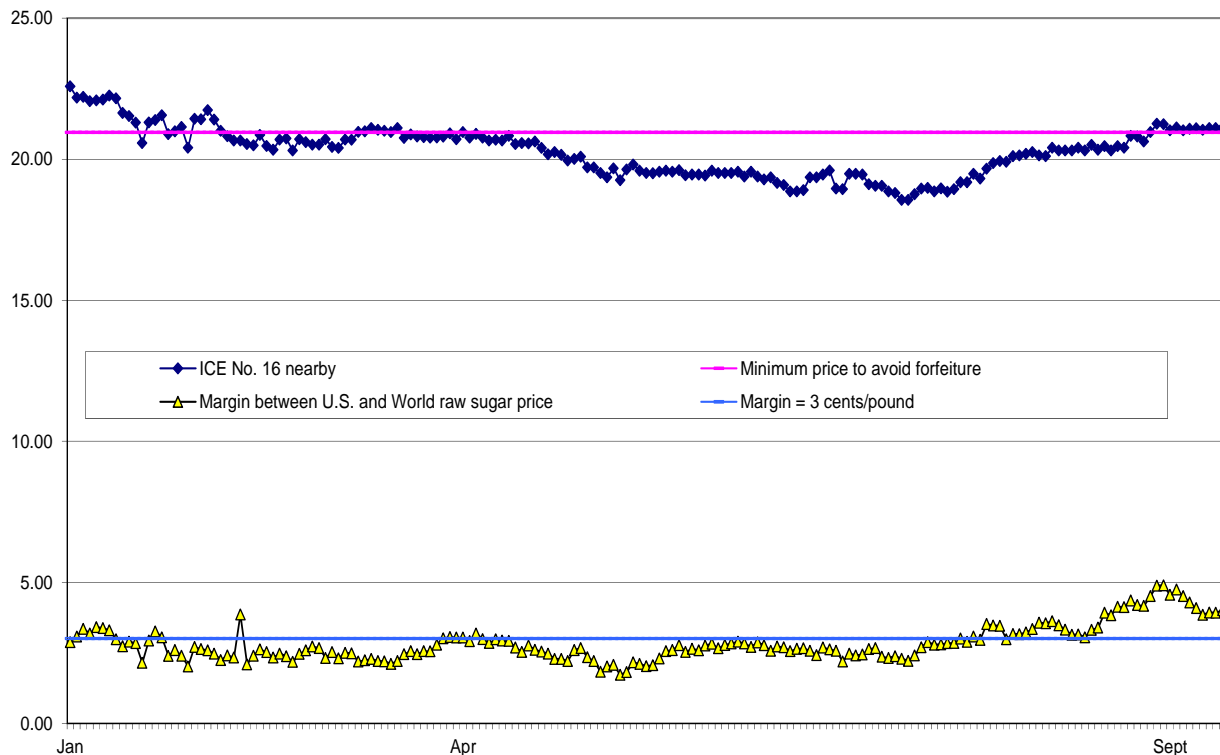
price range being above FSA’s calculated minimum price-to-avoid-forfeiture. The CCC is currently evaluating options to avoid September forfeitures.

Figure 1 shows U.S. raw sugar prices for 2013. USDA’s efforts to exchange sugar for re-export program export credits and Certificates for Quota Eligibility (CQEs) resulted in the margin between the U.S. No.16 and the world ICE No. 11 raw sugar quotes widening above 3 cents per pound, now closer to 4 cents per pound (fig. 2). Although encouraging, a higher margin is likely to attract more sugar imports. The import pace from Mexico has picked up, with imports in August 100,000 metric tons, raw value (MTRV) more than imports in July. Also, the Foreign Agricultural Service (FAS) reduced its 2013/14 tariff-rate quota (TRQ) shortfall projection by 90,719 MTRV to 226,796 MTRV, mostly in response to more attractive U.S. raw sugar price expectations.

