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Sugar and Sweeteners Outlook

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NAFTA Sugar November 2014

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The estimate of U.S. 2014/15 total sugar supply is increased 40,000 short tons, raw value (STRV) from last month to 13.729 million. Imports are increased by 135,000 STRV due to a reduction in the 2014/15 raw sugar tariff-rate quota (TRQ) shortfall projection by 101,000 STRV and an expected increase of 34,000 STRV from Mexico. Partially offsetting the import increase are decreases in expected 2014/15 sugar production (down 80,000 to 8.462 million STRV based on changes in processors' forecasts and National Agricultural Statistics Service sugar crop forecasts) and lower beginning stocks (down 14,000). Deliveries for food consumption are increased by 109,000 STRV to 11.859 million. With no other changes, 2014/15 ending stocks are projected 69,000 STRV lower at 1.485 million for a stocks-to-use ratio of 12.1 percent. For 2013/14, complete-year Sweetener Market Data (SMD) imply increased total use of 59,000 STRV offsetting increases in total supply of 45,000 STRV. Ending stocks for 2013/14 are estimated at 1.796 million STRV, and the 2013/14 stock-to-use is 14.3 percent.

Mexico 2014/15 total sugar supply is decreased 37,000 metric tons (MT), with increased beginning stocks (146,000 MT) more than offset by lower expected imports for consumption (183,000 MT). Deliveries for human consumption are decreased by 54,000 MT based on a continuation of reduced sweeteners consumption observed in 2013/14. The ending stocks are forecast at 924,000 MT, 22.0 percent of consumption. Exports for 2014/15 are calculated residually at 1.679 million MT. The 29,000 MT increase in exports is forecast to go to the U.S. market for a new total of 1.354 million MT. For 2013/14, adjustments are made based on complete-year *Comité Nacional Para El Desarrollo Sustentable de la Caña de Azúcar* (Conadesuca) data. The largest change is a reduction of 52,000 MT in Mexico sugar consumption to 4.098 million MT. All other Conadesuca revisions are minor. A miscellaneous statistical adjustment of -95,000 MT is included to account for the difference between U.S. Census estimates of sugar imported from Mexico (1.823 million MT, which the WASDE uses as its estimate of Mexico exports to the United States) and Conadesuca's estimate of exports to the United States (1.727 million MT).

Mexico Sugar Supply and Use

Total sugar supplies for Mexico for 2013/14 decline slightly in November, down 1,000 metric tons (MT), actual weight, from the previous month's estimate. Beginning stocks and production estimates remained unchanged from October's levels. The slight decline in supplies was attributed to a downward adjustment for sugar imports based on the complete market year reporting by the Mexican government agency *Comité Nacional Para El Desarrollo Sustentable de la Caña de Azúcar* (Conadesuca). The agency's report resulted in sugar imports for consumption being lowered 1,000 MT to 9,000 MT. Imports for the IMMEX re-export program remained unchanged.

Table 1 -- Mexico sugar supply and use, 2012/13 - 2013/14 and projected 2014/15, November 2014

Items	2012/13	2013/14 (estimate)	2014/15 (forecast)
	1,000 metric tons, actual weight		
Beginning stocks	966	1,460	831
Production	6,975	6,021	6,140
Imports	217	129	216
Imports for consumption	9	9	0
Imports for sugar-containing product exports (IMMEX) 1/	207	120	216
Total supply	8,157	7,610	7,187
Disappearance			
Human consumption	4,287	4,098	4,200
For sugar-containing product exports (IMMEX)	384	283	384
Statistical adjustment	53	-95	0
Total	4,724	4,285	4,584
Exports	1,973	2,494	1,679
Exports to the United States & Puerto Rico	1,818	1,823	1,354
Exports to other countries	155	671	325
Total use	6,697	6,779	6,263
Ending stocks	1,460	831	924
	1,000 metric tons, raw value		
Beginning stocks	1,024	1,548	881
Production	7,393	6,383	6,508
Imports	230	137	229
Imports for consumption	10	10	0
Imports for sugar-containing product exports (IMMEX)	220	127	229
Total supply	8,646	8,067	7,618
Disappearance			
Human consumption	4,544	4,344	4,452
For sugar-containing product exports (IMMEX)	407	299	407
Statistical adjustment	56	-101	0
Total	5,007	4,542	4,859
Exports	2,091	2,644	1,780
Exports to the United States & Puerto Rico	1,927	1,932	1,435
Exports to other countries	164	711	345
Total use	7,099	7,186	6,639
Ending stocks	1,548	881	980
Stocks-to-human cons. (percent)	34.1	20.3	22.0
Stocks-to-use (percent)	21.8	12.3	14.8
High fructose corn syrup (HFCS) consumption (dry weight)	1,567	1,372	1,420

1/ IMMEX = Industria Manufacturera, Maquiladora y de Servicios de Exportación
Source: USDA, WASDE and ERS, Sugar and Sweeteners Outlook; Conadesuca.

