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# Sugar and Sweeteners Outlook

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## U.S. and Mexico Sugar Projections Unchanged for February 2015

The next release is  
March 16, 2015

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Approved by the  
World Agricultural  
Outlook Board.

For this month, no changes were made to the 2014/15 U.S. sugar supply and use balance of January. Total production for the year remains at 8.610 million short tons, raw value (STRV), with beet sugar accounting for 4.870 million STRV and cane sugar accounting for 3.740 million STRV. Total imports for the year are forecast to be 3.504 million STRV. Tariff-rate quota (TRQ) imports are projected to be 1.492 million STRV. Imports from Mexico are projected to be 1.602 million STRV, based on the calculation of U.S. Needs as defined by the agreement to suspend the countervailing duty investigation signed by the Department of Commerce and the Government of Mexico in December 2014. Total supplies remain unchanged from the previous month's estimate at 13.910 million STRV. Projected deliveries for domestic use remain at 11.994 million STRV. Deliveries for food and beverage use from domestic refineries are up year-over-year through the first quarter of FY2015, while sugar imports from nonreporting entities for direct consumption are down considerably over the same period. Ending stocks for the current year are projected to be 1.666 million STRV, which would result in a supply-to-use ratio of 13.6 percent.

The Mexican sugar balance table for 2014/15 also remains unchanged from the January estimates for 2014/15. Production forecasts for the year remain at 6.151 million metric tons, actual value (MT), a slight increase from 2013/14 production. With no changes in imports from January's estimate, total supply for 2014/15 is expected to be 7.174 million MT. Domestic consumption for the year is projected to be 4.200 million MT, unchanged from the previous month's projection and 2.5 percent above 2013/14 totals. Total exports are forecast to be 1.696 million MT, with 1.371 million MT projected to be shipped to the United States. Like the corresponding figure on the U.S. balance sheet, projected exports to the United States are based on the current calculation of U.S. Needs as prescribed in the suspension agreement signed in December 2014. Ending stocks are residually calculated to be 955,000 MT for the year, which implies a 22.7 stocks-to-domestic-consumption ratio.

## United States Sugar Supply and Use

Projected U.S. total supplies for 2014/15 are 13,910 million short tons, raw value (STRV), unchanged from the January *World Agricultural Supply and Demand Estimates* (WASDE). U.S. production is expected to total 8,610 million STRV, also unchanged from the previous month. The National Agricultural Statistics Service (NASS) made only a minor change to area harvested in Florida in the February *Crop Production* report, lowering area for sugar production in the State by less than 0.1 percent. The minor change in area is expected to be offset by slightly higher recovery rates, which will keep sugar production in Florida unchanged. All other sugarcane for sugar estimates remained unchanged from previous NASS reports. Beet sugar production also remains unchanged from the previous month at 4,870 million STRV, with no new information from NASS to support an adjustment.

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

Items	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
		(estimate)	(forecast)		(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	8,610	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	13,910	12,868	13,025	12,619
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

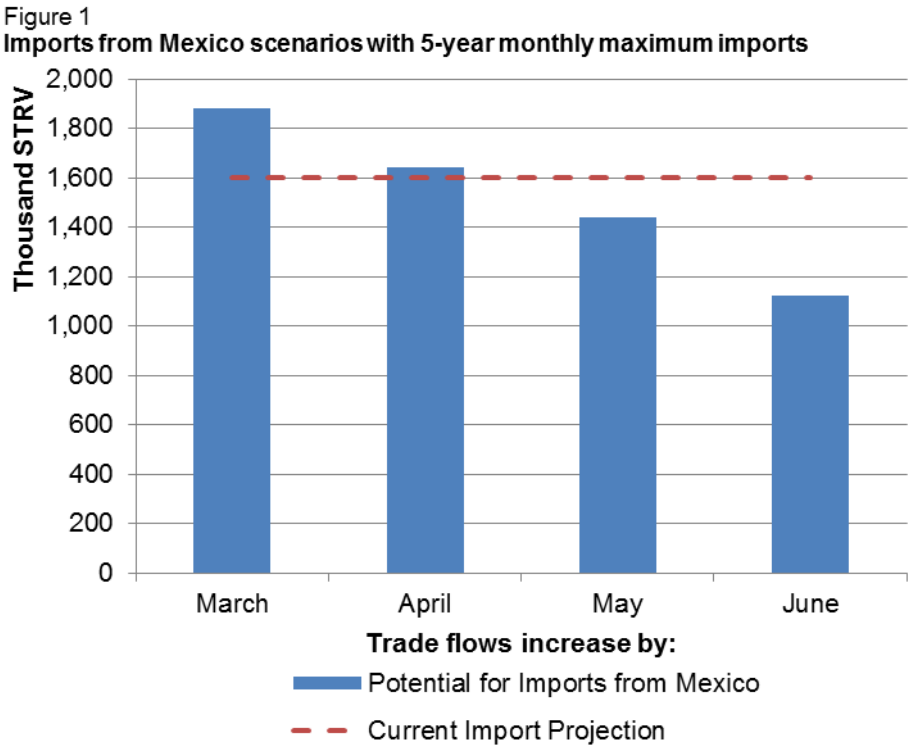
Source: U.S. Dept. of Agriculture, Economic Research Service, Sugar and Sweetener Outlook.