Sugar Marketing Allotments and Allocations

On August 30, 2013, the USDA announced the initial fiscal year (FY) 2014 overall sugar marketing allotment (OAQ) at 9,843,000 short tons, raw value (STRV). The OAQ is equal to 85 percent of the estimated human consumption for the crop year of 11,580,000 STRV, as forecast in the August 2013 *World Agricultural Supply and Demand Estimates* (WASDE). The 2008 Farm Act requires that the OAQ be set at least at 85 percent of expected deliveries for human consumption, as determined by the Secretary of Agriculture. The 2008 Farm Act also requires that a fixed portion of the OAQ be allotted to the beet sector and the cane sector. The USDA allocated the FY 2014 beet sugar allotment of 5,349,671 STRV (54.35 percent of the OAQ) among sugarbeet processors and the cane sugar allotment of 4,493,330 STRV (45.65 percent of the OAQ) among sugarcane States and processors within the States.

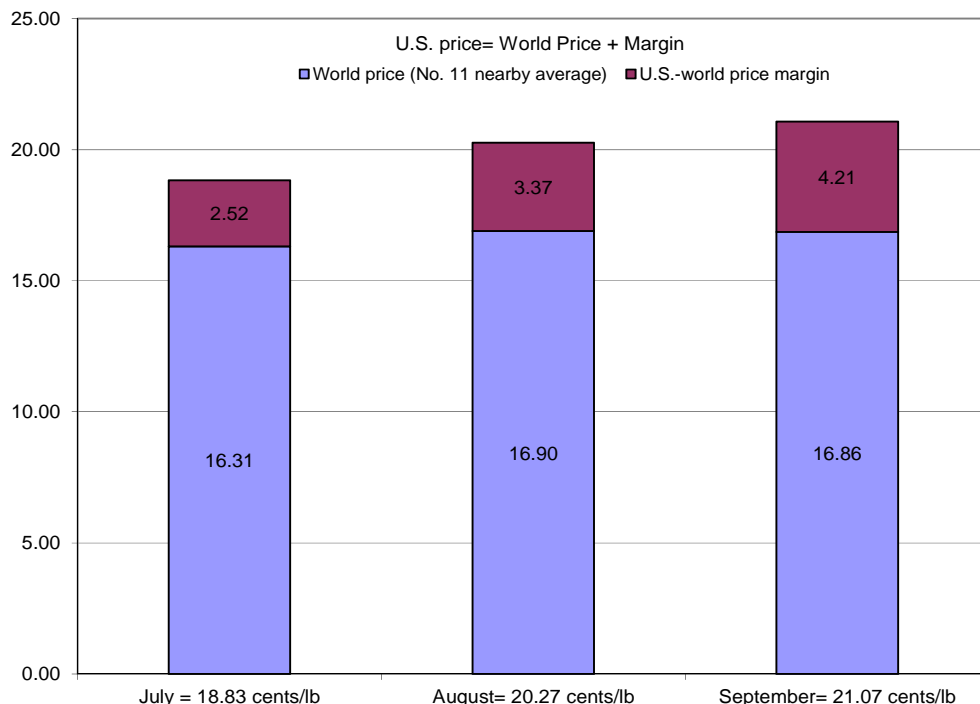
Figure 1
U.S. raw sugar prices in 2013
Cents/pound (lb)



Source: Intercontinental Exchange (ICE), No 11 and No 16 contracts; USDA, FSA.

Figure 2
U.S. raw sugar price, comparison of first 10-day averages of July, August, and September

Cents per pound (lb)



Source: Intercontinental Exchange, No. 11 and 16 contracts.

The USDA has also determined that the domestic sugar sector cannot fulfill the 85-percent market share allotted to it for FY 2013. The cane sugar sector will not be able to fulfill its allotment, unlike the sugarbeet sector. As a result, the USDA reassigned some of the FY 2013 cane sugar surplus allotment to a Louisiana cane processor and the remainder to FY 2013 sugar imports. Because the U.S. market is oversupplied, this marketing allotment reassignment is only to imports that are already expected to enter the United States.

Table 3 shows sugar marketing allotments and allocations for 2012/13 and 2013/14. For 2012/13, all beet sugar companies produced as much sugar as they were allotted; therefore, there were no allocation reassignments either between companies or to sugar imports. Except for the single sugarcane processor in Louisiana, no sugarcane processor produced up to its initial OAQ allocation. A total of 400,000 STRV was allocated to imports.