The estimate for deliveries for 2013/14 declined 143,000 MT in November, totaling 4.285 million MT for the year. Deliveries for consumption were reduced 52,000 MT to 4.098 million MT based on complete-year Conadesuca data. Deliveries for the IMMEX program are raised 5,000 MT to 283,000 MT. November's domestic deliveries estimates also include a 95,000 MT downward miscellaneous adjustment to account for discrepancies between U.S. and Mexican trade data. Exports are reduced by a slight 4,000 MT decrease to 2.494 million MT, as estimated Mexican exports to the United States are increased by 5,000 MT while exports to other destinations are reduced by 9,000 MT.

Overall, with the reduction in estimated 2013/14 Mexican sugar supplies being less than the reduction in estimated deliveries, ending stocks for the year increase 146,000 MT to 831,000 MT. This represents a 43.1-percent decline from 2012/13 ending stocks. The Mexican stocks-to-consumption ratio increased from October's estimate of 16.5 percent to 20.3 percent.

For 2014/15, estimates of total supplies of Mexican sugar are reduced 37,000 MT in November to 7.187 million MT. There is no change in forecast production of 6.140 million MT, based on area remaining unchanged from 2013/14 and trend sugarcane yields and recovery rates. Beginning stocks are increased 146,000 MT to match the increase in the previous year's ending stocks of 831,000 MT. This increase is more than offset by the 183,000 MT reduction in the import forecast for the year, being all accounted for by imports for consumption. Mexican sugar import demand is expected to soften due to growing evidence of adequate domestic supplies and continuing declines in domestic consumption forecasts (as noted in the subsequent paragraph on domestic deliveries). As a result, sugar imports in 2014/15 are forecast come exclusively through the IMMEX program.

Estimates for domestic consumption in 2014/15 declined 54,000 MT in November, totaling 4.200 million MT for the year, in keeping with the declines in Conadesuca's reporting for consumption in 2013/14. Deliveries associated with the IMMEX program remained unchanged at 384,000 MT. Exports—which are calculated residually—are increased 29,000 MT in November, as relatively lower expected domestic consumption leaves additional supplies available for the international market. The United States is expected to be the destination for these additional supplies, with forecast exports to the United States raised to 1.354 million MT. This would represent a 32.7 percent decline from the 2013/14 estimate, however.

Estimates for ending stocks for 2014/15 are lowered 12,000 MT in November, falling to 924,000. With lower domestic consumption forecast, however, the stocks-to-consumption ratio remains unchanged at 22.0 percent.

United States Sugar Supply and Use

For 2013/14, there are no changes to the beginning stocks for U.S. sugar, totaling 2.158 million short tons, raw value (STRV). The production estimate is increased 42,000 STRV based on the complete fiscal year Sweetener Market Data (SMD) reported by the Farm Services Agency, based on information provided by processors. Beet sugar is raised 44,000 STRV to 4.794 million STRV. Cane sugar is reduced by 2,000 STRV to 3.663 million STRV, with relatively small downward adjustments to Louisiana's forecast eclipsing slightly higher production estimates for Hawaii and Texas. Imports are increased 3,000 STRV to 3.706 million STRV based on estimates from Foreign Agricultural Service (FAS) data (based, in turn on U.S. Customs and U.S. Census trade data). Overall, estimated total supplies for 2013/14 are 45,000 STRV higher than in October.

Table 2 -- U.S. sugar: supply and use, by fiscal year (Oct./Sept.), November 2014.

Items	2012/13			2013/14			2014/15		
	2012/13	(estimate)	(forecast)	2012/13	(estimate)	(forecast)	2012/13	(estimate)	(forecast)
	1,000 Short tons, raw value			1,000 metric tons, raw value					
Beginning stocks	1,979	2,158	1,796	1,796	1,958	1,629			
Total production	8,981	8,457	8,462	8,148	7,672	7,677			
Beet sugar	5,076	4,794	4,870	4,605	4,349	4,418			
Cane sugar	3,905	3,663	3,592	3,543	3,323	3,259			
Florida	1,867	1,759	1,770	1,694	1,595	1,606			
Louisiana	1,686	1,591	1,520	1,530	1,443	1,379			
Texas	173	145	122	157	132	111			
Hawaii	179	168	180	163	153	163			
Total imports	3,224	3,706	3,471	2,925	3,362	3,149			
Tariff-rate quota imports	957	1,302	1,479	868	1,181	1,341			
Other program imports	136	269	400	124	244	363			
Non-program imports	2,131	2,135	1,592	1,933	1,937	1,444			
Mexico	2,124	2,130	1,582	1,927	1,932	1,435			
Total supply	14,185	14,321	13,729	12,868	12,992	12,455			
Total exports	274	307	250	249	279	227			
Miscellaneous	-24	0	0	-22	0	0			
Deliveries for domestic use	11,776	12,218	11,994	10,683	11,084	10,881			
Transfer to sugar-containing products for exports under reexport program	80	82	100	73	74	91			
Transfer to polyhydric alcohol, feed, other alcohol	32	29	35	29	27	32			
Commodity Credit Corporation (CCC) sale for ethanol, other	153	316	0	139	287	0			
Deliveries for domestic food and beverage use	11,511	11,791	11,859	10,442	10,697	10,758			
Total Use	12,025	12,525	12,244	10,909	11,363	11,108			
Ending stocks	2,160	1,796	1,485	1,959	1,629	1,347			
Private	1,844	1,796	1,485	1,672	1,629	1,347			
Commodity Credit Corporation (CCC)	316	0	0	287	0	0			
Stocks-to-use ratio	17.96	14.34	12.13	17.96	14.34	12.13			

Source: USDA, ERS, Sugar and Sweetener Outlook.