Sugar imports into the United States for 2014/15 remain unchanged from the previous month at 3,504 million STRV. Imports under tariff-rate quota (TRQ) allocations are forecast at 1,492 million STRV, which would mean a shortfall of 99,000 STRV for 2014/15.

Imports from Mexico remain unchanged from the previous month at 1,602 million STRV. This amount corresponds to the U.S. Needs calculations set in the final suspension agreement signed by the United States and Mexico in December 2014. These calculations rely upon December 2014 WASDE estimates. While there are proceedings taking place at the U.S. Department of Commerce (USDOC) and U.S. International Trade Commission (USITC) that

may affect the enforcement and terms of the agreement, it is still considered current policy for purposes of the WASDE forecast. From October 2014 to January 2015, 85,000 STRV of sugar have been imported from Mexico, compared with 805,000 STRV over the same period in 2013/14.

There is concern that the recent low levels of monthly imports from Mexico could potentially limit Mexico’s ability to fulfill the import allotment defined by the suspension agreement due to logistical constraints. While these constraints merit consideration, there is enough remaining time in the current fiscal year (FY) to overcome the slow start. Policy uncertainties in the market have discouraged large import quantities through January, but if these issues are resolved over the subsequent weeks and months it is expected that a backlog of supplies will likely enter the U.S.-Mexican market pipeline. Calculating when those constraints would likely factor into the market involved taking the maximum monthly trade quantities from 2010/11 to 2013/14 as reported by the Foreign Agricultural Service (FAS) as a proxy for logistical capacity and using the average monthly quantities from November 2014 through January 2015 as a low-quantity assumption. If imports from Mexico increase by March or April, then it would be feasible for Mexico to meet the entire allocation of the Export Limit, as defined by the suspension agreement. If trade remains stalled for a longer period, however, then those constraints would be reflected in subsequent projections.



Source: USDA, Foreign Agricultural Service and ERS

No changes were made to projected deliveries in 2014/15 from the previous month. Domestic deliveries for food and beverage use in 2014/15 are currently forecast at 11.859 million STRV, a 0.3 percent increase from 2013/14. Reports of domestic deliveries from U.S. sugar refineries through the first quarter of FY2015 show a 5.4 percent year-over-year increase. This has been more than offset by a large decline in deliveries from entities that do not report to the sugar program, which are referred to as direct consumption imports (DCI). There is a more in-depth discussion of domestic deliveries in subsequent sections of this report.

Total use projections for 2014/15 also remain unchanged from last month, totaling 11.994 million STRV. With no changes to total supply or use, ending stocks for the year are forecast at 1.666 million STRV, implying a 13.6 stocks-to-use ratio for the year.

### *Mexico Sugar Supply and Use*

No changes were made to Mexico's 2014/15 supply and use balance. Production projections for 2014/15 remain at 6.151 million metric tons, actual value (MT), unchanged from the initial estimate that Mexico's *Comité Nacional Para Desarrollo de la Caña de Azúcar* (Conadesuca) released in November 2014. Beginning stocks and imports also remain unchanged from the previous month, leaving total supplies unchanged at 7.174 million MT.

