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Sugar and Sweeteners Outlook

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NAFTA Sugar January 2015

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Approved by the World Agricultural Outlook Board.

No changes were made to the 2013/14 U.S. supply and use balance. For 2014/15, total supplies were lowered slightly from the previous month to 13.910 short tons, raw value (STRV). No changes were made to beginning stocks or domestic production. Total imports were lowered 9,412 STRV from the previous month. This decline is based on an expected increase in imports from tariff-rate quota countries (up 13,007 STRV) and lower imports expected from Mexico (down 22,419 STRV) due to signed agreements between the Department of Commerce and the Government of Mexico that suspend the anti-dumping (AD) and countervailing duty (CVD) investigations against sugar from Mexico. Projections for domestic deliveries and exports remain unchanged from the previous month. Ending stocks are down 9,412 STRV, reflecting the relatively lower supplies due to fewer imports. The stocks-to-use ratio is 13.6 percent, down slightly from last month's projected 13.7 percent.

No changes were made to Mexico's 2013/14 supply and use balance. For 2014/15, projected Mexican production was increased 11,372 metric tons, actual value (MT), based on the first estimate for the Mexican 2014/15 crop year from Mexico's Comité Nacional Para Desarrollo de la Caña de Azúcar (Conadesuca). Imports remain unchanged from the previous month. Total supplies were increased to 7.174 MT, with monthly changes all reflective of production increases. Exports were lowered 19,187 MT due to the terms of the agreement to suspend the U.S. AD/CVD agreements. Domestic deliveries remain unchanged. Ending stocks were increased 30,559 MT to 954,559 MT, which represents a 22.7 percent stocks-to-domestic-consumption ratio.

The Department of Commerce and the Government of Mexico signed agreements on December 19, 2014, that suspend the U.S. AD and CVD investigations against sugar from Mexico. The terms of the suspension agreements include a price floor for both refined sugar and other sugar and quantity limits on exports, based on a calculation of U.S. needs using data from specific government reports. A "request for review of the suspension agreement" filed by members of the industry with the U.S. International Trade Commission (ITC) could result in the agreement being nullified or renegotiated. The agreement became effective when signed in December and will remain in place while the ITC conducts its review.

Developments in the Anti-dumping/Countervailing Duty Case Against Sugar from Mexico

On December 19, 2014, officials from the U.S. Department of Commerce and the Government of Mexico signed a pair of agreements that suspended the anti-dumping (AD) and countervailing duty (CVD) investigations of the U.S. Commerce Department's International Trade Administration and the U.S. International Trade Commission (ITC). The signed agreement made several changes to the initial draft agreement that was released in October. Earlier in the year, the Department of Commerce set preliminary duty rates against sugar imported from Mexico. The agreement lays out terms in which sugar from Mexico can be imported. The terms of the final agreement include:

- Refined sugar, defined as sugar with a polarity of 99.5 and above. This polarity level is lower than the definition in the October draft agreement of 99.9 and above. As a result, some Mexican *estandar* sugar will be treated as refined sugar under the agreement.
- Minimum prices for Mexican sugar imported into the United States of 26 cents per lb. for refined sugar (as defined in the agreement) and 22.25 cents per lb. for all other sugar (essentially raw sugar).
- A limit to the amount of sugar that can be imported from Mexico during a fiscal year, based on a calculation of total "U.S. Needs." The calculation is based on USDA forecasts provided in certain *World Agricultural Supply and Demand Estimates* (WASDE) reports. The formula for U.S. Needs is calculated as the difference between a proportion of total use (113.5 percent of total use, which would imply a 13.5 percent stocks-to-use ratio) and the expected total domestic supply (beginning stocks and production), imports from TRQs and other import programs, and any expected imports from destinations other than Mexico, including high tier imports. This amount, defined as U.S. Needs, establishes the base for which additional calculations for Mexican sugar imports are determined.
- The method for calculating U.S. Needs for each year, which will be determined using the July, September, December, and March WASDE reports, as follows:.
    - The agreement defines Export Limit Periods that begin on October 1, January 1, and April 1. Export Limits for each period will be determined by the WASDE report released in the prior month.
    - The Export Limit is calculated as a percentage of the U.S. Needs calculation. The Export Limit is set at 70 percent of U.S. Needs from the July WASDE calculation, 80 percent from the December calculation, and 100 percent of the March calculation. The Export Limit will be adjusted based on these percentages at each period, unless that amount is less than the Export Limit of the previous period. In that case, the Export Limit from the previous period will remain.
    - The initial calculation for U.S. Needs for FY2015 will be determined by the forecasts published in the December WASDE and set to 80 percent of U.S. needs (as discussed later in this report).
- Stipulation that the Export Limit can be increased to address potential shortages or additional needs that may occur. This would be done by the Department of Commerce at the written request of USDA.
- Several conditions that restrict the shipping patterns of Mexican sugar imported into the United States: No more than 30 percent of the current fiscal year's U.S. Needs (as calculated from the July WASDE) may be imported into the United States prior to December 31. Additionally, no more than 55 percent of U.S. Needs (as calculated by the December WASDE) may be imported prior to March 31.
- Stipulation that refined sugar may account for no more than 53 percent of the Export Limit.