2013/14 Sugar Tariff-Rate Quota

On September 13, 2013, the Secretary of Agriculture established the 2013/14 raw sugar tariff-rate quota (TRQ) at 1,117,195 MTRV, the minimum amount to which the United States is committed under the World Trade Organization (WTO) Uruguay Round Agreement. The Secretary also established the refined sugar TRQ at 122,000 MTRV. Of this quantity, 101,656 MTRV is reserved for the importation of specialty sugars as defined by the U.S.

¹ As mentioned, because sugar imports already exceed by over 400,000 STRV the access amount to which the United States is committed under existing international commitments and trade agreements, the reassignment has no effect on sugar availability. In past years where there was no excess, an increase in the U.S. tariff-rate quota would be one way to assure an adequate supply of sugar to meet domestic demand.

Table 3 -- Sugar marketing allotments and allocations for 2012/13 and 2013/14

	Initial allocations	Reassignments	Final allocations
	<i>(short tons, raw value)</i>		
<u>2012/13 allocations</u>			
Beet sugar	5,278,064		5,278,064
Amalgamated Sugar Co.	1,130,074		1,130,074
American Crystal Sugar Co.	1,940,762		1,940,762
Michigan Sugar Co.	545,095		545,095
Minn-Dak Farmers Co-op.	366,556		366,556
Southern Minnesota Beet Sugar Co-op.	712,371		712,371
Western Sugar Co.	539,013		539,013
Wyoming Sugar Growers, LLC	44,194		44,194
State cane sugar allotments	4,433,186	-400,000	4,033,186
Florida	2,211,472	-305,669	1,905,804
Louisiana	1,710,822	14,143	1,724,966
Texas	192,247	-20,767	171,480
Hawaii	318,644	-87,708	230,936
Reassignment to imports	---	---	400,000
Total overall allotment quota (OAQ)	9,711,250		9,711,250
<u>2013/14 allocations</u>			
Beet sugar	5,349,671	---	---
Amalgamated Sugar Co.	1,145,405	---	---
American Crystal Sugar Co.	1,967,161	---	---
Michigan Sugar Co.	552,490	---	---
Minn-Dak Farmers Co-op.	371,529	---	---
Southern Minnesota Beet Sugar Co-op.	722,035	---	---
Western Sugar Co.	546,256	---	---
Wyoming Sugar Growers, LLC	44,794	---	---
State cane sugar allotments	4,493,330	---	---
Florida	2,283,112	---	---
Louisiana	1,766,244	---	---
Texas	198,475	---	---
Hawaii	245,499	---	---
Reassignment to imports	---	---	---

Source: United States Department of Agriculture, Foreign Service Agency.

Trade Representative (USTR). The total of 122,000 MTRV includes the 22,000 MTRV minimum level necessary to comply with U.S. WTO Uruguay Round commitments, of which 1,656 MTRV is reserved for specialty sugar.

Because the specialty sugar TRQ is first-come, first-served, tranches are needed to allow for orderly marketing throughout the year. The 2013/14 specialty sugar TRQ will be opened in five tranches. The first tranche, totaling 1,656 MTRV, will open October 10, 2013. All specialty sugars are eligible for entry under this tranche. The second tranche will open on October 24, 2013, and be equal to 37,000 MTRV. The remaining tranches will each be equal to 21,000 MTRV, with the third opening on January 9, 2014, the fourth, on April 10, 2014, and the fifth, on July 10, 2014. The second, third, fourth, and fifth tranches will be reserved for organic sugar and other specialty sugars not currently produced commercially in the United States or reasonably available from domestic sources.

Sugar and Sweeteners in the North American Free Trade Area

On September 12, 2013, the U.S. Department of Agriculture (USDA) published in the *World Agricultural Supply and Demand Estimates* (WASDE) its latest sugar supply and use projections for the United States and Mexico for fiscal year (FY) 2013 (2012/13) and projections for FY 2014 (2013/14).