Table 2 -- Mexico sugar supply and use, 2012/13 - 2013/14 and projected 2014/15, February 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			
Exports to the United States & Puerto Rico	1,973	2,511	1,696
Exports to other countries	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			
Exports to the United States & Puerto Rico	2,091	2,662	1,798
Exports to other countries	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 consumption (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.

Through the end of January (week 18), Mexico's area harvested is 10.7 percent further along than in the previous year and 12.5 percent above the 5-year average. Cane yields remain 2.6 percent lower than 2013/14, and recovery rates remain above last year but still below the rates that occurred in 2012/13. Overall, the current harvest appears to be in line with historical averages. The rate of harvest and sugar production, however, remains behind Conadesuca's weekly projections from their initial estimate. Future production forecasts will continue to hinge upon the reported weekly progress of the industry.

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

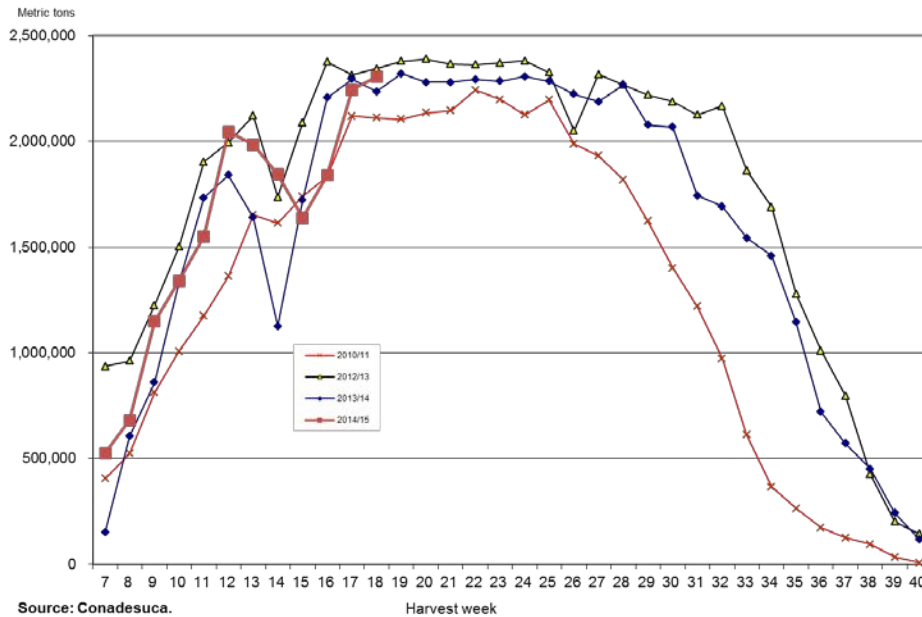


Figure 3  
Cumulative sugarcane yield in metric tons (mt) per hectare (ha) during harvest season

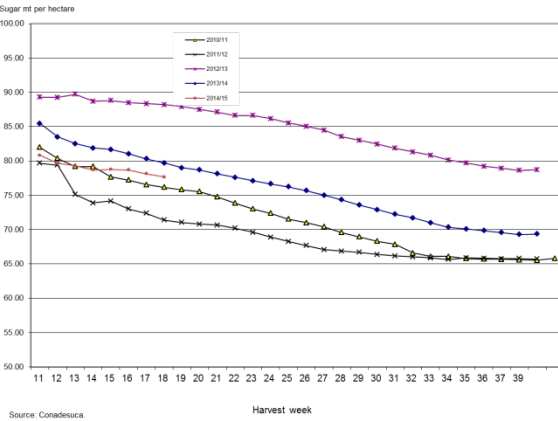
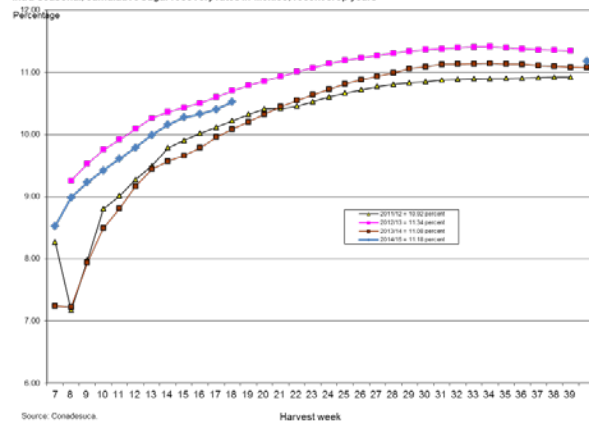