On January 8, 2015, two companies filed petitions with the ITC requesting that the agency initiate a review of the suspension agreement and evaluate whether the agreement would eliminate the injurious effects of sugar imports from Mexico. The right to petition for such an investigation is granted under U.S. trade law. The ITC is required to provide a ruling on the petition within 75 days of the petition being filed, which would likely occur in late March.

United States Sugar Supply and Use

U.S. total supplies for 2014/15 were reduced 9,412 short tons, raw value (STRV) in January from the previous month to 13.910 million STRV. Projected beginning stocks remained unchanged from December's estimate at 1.796 million STRV. Production also remained unchanged from the previous month, totaling 8.610 million STRV. Beet sugar production remains at 4.870 million STRV. Cane sugar production remains at an estimated 3.740 million STRV. NASS's *Crop Production* report provided slight changes to acreage, yield, and production estimates for the 2014 crop, although these changes were relatively small and did not affect sugar production estimates for either sugar crop.

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

Items	2012/13	2013/14 (estimate)	2014/15 (forecast)	2012/13	2013/14 (estimate)	2014/15 (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	8,610	8,148	7,672	7,811
Beet sugar	5,076	4,794	4,870	4,605	4,349	4,418
Cane sugar	3,905	3,663	3,740	3,543	3,323	3,393
Florida	1,867	1,759	1,915	1,694	1,595	1,737
Louisiana	1,686	1,591	1,520	1,530	1,443	1,379
Texas	173	145	125	157	132	113
Hawaii	179	168	180	163	153	163
Total imports	3,224	3,742	3,504	2,925	3,394	3,178
Tariff-rate quota imports	957	1,302	1,492	868	1,181	1,353
Other program imports	136	305	400	124	277	363
Non-program imports	2,131	2,135	1,612	1,933	1,937	1,462
Mexico	2,124	2,130	1,602	1,927	1,932	1,453
Total supply	14,185	14,357	13,909	12,868	13,025	12,618
Total exports	274	306	250	249	278	227
Miscellaneous	-24	0	0	-22	0	0
Deliveries for domestic use	11,776	12,255	11,994	10,683	11,118	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	11,828	11,859	10,442	10,730	10,758
Total Use	12,025	12,561	12,244	10,909	11,396	11,108
Ending stocks	2,160	1,796	1,666	1,959	1,629	1,511
Private	1,844	1,796	1,666	1,672	1,629	1,511
Commodity Credit Corporation (CCC)	316	0	0	287	0	0
Stocks-to-use ratio	17.96	14.30	13.60	17.96	14.30	13.60

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

Sugar imports for 2014/15 were lowered 9,412 STRV compared with the previous month, accounting for all the changes in this month's balance table. Imports through tariff rate quota (TRQ) programs were increased 13,007 STRV for the year to 1.491 million STRV. This increase is due to an increase in sugar under the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR).

The increase in sugar imports from TRQs is more than offset by the 22,419 STRV decline in sugar expected to be imported from Mexico. Imports from Mexico are estimated to be 1.602 million STRV, reflecting the calculated U.S. Needs as defined through the *Agreement Suspending the Countervailing Duty Investigations on Sugar from Mexico* signed by the Government of Mexico and the Department of Commerce in December. As described earlier in the report, this suspension agreement and its counterpart that suspends the anti-dumping investigation are currently being reviewed, and the result may impact the status of the agreement and the levels of imports from Mexico. The current estimate of imports from Mexico were based on the facts that these agreements are currently in place, duties are suspended, Mexican production is sufficient to meet U.S. needs, and there remain 9 months of the year to import sugar. If developments take place that change the terms or standing of the agreement, adjustments will be made to the projections.