U.S. Sugar Supply and Use

On September 12, 2013, the National Agricultural Statistics Service (NASS) released its latest forecasts of 2013/14 sugar crop production, along with State-level yields and updates to expected area for harvest. NASS increased its forecast of sugarbeet yield in 7 out of the 10 States in which sugarbeet is grown: average yield in these States increased to 25.7 tons per acre, up from 24.8 last month. Forecast yield remained the same in two States (California and Michigan) and was decreased in only one State (Oregon). NASS projects national sugarbeet yield at 26.1 tons per acre. This forecast compares with 25.4 tons forecast last month and 29.3 tons estimated for last year. NASS did not change its forecast of area harvested. National sugarbeet production is forecast at 30.913 million tons, up 3.0 percent compared with last month's corresponding forecast but 12.3 percent lower than the 35.236 million tons estimated for 2012/13. As a result of the NASS forecasts, the USDA increased its projected 2013/14 beet sugar production to 4.950 million STRV, up 3.0 percent from last month.

NASS kept its sugarcane September State-level area and yield forecasts the same as in August except in Louisiana, where it increased yield from 28.0 tons per acre to 30.0 tons. As a result, the USDA increased its 2013/14 Louisiana cane sugar production forecast to 1.600 million STRV, up 100,000 STRV from August. Overall 2013/14 cane sugar production is projected at 3.753 million STRV. Combined with beet sugar production, U.S. sugar production is forecast at 8.703 million STRV. This projection is 312,000 STRV less than the 2012/13 production estimate but 250,000 STRV more than projected last month for 2013/14.

The USDA increased its overall 2012/13 import estimate by 106,168 STRV to 3.226 million STRV (table 4). Most of the increase is attributable to increased imports from Mexico and a reduced TRQ shortfall estimate. Both of these events are likely attributable to the recent rise in U.S. raw sugar prices relative to comparable world prices.

Although the USDA reduced its projected 2013/14 imports from Mexico by 38,000 STRV, overall 2013/14 imports are projected to increase 172,232 STRV to 3.400 million STRV (table 5). The increase is attributable to a 100,000 STRV reduction in expected 2013/14 TRQ shortfall (higher U.S. prices relative to world levels) and 110,231 STRV of specialty sugar included in the recently established 2013/14 refined sugar TRQ.

The USDA increased its 2012/13 sugar export estimate by 70,000 STRV to 270,000 STRV. The increase was made on the basis of somewhat higher than expected export pace to Mexico and other destinations. The forecast for 2013/14 remains at 200,000 STRV.

Table 4 -- USDA estimate of sugar imports in FY 2013

	Metric tons, raw value	Short tons, raw value	Metric tons, raw value	Short tons, raw value	Metric tons, raw value	Short tons, raw value
Raw sugar TRQ	1,117,195	1,231,497	0	0	1,117,195	1,231,497
Less shortfall attributable to Mexico 1/ Less other shortfall	-513,487	-566,022	31,213	34,406	-544,700	-600,429
Additional Quota					0	0
Total raw sugar TRQ	603,708	665,474	31,213	34,406	572,495	631,068
Refined sugar TRQ						
Allocation to Canada	12,050	13,283	0	0	12,050	13,283
Allocation to Mexico Less Mexican shortfall 1/						
Global	8,294	9,143	0	0	8,294	9,143
Specialty Base	1,656	1,825	0	0	1,656	1,825
Additional	95,254	105,000	0	0	95,254	105,000
Total refined sugar TRQ	117,254	129,250	0	0	117,254	129,250
Free Trade Agreements						
CAFTA/DR Calendar Year 2012, entered in FY 2013	24,702	27,229	0	0	24,702	27,229
CAFTA/DR Calendar Year 2013, forecast to enter in	100,000	110,231	15,000	16,535	85,000	93,696
Peru Calendar Year 2012, entered in FY 2013	0	0	0	0	0	0
Peru Calendar Year 2013, forecast to enter in FY 20	0	0	0	0	0	0
Colombia Calendar Year 2012, entered in FY 2013	14,514	15,999	0	0	14,514	15,999
Colombia Calendar Year 2013, forecast to enter in F	9,748	10,745	0	0	9,748	10,745
Panama Calendar Year 2012, entered in FY 2013	0	0			0	0
Panama Calendar Year 2013, forecast to enter in FY	6,120	6,746	2,020	2,227	4,100	4,519
Total free trade agreements	155,084	170,951	17,020	18,761	138,064	152,190
Total estimate TRQ entries	876,046	965,675	48,233	53,168	827,813	912,508
Mexico	1,924,139	2,121,000	48,081	53,000	1,876,058	2,068,000
Re-export program imports	117,435	129,450	0	0	117,435	129,450
Sugar syrups, high-tier	9,072	10,000	0	0	9,072	10,000
Total projected imports	2,926,692	3,226,125	96,314	106,168	2,830,378	3,119,957

1/ Total entries from Mexico, quota and non-quota, reflected below.