Figure 4  
Intra-seasonal, cumulative sugar recovery rates in Mexico, recent crop years



Total use for Mexico remains unchanged from the previous month at 4.524 million MT. Domestic consumption for the current year is projected at 4.200 million MT, also unchanged. This represents a 2.5 percent increase from 2013/14, based on population growth. The forecast for deliveries attributed to the IMMEX program is 324,000 MT, which is unchanged from the previous month and carried over from the amount that was delivered under the program in 2013/14.

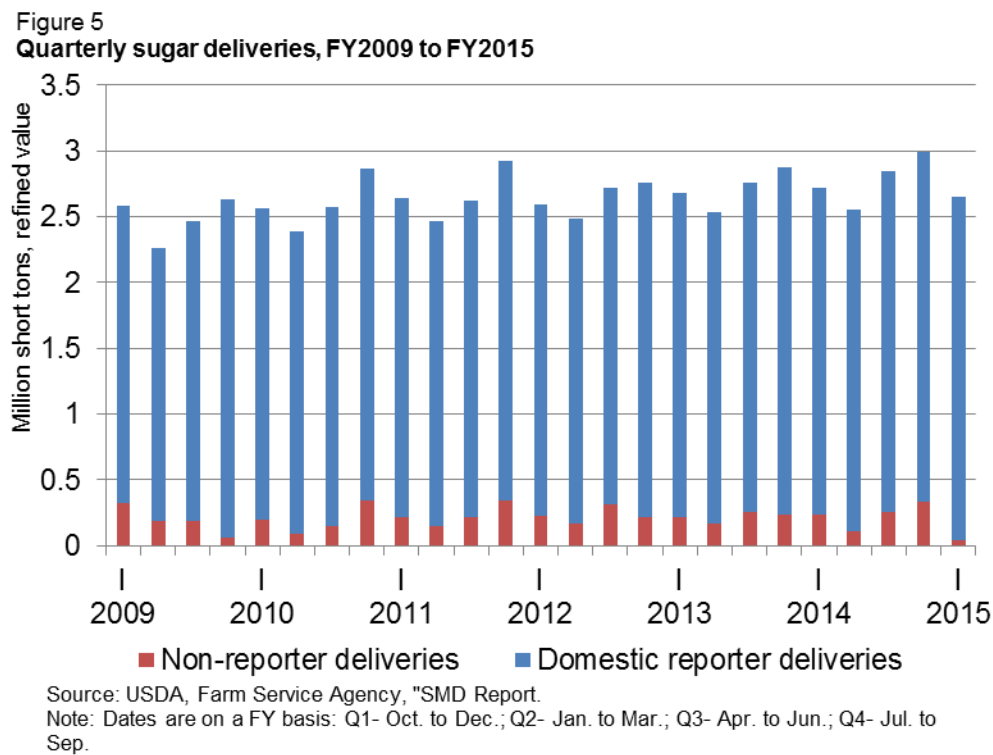
Total exports for 2014/15 are projected to be 1.696 million MT. Exports to the United States are 1.371 million MT, which corresponds to the calculated U.S. Needs amount set in the suspension agreement from December's WASDE figures. Following the agreement, that amount will be recalculated using March WASDE forecasts and updated in

next month's balance table. The remaining 325,000 MT of exports is forecast to go to other countries and is based primarily on signed contracts known to the USDA committing shipments from Mexico to other destinations.