Errata: On November 25, 2014, the 2013/14 estimates and 2014/15 forecasts for "Transfer to polyhydric alcohol, feed, other alcohol" and "Commodity Credit Corporation (CCC) sale for ethanol, other" were corrected.

The estimate for U.S. domestic deliveries for 2013/14 are raised 77,000 STRV to 12.218 million STRV. The increase is based on a combination of higher deliveries as reported by SMD (86,000 STRV higher), and an additional miscellaneous amount (5,000 STRV) calculated residually to balance total supply and total use. Exports are reduced 18,000 STRV to 307,000 STRV based on SMD.

Ending stocks for 2013/14 are reduced 14,000 STRV to 1.796 million STRV. The stocks-to-use ratio is forecast to be 14.3 percent for the year, slightly lower than the previous month's forecast of 14.5 percent and below the 17.9 percent estimate for 2012/13.

For 2014/15, beginning stocks are forecast to be 1.796 million STRV, carrying over from the adjustments for 2013/14 estimates. Production is lowered 80,000 STRV to 8.462 million STRV in November. Beet sugar production is decreased 100,000 STRV based on National Agricultural Statistics Service (NASS) and SMD reports. NASS projected national yields for sugarbeets at 27.4 tons per acre, compared with 28.0 tons per acre the previous month. Forecasts submitted to SMD also indicated a reduction in expected production, showing a decline in both sugarbeet yields and sucrose content, which more than offset a relatively small increase in area harvested. Cane sugar production is increased 20,000 STRV to 3.592 million STRV. This increase is accounted for by production forecasts in Louisiana, also based on increases in sugar crop production from both SMD and NASS.

Total imports in 2014/15 are increased 135,000 STRV to 3.471 million STRV. The expected raw sugar tariff-rate quota (TRQ) shortfall is reduced by 101,000 STRV based on FAS analysis. The total TRQ is forecast to account for 1.479 million STRV. The reduced shortfall is primarily due to the expectation that several countries with TRQ allocations that historically are not filled will ship to the United States in FY 2015. EU sugar policy and market reforms are expected to be a factor for several of these countries, with the U.S. market expected to be relatively more attractive for exporters than alternative markets. Other program imports remain unchanged at 400,000 STRV. Imports from Mexico are increased 34,000 STRV based on the analysis of the Mexican supply and use situation described above.

Deliveries for human consumption in 2014/15 are raised 109,000 STRV in November to 11.859 million STRV based on underlying consumption trends. All other domestic deliveries remain unchanged. Exports also remain unchanged at 250,000 STRV.

Ending stocks for 2014/15, which are calculated as a residual value between total supplies and use, are lowered 69,000 STRV to 1.485 million STRV. The implied stocks-to-use ratio is 12.1 percent, which is a decrease from the previous month's forecast of 12.8 percent and the 2013/14 estimate of 14.3 percent.

United States and Mexico Reach an Agreement as Preliminary Duties Set

On October 27, 2014, the Department of Commerce announced its affirmative determination in the anti-dumping investigation of sugar imported from Mexico. Commerce set dumping margins on sugar from Mexican sugar processors ranging from 39.54 percent to 47.26 percent. These preliminary duties come after the agency imposed preliminary countervailing duties in August ranging from 2.99 to 17.01 percent on sugar derived from sugarbeets and sugarcane. As a result of the determination, U.S. Customs and Border Control will require cash deposits on sugar products covered under the investigation.

Also on October 27, the department announced a draft agreement with the Government of Mexico to suspend the anti-dumping and countervailing duty investigations. The terms of the agreement include:

- Required export licenses for sugar to enter the United States from Mexico.
- Minimum reference prices of 23.57 cents per pound for refined sugar and 20.75 cents per pound for all other sugar.

- Export limits, based on a formula to determine expected U.S. needs for imported sugar. The estimates provided in specific WASDE reports would provide the data to calculate the quantities to determine Mexican market access.
- Limits on the amount of refined sugar that can enter the United States under the suspension agreement.
- Limits on the timing of shipments—specifically, the amount of sugar that could be shipped prior to December 31 and March 31 of the marketing year.

Interested parties were asked to provide comments on the draft agreement until November 18, 2014. The investigations would be suspended upon a final agreement. If an agreement is not reached, the anti-dumping and countervailing duty investigations would continue and the preliminary duties would remain in place. The Mexican supply and use forecasts provided in the November WASDE do not reflect market conditions that would take place under the draft agreement, as those terms were not finalized and signed at the report's release.

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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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