Source: United States Department of Agriculture, Foreign Agriculture Service, Sugar Monthly Import and Re-Export Data Report, August 2013.

Table 5 -- USDA estimate of sugar imports in FY 2014

	Metric tons, raw value	Short tons, raw value	Metric tons, raw value	Short tons, raw value	Metric tons, raw value	Short tons, raw value
Raw sugar TRQ	1,117,195	1,231,497	0	0	1,117,195	1,231,497
Less other shortfall	-226,796	-250,000	90,719	100,001	-317,515	-350,000
Additional Quota						
Total raw sugar TRQ	890,399	981,497	90,719	100,001	799,680	881,496
Refined sugar TRQ						
Allocation to Canada	12,050	13,283			NA	NA
Allocation to Mexico	NA	NA			NA	NA
Global	8,294	9,143			NA	NA
Specialty						
Base	1,656	1,825	0	0	1,656	1,825
Additional	100,000	110,231			NA	NA
Total refined sugar TRQ	122,000	134,482	100,000	110,231	22,000	24,251
Free Trade Agreements						
CAFTA/DR Calendar Year 2013, entered in FY 2014	27,626	30,452	-12,180	-13,426	39,806	43,879
CAFTA/DR Calendar Year 2014, forecast to enter in	107,994	119,043	12,180	13,426	95,814	105,617
Peru Calendar Year 2013, entered in FY 2014	0	0	0	0	0	0
Peru Calendar Year 2014, forecast to enter in FY 20	2,000	2,205	0	0	2,000	2,205
Colombia Calendar Year 2013, entered in FY 2014	6,429	7,087	-125	-138	6,554	7,225
Colombia Calendar Year 2014, forecast to enter in F	45,071	49,682	125	138	44,946	49,544
Panama Calendar Year 2013, entered in FY 2014	1,620	1,786	0	0	1,620	1,786
Panama Calendar Year 2014, forecast to enter in FY	5,060	5,578	0	0	5,060	5,578
Total Free Trade Agreements	195,800	215,833	0	0	195,800	215,833
Total estimate TRQ entries	1,208,199	1,331,811	190,719	210,232	1,017,480	1,121,580
Mexico	1,767,196	1,948,000	-34,473	-38,000	1,801,669	1,986,000
Re-export program imports	99,790	110,000	0	0	99,790	110,000
Sugar syrups, high-tier	9,072	10,000	0	0	9,072	10,000
Total projected imports	3,084,257	3,399,811	156,246	172,232	2,928,011	3,227,579

1/ Total entries from Mexico, quota and non-quota, reflected below.

Source: United States Department of Agriculture, Foreign Agency Service, Sugar Monthly Import and Re-Export Data Report, August 2013.

The USDA increased its estimate of 2012/13 sugar deliveries to 11.550 million STRV, an increase of 80,000 STRV relative to last month's estimate. Accumulated deliveries through July have totaled 9.470 million STRV, up 3.4 percent relative to the corresponding period last year. Through 10 months, deliveries by beet sugar processors have been 5.0 percent higher than last year, and deliveries by cane sugar refiners/processors have been 2.8 percent higher. The USDA increased its forecast for 2013/14 by 20,000 STRV to 11.600 million STRV. The key to realizing this forecast is a large increase in direct consumption imports (DCI) to about 1.4 million STRV. This DCI level would be a record if realized.

