Sugar and Sweeteners Outlook

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U.S. Sugar Production Projected To Increase in 2020/21, Raising Sugar Supplies

Sugar production in North America is expected to increase in 2020/21, as sugarbeet and sugarcane growers in the United States and Mexico are expected to see more normal weather conditions and better crop production. As a result, the United States is projected to import less sugar in 2020/21. Imports from Mexico, however, are projected to be higher.

U.S. domestic deliveries in 2020/21 are projected to be flat with the current 2019/20 estimates. The strong pace of deliveries in the United States through the first half of 2019/20 is clouded by economic uncertainties and drastic changes to food marketing channels due to COVID-19.
United States Outlook

U.S. Sugar Supplies Projected To Rebound in 2020/21, as Domestic Production Increases From Previous Year

In the USDA’s May *World Agricultural Supply and Demand Estimates* (WASDE), the United States total sugar supply for 2020/21 is projected to be 13.733 million short tons, raw value (STRV). This would a 1.4-percent increase from the 2019/20 estimate. Domestic production is projected to be 9.005 million STRV—increasing 10.9 percent from the current year’s relatively low production levels. Higher production more than offsets the 8.0-percent year-over-year decline in projected imports.

<table>
<thead>
<tr>
<th>Table 1: U.S. sugar: Supply and use, by fiscal year (Oct./Sept.), May 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Items</strong></td>
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<tr>
<td>----------</td>
</tr>
<tr>
<td>Beginning stocks</td>
</tr>
<tr>
<td>Total production</td>
</tr>
<tr>
<td>Beet sugar</td>
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<tr>
<td>Cane sugar</td>
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<tr>
<td>Florida</td>
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<tr>
<td>Louisiana</td>
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<td>Texas</td>
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<td>Hawaii</td>
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<tr>
<td>Total imports</td>
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<tr>
<td>Tariff-rate quota imports</td>
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<tr>
<td>Other program imports</td>
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<td>Non-program imports</td>
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<tr>
<td>Mexico</td>
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<tr>
<td>High-duty</td>
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<tr>
<td>Total supply</td>
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<tr>
<td>Total exports</td>
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<tr>
<td>Deliveries for domestic use</td>
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<tr>
<td>Transfer to sugar-containing products for exports under re-export program</td>
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<tr>
<td>Transfer to polyhydric alcohol, feed, other alcohol</td>
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<tr>
<td>Commodity Credit Corporation (CCC) sale for ethanol, other</td>
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<tr>
<td>Deliveries for domestic food and beverage use</td>
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<tr>
<td>Total use</td>
</tr>
<tr>
<td>Ending stocks</td>
</tr>
<tr>
<td>Private</td>
</tr>
<tr>
<td>Commodity Credit Corporation (CCC)</td>
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<tr>
<td>Stocks-to-use ratio</td>
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</tbody>
</table>

Sugarbeet Planting for the 2020/21 Crop Remains Behind Average Pace, Slightly Ahead of Previous Year

The planting season for most sugarbeet-producing States takes place in April and May. Through May 10, 60 percent of the U.S. sugarbeet crop had been planted according to the National Agricultural Statistics Service (NASS). This is slightly ahead of last year's pace, which was 54 percent by this time in the year. The pace has been impacted by a relatively slow pace set by Minnesota and North Dakota, which includes the key production region in the Red River Valley that straddles the two States. Colder spring weather conditions have kept the planting pace behind average in several States.

Figure 1
Planting progress by State, 2018 (green), 2019 (red), 2020 (blue), average (black), and range (gray), since 2000

Source: USDA, National Agricultural Statistics Service.
Planting sugarbeets in a timely manner is typically correlated with achieving higher yields, as it allows the plant to establish itself before the key growth and development phases that occur during the warmer summer months. Sugarbeet yields during the past 2 years have been lower than the longer term trend, from a combination of difficult planting seasons, challenging harvest conditions, and—in some regions—suboptimal growing conditions. The May WASDE’s beet sugar production forecast is based on a national sugarbeet yield of 30.1 short tons per acre, based on an Olympic average of yields going back to 2012/13. This approach was chosen due to the sluggish pace of planting and because yields over the past few years have not followed the same upward trend that had been prevalent earlier. This forecast puts yields above the previous year, but lower than a longer term trend model.