There were no changes to total use projections for 2014/15, which remain at 12.244 million STRV. Deliveries for domestic users remain at 11.994 million STRV. This represents a 2.1 percent decline relative to the previous year. Deliveries for food use, however, are expected to increase a slight 0.3 percent to 11.859 million STRV. The decline in other deliveries—and in particular the lack of deliveries to the Commodity Credit Corporation (CCC) expected in 2014/15—from 427,144 STRV to an estimated 135,000 STRV account for the decline in total domestic deliveries.

With no changes to domestic production or use, the lower projected imports will translate into lower ending stocks for 2014/15. Ending stocks are estimated to total 1.666 million STRV—down 9,412 STRV, corresponding to fewer imports—translating to a 13.6 percent stocks-to-use ratio. This ratio is down slightly from the previous month's estimate of 13.7 percent, as well as 2013/14's ratio of 14.3 percent.

Mexico Sugar Supply and Use

There were no changes to Mexico's 2013/14 supply and use balance. Mexico's Comité Nacional Para Desarrollo de la Caña de Azúcar (Conadesuca) released its first forecast for the 2014/15 crop year, which the interagency committee used to update some figures in the Mexican supply and use figures for the current crop year. Beginning stocks for 2014/15 remain unchanged from the previous month at 831,144 metric tons, actual value (MT), but 43.1 percent less than in 2013/14.

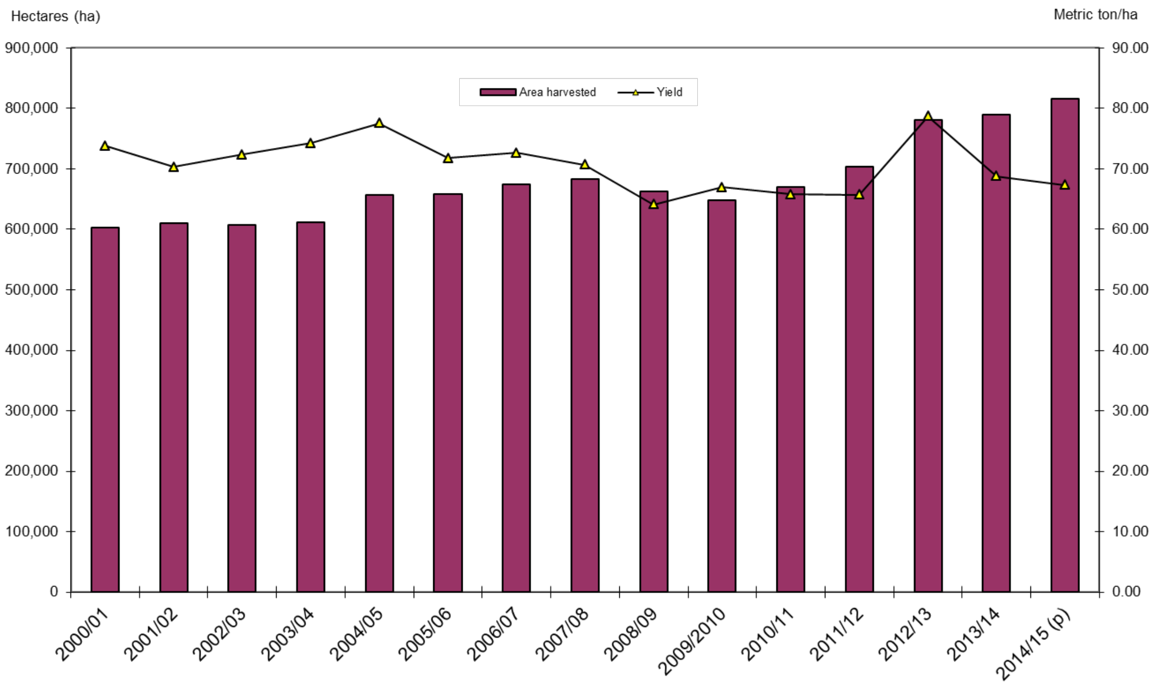
Table 2 -- Mexico sugar supply and use, 2012/13 - 2013/14 and projected 2014/15, January 2015