The USDA kept its estimate for 2012/13 other deliveries at 135,000 STRV. This category typically includes deliveries to sugar-containing product manufacturers for export, livestock producers, and manufacturers of polyhydric alcohol. This year it includes CCC deliveries to ethanol producers. As discussed in the previous chapter, these ethanol producer deliveries have been small. Given the slower than expected pace of deliveries for livestock and polyhydric alcohol, the inclusion of the ethanol producer deliveries merely keeps the estimates of other deliveries at the same level as last month.

On the basis of higher than expected miscellaneous adjustments reported in USDA's *Sweetener Market Data* (SMD), the USDA estimates the full-year adjustment at 50,000 STRV. In the WASDE accounting, miscellaneous adjustments are a component of total use.

The USDA calculates ending stocks residually: 2.215 million STRV for 2012/13 and 2.333 million STRV for 2013/14. Corresponding ending stocks-to-use ratios are 18.45 percent for 2012/13 and 19.46 percent for 2013/14. The ratio for 2013/14 in particular presages a continuing oversupply of sugar in the domestic market.

Table 6 -- U.S. sugar: supply and use, by fiscal year (Oct./Sept.)

Items	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
	1,000 short tons, raw value			1,000 metric tons, raw value		
Beginning stocks	1,378	1,979	2,215	1,250	1,796	2,010
Total production	8,488	9,015	8,703	7,700	8,178	7,895
Beet sugar	4,900	5,100	4,950	4,446	4,627	4,491
Cane sugar	3,588	3,915	3,753	3,255	3,552	3,405
Florida	1,828	1,866	1,833	1,658	1,693	1,663
Louisiana	1,438	1,700	1,600	1,305	1,542	1,451
Texas	150	169	140	136	153	127
Hawaii	172	180	180	156	163	163
Total imports	3,632	3,226	3,400	3,295	2,927	3,084
Tariff-rate quota imports	1,883	966	1,332	1,709	876	1,208
Other program imports	664	129	110	602	117	100
Non-program imports	1,085	2,131	1,958	984	1,933	1,776
Mexico	1,071	2,121	1,948	972	1,924	1,767
Total Supply	13,498	14,220	14,318	12,245	12,901	12,989
Total exports	269	270	200	244	245	181
Miscellaneous	-64	50	0	-58	45	0
Deliveries for domestic use	11,313	11,685	11,785	10,263	10,600	10,691
Transfer to sugar-containing products for exports under re-export program	140	100	150	127	91	136
Transfer to polyhydric alcohol, feed	33	35	35	30	32	32
Deliveries for domestic food and beverage use	11,141	11,550	11,600	10,107	10,478	10,523
Total use	11,519	12,005	11,985	10,450	10,891	10,873
Ending stocks	1,979	2,215	2,333	1,796	2,010	2,117
Stocks-to-use ratio	17.18	18.45	19.47	17.18	18.45	19.47

Source: USDA, WASDE, and ERS, *Sugar and Sweetener Outlook*.

Mexico Sugar and HFCS

Comite Nacional Para El Desarrollo Sustentable de la Caña de Azucar (Conadesuca) in Mexico revised its final production for 2012/13 to 6,973,450 metric tons (mt) from a sugarcane crop of 61,438,537 mt harvested from 782,414 hectares (ha), implying a yield of 78.52 mt per hectare. These revised estimates are only slightly different than those reported last month. However, both harvested area and the sugarcane yield are records.