In its March Prospective Plantings report, the National Agricultural Statistics Service (NASS) showed sugarbeet planted acreage at 1.139 million acres—a slight 0.6-percent increase from 2019/20. Assuming a normal ratio of planted-to-harvested acres—excluding the 2019/20 crop—sugarbeet production for 2020/21 would be 33.672 million short tons. Beet sugar production is projected to be 4.965 million STRV, based on this sugarbeet production forecast and assuming...
processing parameters that are in line with historical averages. This would represent a 13.7-percent increase over the revised 2019/20 estimate of 4.285 million STRV.

| Table 2: Beet sugar production projection calculation, 2019/20 and 2020/21 |
|-----------------|-------|-------|-------|-------|-------|-------|-------|
| April    | May       |       |       |       |       |       |
| Sugarbeet production (1,000 short tons) 1/ | 35,371 | 36,881 | 35,325 | 33,282 | 28,600 | 28,600 | 33,671 |
| Sugarbeet shrink | 6.5%  | 6.3%  | 7.3%  | 5.2%  | 5.7%   | 5.7%   | 6.6%    |
| Sugarbeet sliced (1,000 short tons) | 33,066 | 33,634 | 32,742 | 31,561 | 26,984 | 26,984 | 31,454 |
| Sugar extraction rate from slice | 14.58% | 13.72% | 15.18% | 14.77% | 14.34% | 14.31% | 14.51% |
| Sugar from beets slice (1,000 STRV) 2/ | 4,820 | 4,643 | 4,970 | 4,660 | 3,870 | 3,861 | 4,564 |
| Sugar extraction rate from slice | 14.58% | 13.72% | 15.18% | 14.77% | 14.34% | 14.31% | 14.51% |
| Sugar from molasses (1,000 STRV) 2/ | 380 | 352 | 368 | 352 | 337 | 337 | 360 |
| Crop-year sugar production (1,000 STRV) 2/ | 5,201 | 4,995 | 5,338 | 5,012 | 4,207 | 4,198 | 4,924 |
| August-September sugar production (1,000 STRV) | 668 | 608 | 715 | 655 | 582 | 582 | 633 |
| August-September sugar production of subsequent crop (1,000 STRV) | 606 | 715 | 655 | 562 | 633 | 633 | 638 |
| Sugar from imported beets (1,000 STRV) 3/ | -- | -- | -- | -- | 40 | 36 | 36 |
| Fiscal year sugar production (1,000 STRV) 3/ | 5,119 | 5,103 | 5,279 | 4,939 | 4,296 | 4,285 | 4,965 |

Note: STRV = short tons, raw value.

Cane sugar production in 2020/21 is projected to be 4.040 million STRV, a 7.4-percent increase from the current 2019/20 estimate of 3.740 million STRV. The first official NASS statistics for the 2020/21 crop won’t be released until the June 30 Acreage report. The current forecasts are based on historical averages of harvested area, yields, and recovery rates. Florida is projected to produce 2.105 million STRV of sugar, a slight 0.2-percent increase from current 2019/20 estimates. Louisiana is projected to produce 1.800 million STRV—a 16.0-percent increase based on the State-average yield returning to levels comparable with 2017/18 and 2018/19. Texas production is projected to be 135,000 STRV.

Deliveries Outlook for 2019/20 Unchanged as Markets Continue Adjusting to COVID-19-Related Developments

U.S. sugar use in 2019/20 is estimated to total 12.265 million STRV, unchanged from the April forecast. Domestic deliveries for food and beverage use are estimated at 12.125 million STRV, also unchanged from the previous month. Although forecast volumes have not been revised, there is considerable change and adjustment taking place within the U.S. sugar sector due to COVID-19 and its effects on consumer behavior and public policies.

Through reporting in the Farm Service Agency’s Sweetener Market Data (SMD) for March—which represents the half-way point of the fiscal year—total deliveries have been 6.116 million STRV, which is 2.9 percent higher than the same period in 2018/19. As expected, deliveries from beet sugar processors are down 2.9 percent and cane sugar refiners’ deliveries are 5.6 percent larger. This trend was anticipated due to the poor sugarbeet harvest conditions in the late fall of 2019 that reduced the sugarbeet crop. The unanticipated sugarbeet shortage forced
several companies to declare force majeure, reducing the amount of sugar deliveries that were previously contracted. In response, cane sugar refineries have increased their throughput in early 2020. The cane sugar refining sector’s response was particularly pronounced in March, with the sector’s melt rate (the amount of raw sugar processed into refined sugar) far surpassing historical levels. This spike reflects the increased demand for cane sugar due to tight beet sugar supplies.