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	6,151
Imports	217	131	192
Imports for consumption	9	9	10
Imports for sugar-containing product exports (IMMEX) 1/	207	123	182
Total supply	8,157	7,613	7,174
Disappearance			
Human consumption	4,287	4,098	4,200
For sugar-containing product exports (IMMEX)	384	324	324
Statistical adjustment	53	-151	0
Total	4,724	4,271	4,524
Exports	1,973	2,511	1,696
Exports to the United States & Puerto Rico	1,818	1,823	1,371
Exports to other countries	155	689	325
Total use	6,697	6,782	6,220
Ending stocks	1,460	831	955
	1,000 metric tons, raw value		
Beginning stocks	1,024	1,548	881
Production	7,393	6,383	6,520
Imports	230	139	203
Imports for consumption	10	9	11
Imports for sugar-containing product exports (IMMEX)	220	130	193
Total supply	8,646	8,069	7,605
Disappearance			
Human consumption	4,544	4,344	4,452
For sugar-containing product exports (IMMEX)	407	343	343
Statistical adjustment	56	-160	0
Total	5,007	4,527	4,795
Exports	2,091	2,662	1,798
Exports to the United States & Puerto Rico	1,927	1,932	1,453
Exports to other countries	164	730	345
Total use	7,099	7,189	6,593
Ending stocks	1,548	881	1,012
Stocks-to-human cons. (percent)	34.1	20.3	22.7
Stocks-to-use (percent)	21.8	12.3	15.3
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.

Mexican sugar production for 2014/15 was increased 11,372 MT to 6.151 million MT based on Conadesuca estimates. This represents a 2.2-percent increase from 2013/14 levels. Conadesuca estimates that Mexico will harvest 816,505 hectares in 2014/15, which would be a 3.4-percent increase from 2013/14. Yields are expected to decline, however, to 67.4 MT per hectare—a 2.1-percent decline from the previous year—offsetting some of the gains in area and resulting in a 1.2-percent increase in cane production. The projected recovery rate for the Mexican crop is 11.18 percent, which would be slightly less than a 1.0 percent increase from 2013/14.

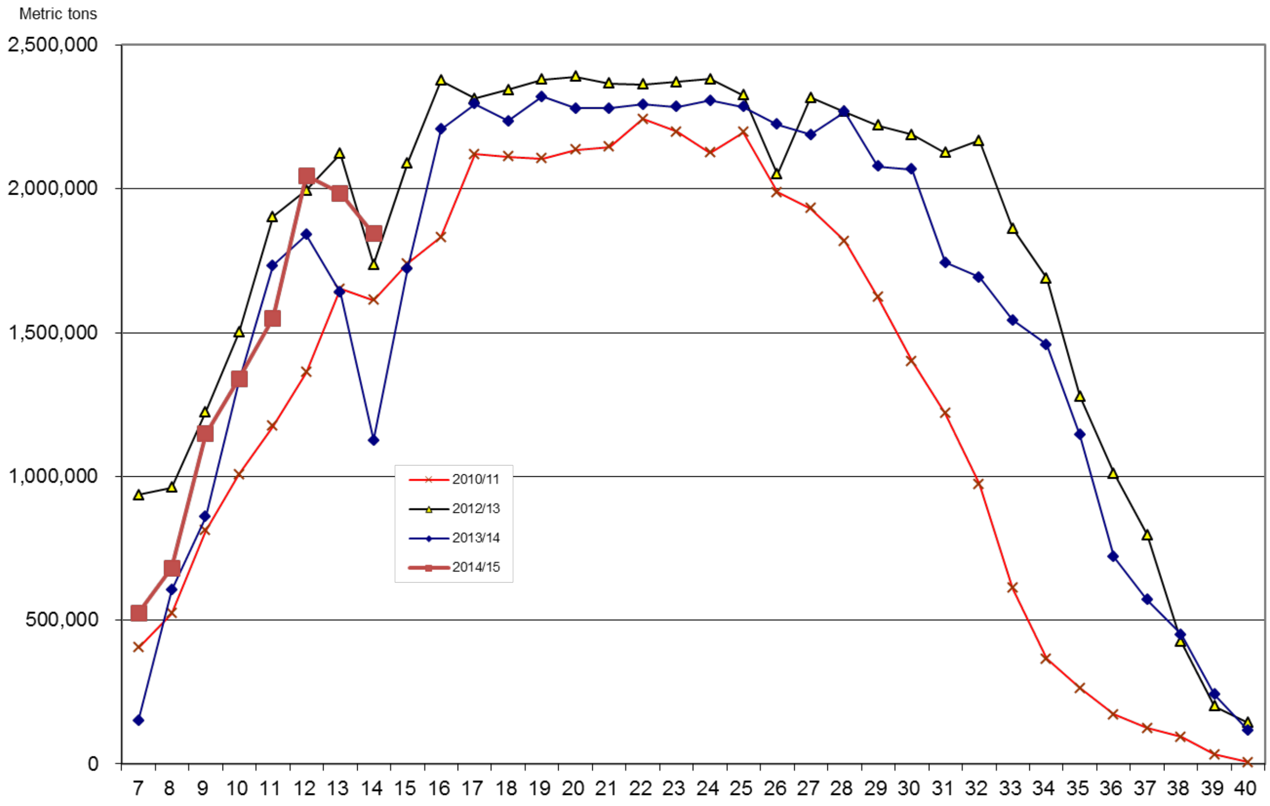
Figure 1
Mexico sugarcane, area harvested and yield, 2000/01-2014/15