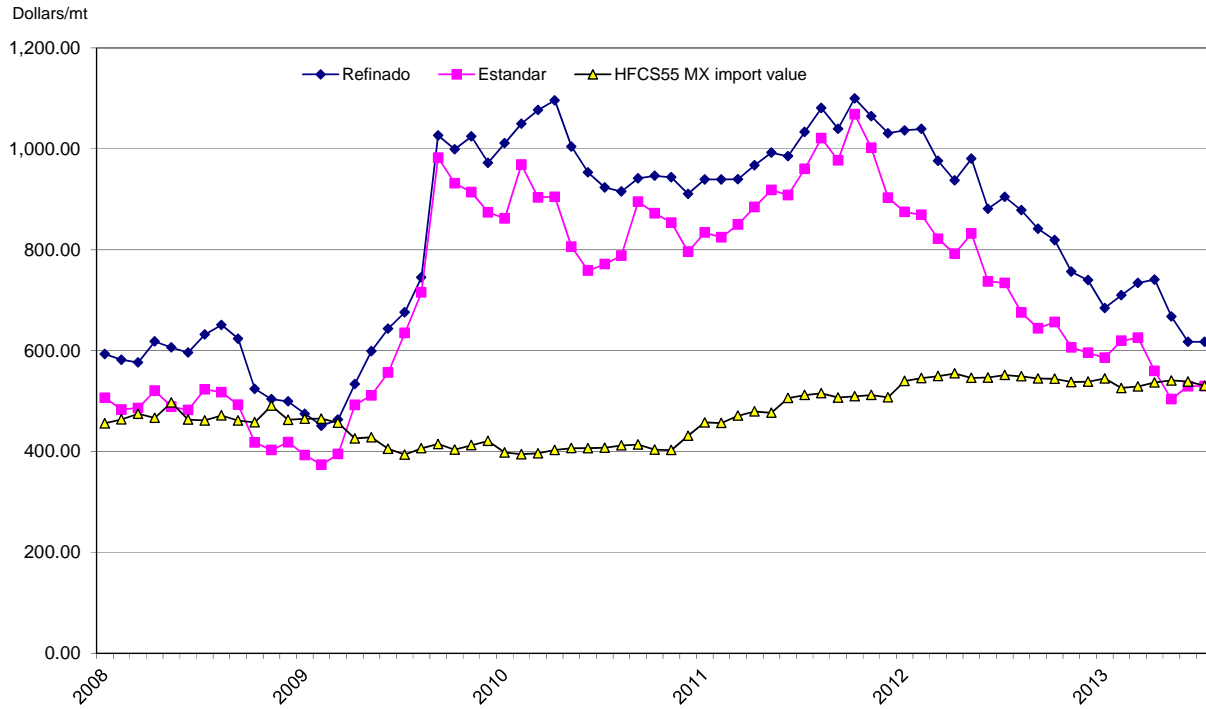
On August 30, Conadesuca released sugarcane planting data from a survey of 36 processors that suggests a 2.3-percent increase in sugarcane area harvested for 2013/14. These 36 processors accounted only for about 70 percent of area harvested in 2012/13, however. On September 12, a major national sugarcane growers' organization projected a 6.600 million mt crop. Conadesuca does not yet have a national production forecast. The USDA is still projecting 2013/14 sugar production at 6.200 million mt but is continuing its ongoing analysis of production potential.

Conadesuca estimates cumulative domestic sugar deliveries through the end of July at 3.587 million mt, about 2.9 percent more than the corresponding period last year. At the end of May, Conadesuca was showing year-over-year growth of 8.7 percent. The May data resulted from a fully audited survey that suggested high estimation reliability. Since May, either deliveries have fallen off dramatically or the data may have become less reliable. In any event, the USDA revised down its estimate of sugar deliveries for human consumption from last month's 4.435 million mt to 4.260 million mt. The new estimate represents 3.0 percent growth year-over-year. Based on data reported by the Mexican Sugar Chamber in September, the USDA increased its estimate of sugar deliveries to Mexico's product re-export program (IMMEX) by 35,000 mt to 375,000 mt. The USDA applied this estimated level to its forecast for 2013/14.

Total estimated sugar deliveries for 2012/13 sum to 4.635 million mt. The USDA did not change its estimate of 2012/13 high fructose corn syrup (HFCS) consumption of 1.565 million mt, dry weight. Total sweetener consumption at 5.825 million represents a 0.5 percent decrease from last year. Per capita sweetener consumption is calculated at 50.1 kilograms, down from 50.9 kilograms for 2011/12.

The USDA derives its 2013/14 sweetener consumption projection by assuming per capita sweetener consumption at the same level as 2012/13; that is, 50.1 kilograms, for a forecast of 5.885 million mt. The USDA forecasts 2013/14 HFCS consumption at 1.410 million mt, a decrease of about 10 percent. As figure 3 shows, domestic sugar prices have fallen dramatically since the end of 2011 and are now very close to the HFCS import unit value. Analysis undertaken by the *Sugar and Sweetener Outlook* suggests the trend in growth in HFCS consumption ceased around the summer of 2012. Continuing decreases in sugar prices, along with smaller increases in HFCS import unit values, have led to a slackening in HFCS imports. The analysis suggests that if the current price parity continues on through the beginning of 2014, HFCS consumption will fall by about 10 percent from 2012/13 levels to the 1.410 million mt forecast. Projected 2013/14 sugar consumption is calculated residually at 4.475 million mt, representing 5 percent growth over 2012/13.