### Table 3: Food and beverage deliveries, 2014/15 to 2019/20, October through March

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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,000 STRV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Percent</td>
</tr>
<tr>
<td>Beet sugar processors</td>
<td>2,352</td>
<td>2,179</td>
<td>2,600</td>
<td>2,645</td>
<td>2,455</td>
<td>2,382</td>
<td>-2.9</td>
</tr>
<tr>
<td>Cane sugar refiners</td>
<td>3,033</td>
<td>3,174</td>
<td>2,998</td>
<td>2,946</td>
<td>3,105</td>
<td>3,279</td>
<td>5.6</td>
</tr>
<tr>
<td>Total reporters</td>
<td>5,385</td>
<td>5,354</td>
<td>5,598</td>
<td>5,591</td>
<td>5,560</td>
<td>5,661</td>
<td>1.8</td>
</tr>
<tr>
<td>Nonreporter, direct consumption</td>
<td>267</td>
<td>425</td>
<td>302</td>
<td>343</td>
<td>384</td>
<td>454</td>
<td>18.2</td>
</tr>
<tr>
<td>Total deliveries</td>
<td>5,652</td>
<td>5,779</td>
<td>5,900</td>
<td>5,934</td>
<td>5,944</td>
<td>6,116</td>
<td>2.9</td>
</tr>
<tr>
<td>Final fiscal year deliveries 1/</td>
<td>11,921</td>
<td>11,881</td>
<td>12,102</td>
<td>12,048</td>
<td>12,106</td>
<td>12,125</td>
<td>0.2</td>
</tr>
</tbody>
</table>

1/ Latest WASDE estimate for 2019/20.
Source: USDA, Farm Service Agency.

### Figure 2

**Sugarcane refiners melt, monthly, 2016/17 to 2019/20**
In addition to the adjustments that have taken place between the beet and cane sectors in the United States, sugar markets have also been forced to adjust to substantial shifts in consumer behavior. Since confirmed cases of COVID-19 have increased in the United States and public policies have encouraged social distancing, consumers have significantly increased food consumption at home—abruptly reversing longstanding trends in the United States. This has created significant logistical, packaging, and marketing changes for the U.S. sugar sector, as the market has rebalanced supplies between away-from-home consumption (such as the hospitality and foodservice sectors) and at-home consumption (such as retail grocers and food manufacturing).

The impacts of these shifts can be seen in the SMD’s reporter delivery data, which includes reported deliveries by the packaging categories consumer-sized packaging (less than 50 lb. bags), packages greater than 50 lbs., unpackaged (bulk), and noncrystalline (liquid) shipments. The March data shows a significant increase in consumer-sized packaging compared with a statistically modeled baseline forecast, likely representing increased demand for bags of sugar purchased by households at retail markets. Deliveries in the form of packages of more than 50 lbs., and liquid sugar were also higher than the baseline average, although deliveries were within the expected range. Deliveries of bulk sugar—which is the largest segment of the industry—were lower than the baseline average, but also within the expected range.

The data reported through March, however, still does not fully capture the impact of the abrupt change in National economic activity that has taken place in recent weeks. The impacts of past and recent developments are expected to be reflected in future data. Deliveries data going forward will likely show adjustments that take place over an extended period as consumers and the food sector continue to adjust to dynamic and uncertain market conditions.
Figure 3
Consumer-sized packages, actual sugar deliveries (red), modeled deliveries (gray), and 80% confidence interval (black)

Source: USDA, Farm Service Agency.

Figure 4
Larger (more than 50 lbs.) packages, actual sugar deliveries (red), modeled deliveries (gray), and 80% confidence interval (black)

Source: USDA, Farm Service Agency.
Figure 5

**Bulk shipments, actual sugar deliveries (red), modeled deliveries (gray), and 80% confidence interval (black)**

Source: USDA, Farm Service Agency.