Source: Conadesuca.

Through the week ending January 3, 2015 (week 14), Mexico has harvested 141,317 hectares of sugar, producing 11.120 million MT of cane and 1.130 million MT of sugar. The pace of the harvest and production thus far is ahead of last year in all three accounts—by 24.6 percent, 19.7 percent, and 27.1 percent, respectively. The progress is slightly behind the pace set by the agency's first estimates, however. Following the holiday season, Mexico is coming into a key portion of the production season. The next several weeks will provide key information in determining whether Conadesuca's estimates will be realized.

Figure 2
Sugarcane production, by week of harvest, 2010/11-2014/15



Source: Conadesuca.

Projected imports for 2014/15 remain unchanged from the previous month, at 191,865 MT. Imports from the IMMEX program remain at 181,865 MT, while the remainder accounts for imports that will go toward domestic consumption. Total supplies for 2014/15 are projected to be 7.174 MT, which corresponds to the 11,372 MT increase in production. Compared with 2013/14, total supplies are projected to be 5.8 percent lower, primarily due to the significantly lower beginning stocks.

Domestic deliveries and consumption in 2014/15 remain unchanged from the previous month. Domestic consumption is projected at 4.200 million MT, unchanged from the previous month but 2.5 percent above 2013/14 consumption. This differs from Conadesuca's projection of 4.065 million MT, which was released as part of its first estimate for the 2014/15 crop year and would indicate a decline in production from the previous year. The interagency committee decided to carry forward the same forecast from the previous month, given a lack of new market information to positively indicate a relative decline in consumption. Deliveries as part of the IMMEX program also remained unchanged from the previous month at 323,826 MT.

Mexico's sugar exports for 2014/15 are projected to be 1.696 million MT, down 19,187 MT from the previous month's projections, a decrease entirely attributed to exports to the United States being lowered to an estimated 1.371 million MT. This number corresponds to the amount calculated from the suspension agreement, as discussed in the U.S. supply and use discussion. Exports to all other countries remained unchanged from the previous month at 325,000 MT.

Prior to the suspension agreement, USDA's estimates of Mexican exports reflected the use of a stocks-to-domestic-consumption ratio of 22 percent, leading to a residual between supply and use that was reported as exports. But in light of the recently signed suspension agreement and the constraints that it puts on Mexico's ability to export to the United States, Mexican export forecasts now reflect the specific terms of the suspension agreement, including calculation of U.S. Needs in combination with contracted exports from Mexico to other countries. This means that the ending stocks estimate is now the residual between total supply and total use.

Total use for 2014/15 is lowered 19,187 MT compared with the previous month, totaling 6.220 million MT. Ending stocks for the year are calculated at 954,559 MT, up 30,559 MT from the previous month. As a result, the stocks-to-domestic-consumption ratio is 22.7 percent. The residual calculation of ending stocks results in a ratio that differs from the benchmark of 22 percent that has been used in the past, although the current ratio remains within the historical range of the past several years.

Contacts and Links

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Data

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

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