Figure 3
Mexico sweetener values: wholesale sugar prices in Mexico City and high fructose corn syrup unit import values, 2008-2013



Source: SNIIM, Secretariat of Economy.

The USDA increased its estimate of Mexico's sugar exports for 2012/13 by 45,000 mt to 2.000 million mt. The increase stems from USDA's expectation of strong sugar imports coming from Mexico into the United States till the end of the fiscal year in September. Mexico's exports to the United States should total 1.815 million mt, with 185,000 mt going to third countries. Ending sugar stocks are calculated as the difference between total supply and use at 1.454 million mt, implying a stocks-to-domestic consumption ratio of 34.1 percent.

The USDA expects the combined U.S. and Mexican sugar market to be abundantly supplied with sugar in 2013/14. As a consequence, the USDA increased its expected level of the ratio of Mexican ending 2013/14 sugar stocks to domestic consumption to 26 percent from last month's 23 percent. (An ending ratio of 22 percent is usually considered optimal.) The 26-percent ratio implies ending stocks at 1.164 million mt. The USDA projects 2013/14 exports by specifying a level that brings total use plus the ending stocks forecast together with total supply. This is calculated at 1.777 million mt, a decrease of 223,000 mt compared with 2012/13. 2013/14 exports to the United States are forecast at 1.667 million mt. Table 7 shows the Mexico supply and use balance.

Table 7 -- Mexico sugar production and supply, 2011/12 and forecast for 2012/13 and 2013/14

2012/13 Market year (Oct/Sept)	2011/12	2012/13	2013/14
	1,000 metric tons, actual weight		
Beginning stocks	760	966	1,454
Production	5,048	6,973	6,200
Imports	476	150	137
Imports for consumption	237	11	20
Imports for sugar-containing product exports (IMMEX) 1/	240	139	117
Total supply	6,285	8,089	7,791
Disappearance			
Human consumption	4,135	4,260	4,475
For sugar-containing product exports (IMMEX)	344	375	375
Statistical adjustment	-89	0	0
Total	4,390	4,635	4,850
Exports	929	2,000	1,777
Exports to the United States & Puerto Rico	919	1,815	1,667
Exports to other countries	10	185	110
Total use	5,319	6,635	6,627
Ending stocks	966	1,454	1,164
	1,000 metric tons, actual weight		
Beginning stocks	806	1,024	1,541
Production	5,351	7,392	6,572
Imports	505	159	145
Imports for consumption	251	12	21
Imports for sugar-containing product exports (IMMEX)	254	147	124
Total supply	6,662	8,574	8,258
Disappearance			
Human consumption	4,384	4,516	4,744
For sugar-containing product exports (IMMEX)	365	398	398
Statistical adjustment	-95	0	0
Total	4,653	4,913	5,141
Exports	985	2,120	1,884
Exports to the United States & Puerto Rico	974	1,924	1,768
Exports to other countries	11	196	117
Total use	5,638	7,033	7,025
Ending stocks	1,024	1,541	1,233
Stocks-to-human consumption (percent)	23.3	34.1	26.0
Stocks-to-use (percent)	18.2	21.9	17.6
High Fructose Corn Syrup (HFCS) Consumption (dry weight)	1,573	1,573	1,410

Source: United States Department of Agriculture, WASDE and Economics Research Service, *Sugar and Sweeteners Outlook*; Conadesuca.

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

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Data

Tables from the *Sugar and Sweeteners Yearbook* are available in the Sugar and Sweeteners Briefing Room at <http://www.ers.usda.gov/briefing/sugar/>. They contain the latest data and historical information on the production, use, prices, imports, and exports of sugar and sweeteners.

Related Websites

Sugar and Sweeteners Outlook <http://www.ers.usda.gov/Publications/SSS/>
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