Figure 6

**Liquid shipments, actual sugar deliveries (red), modeled deliveries (gray), and 80% confidence interval (black)**

Source: USDA, Farm Service Agency.
Domestic Deliveries for 2020/21 Projected To Remain Flat From 2019/20 Estimates

The outlook for sugar deliveries in 2020/21 is also affected by the current market uncertainties. The impacts of COVID-19 are expected to spill over into fiscal year 2020/21, which begins October 1. The May WASDE projects domestic deliveries for food and beverage use to be 12.125 million STRV, with no growth expected from the current 2019/20 estimate.

Sugar demand in the United States is not sensitive to changes in price or income. Macroeconomic uncertainties are not expected to impact consumer demand for sugar or products that contain sugar. The continued trend of at-home food consumption is expected to be a significant economic factor affecting sugar use. If certain significant sugar-using sectors continue to see reduced economic activity, this will likely have an impact on the overall throughput in the sugar-producing industry—even if consumers’ diet and intake remain largely unchanged. Additionally, there are often lagged impacts on sugar deliveries from previous market disruptions. This has been evident in past events such as hurricanes, periods of policy changes or uncertainty, or temporary reductions in production capacities. Current events are expected to affect the sugar market in the several subsequent months or business quarters. The 2020/21 projection in sugar use reflects this uncertainty.

Sugar Imports in 2020/21 Expected To Be Lower Than Current 2019/20 Estimates

Sugar imports into the United States are expected to be less in 2020/21, as domestic production is forecast to return to levels consistent with historical averages. Imports for 2020/21 are projected to total 3.456 million STRV, an 8.0-percent decline from current 2019/20 estimates. Imports under quota programs are projected to be 1.395 million STRV. The additional Specialty Sugar Tariff-Rate Quota (TRQ) for 2020/21 has not yet been announced by the Secretary of Agriculture and therefore has not yet been included in the projection.

Imports from Mexico are projected to be 1.660 million STRV, based on the calculation of U.S. Needs—although the first U.S. Department of Commerce (USDOC) calculation to determine Mexico’s Export Limit will not be made until after the July WASDE.

High-tier imports, which enter the United States at the full-duty rate, are projected at 50,000 STRV for 2020/21. This is lower than the current 2019/20 forecast of 150,000 STRV, due to the expectation of increased supply availability in the coming fiscal year. This is supported by the
lower wholesale spot prices quoted for 2020/21—particularly beginning in January 2021, after the domestic sugarbeet harvest has been completed.

Imports for 2019/20 are estimated to be 3.731 million STRV, a 149,000-STRV reduction from the previous month’s forecast. The reduction is due to fewer imports from Mexico anticipated for the current fiscal year. Mexico’s production outlook is also reduced, based on the most recent harvest information produced in Mexico.
Mexico Outlook

Mexico 2019/20 Sugarcane Harvest Shows Signs of Ending, Lowering Production Outlook

Sugar production in Mexico for 2019/20 is estimated at 5.125 million metric tons, actual value (MT), a 110,000-MT decrease from the April outlook. Less domestic production and lower domestic supplies result in lower exports forecast for the year.

Table 4: Mexico sugar supply and use, 2018/19 - 2019/20 and projected 2020/21, May 2020

<table>
<thead>
<tr>
<th>Items</th>
<th>2018/19</th>
<th>2019/20 (estimate)</th>
<th>2020/21 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning stocks</td>
<td>1,395</td>
<td>1,169</td>
<td>953</td>
</tr>
<tr>
<td>Production</td>
<td>6,426</td>
<td>5,125</td>
<td>6,100</td>
</tr>
<tr>
<td>Imports</td>
<td>85</td>
<td>89</td>
<td>89</td>
</tr>
<tr>
<td>Imports for consumption</td>
<td>22</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Imports for sugar-containing product exports, IMMEX 1/, other</td>
<td>63</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Total supply</td>
<td>7,905</td>
<td>6,383</td>
<td>7,142</td>
</tr>
<tr>
<td>Disappearance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human consumption</td>
<td>4,092</td>
<td>4,057</td>
<td>4,140</td>
</tr>
<tr>
<td>For sugar-containing product exports (IMMEX)</td>
<td>460</td>
<td>435</td>
<td>435</td>
</tr>
<tr>
<td>Other deliveries and end-of-year statistical adjustment</td>
<td>-20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>4,532</td>
<td>4,492</td>
<td>4,575</td>
</tr>
<tr>
<td>Exports</td>
<td>2,204</td>
<td>938</td>
<td>1,614</td>
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<tr>
<td>Exports to the United States &amp; Puerto Rico</td>
<td>856</td>
<td>899</td>
<td>1,421</td>
</tr>
<tr>
<td>Exports to other countries</td>
<td>1,348</td>
<td>39</td>
<td>193</td>
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<tr>
<td>Total use</td>
<td>6,737</td>
<td>5,430</td>
<td>6,189</td>
</tr>
<tr>
<td>Ending stocks</td>
<td>1,169</td>
<td>953</td>
<td>953</td>
</tr>
</tbody>
</table>

Source: USDA, World Agricultural Outlook Board; USDA, Economic Research Service; Conadesuca.
Drought conditions that have affected most sugarcane-producing regions in Mexico continue to lower the domestic production outlook for 2019/20. Through May 2, the sugarcane harvest was beginning to see weekly harvested acres fall significantly from previous weeks, according to Conadesuca. Sugar production totals have likewise fallen steadily. With more than one-third of Mexico’s sugar mills reporting completion for this challenging season, prospects for sugar production have been reduced. Production is estimated to be 5.125 million MT in the May WASDE, a 110,000-MT reduction from the previous month.

Production is projected to rebound in 2020/21, increasing 19.0-percent to 6.100 million MT based on a return to normal weather and growing conditions. The production outlook will be adjusted with the meteorological conditions reported in sugarcane-growing regions in Mexico during the spring and summer growing seasons.

**Domestic Deliveries Strong Through First-Half of Fiscal Year**

Based on the latest data published by Conadesuca, domestic deliveries in Mexico have shown strength through March. Domestic deliveries for human consumption are up 7.4 percent through the first-half of the fiscal year. This is partially offset by a 3.9-percent decline in high-fructose
corn syrup (HFCS) deliveries. As with the United States, however, the impacts of the COVID-19 outbreak create uncertainty. The current 2019/20 estimate for domestic deliveries for human consumption is unchanged from the previous month at 4.057 million MT. Deliveries of HFCS are reduced 35,000 MT to 1.493 million MT.

Total domestic sugar deliveries in 2020/21 are projected to increase 1.9 percent. The growth is expected to come from deliveries for human consumption, which is projected at 4.140 million MT—or 2.1-percent higher than the current 2019/20 estimate. The forecast is based on steady per capita consumption rates for total sweeteners, but with sugar capturing a higher share of the total. Deliveries of HFCS are projected to total 1.493 million MT, unchanged from the 2019/20 estimate. Deliveries to the IMMEX program are projected to total 435,000 MT, the same amount as estimated for the current year.

Trade Outlook Lowered Based on Fewer Supplies

The reduced 2019/20 production outlook for Mexico results in less sugar available for export. Mexico is estimated to ship 938,000 MT of sugar overseas—a 127,000-MT reduction from the
previous month’s forecast. The reduction is expected to be from shipments to the United States—which accounts for nearly the entirety of Mexico’s exports. Exports to the United States are estimated at 899,000 MT. Exports to other countries are estimated at 39,000 MT. The current export levels result in Mexico’s ending stocks for 2019/20 estimated at 953,000 MT, which equates to 2-½ months of 2020/21 domestic deliveries, covering the period between the end of September and when the 2020/21 production begins to come to market in December.

The current 2 ½ month-ending stocks is based on stated policy by Conadesuca. One policy action that has been reportedly in discussion is lowering the ending stock target to 2 months of domestic consumption. If this were done, it would allow additional 2019/20 supplies to be shipped as exports. Such a change in the outlook would not be incorporated into the WASDE estimates unless it were officially announced by Mexican authorities.

Exports in 2020/21 are projected to total 1.614 million MT, as a rebound in domestic production will allow for additional supplies to be marketed overseas. Exports to the United States are projected to be 1.421 million MT. This total is based on the calculated U.S. Needs, as well as an assumption that the Specialty Sugar TRQ is comparable to the 2019/20 quota. The outlook for exports to the United States will be updated along with announcements and decisions made regarding the Suspension Agreements by the USDOC. Exports to other countries in 2020/21 are projected at 193,000 MT. This level of exports would allow Mexico to maintain enough ending stocks to carry the country into 2021/22.