With no changes in total supply and total use, ending stocks in Mexico remain at 955,000 MT for 2014/15, implying a 22.73 stocks-to-domestic-consumption ratio. Unlike previous years when a 22-percent ratio was assumed and Mexican exports were the residual, given the developments of the suspension agreement signed between the Department of Commerce and the Government of Mexico, Mexican exports are now based on the defined Export Limits determined by the calculation of U.S. Needs, in accordance with the suspension agreement. As a result, ending stocks continue to be calculated residually. The current stocks-to-consumption ratio remains in line with historical levels, however.

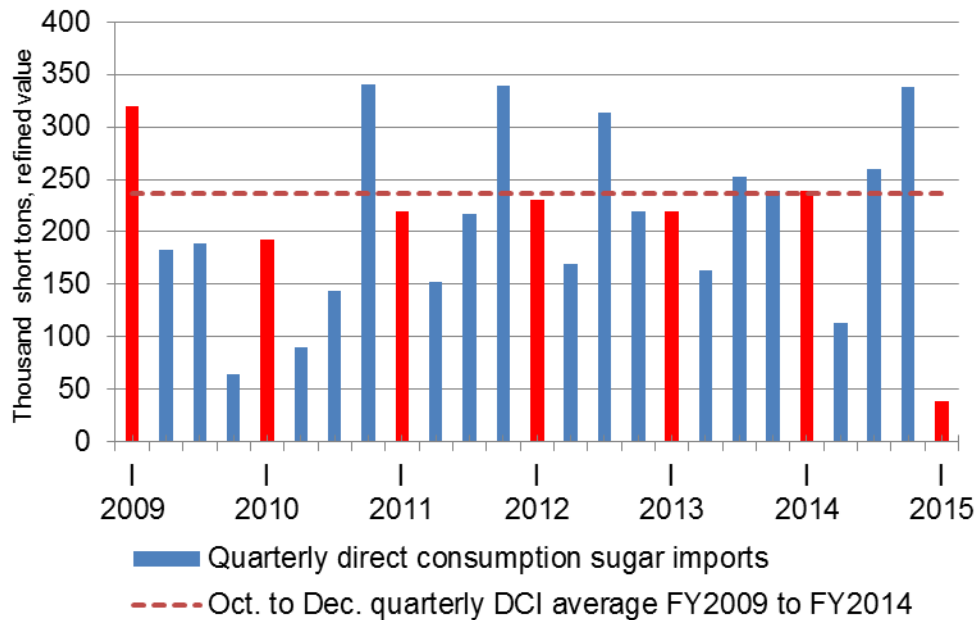
**U.S. Domestic Deliveries Up, Direct Consumption Imports Down in First Quarter of FY2015**

According to the Farm Service Agency's (FSA) Sugar Market Data (SMD), first-quarter FY2015 sugar deliveries from domestic refineries totaled 2.612 million short tons, refined value. This was down 1.8 percent from the last quarter of FY2014 but up 5.4 percent compared with the first quarter of FY2014. Factoring in sugar imported from nonreporting entities for direct consumption (DCI), total U.S. sugar deliveries for human use declined 2.5 percent compared with the previous year. The quantities reported for DCI are calculated based on Customs trade data and survey data provided by sugar program participants. As a result, the quantities currently reported could be revised over the course of the fiscal year.



The significantly lower direct consumption imports reflect the slow pace of imports from Mexico, as the antidumping (AD) and countervailing duty (CVD) investigations by the USDOC and USITC—along with subsequent developments regarding an agreement to suspend the investigations—have created uncertainty in the U.S.-Mexico sweetener market and have made some market participants hesitant to book sugar deliveries from Mexico to the United States. From FY2009 to FY2014, first-quarter DCI averaged 237,000 short tons, refined value. As of February 9, 2015, DCI for the first quarter of FY2015 have totaled only 38,000 short tons.

Figure 6  
**Quarterly sugar deliveries from non-reporter (direct consumption imports), FY2009 to FY2015**



Source: USDA, Farm Service Agency "SMD Report."  
 Note: Dates are on a FY basis: Q1- Oct. to Dec.; Q2- Jan. to Mar.; Q3- Apr. to Jun.; Q4- Jul. to Sep.

Domestic deliveries from U.S. refineries showed greater growth in the industrial sector than the nonindustrial sector, but deliveries to both sectors saw increases compared with FY2014. The bakery, cereal, and allied products industry accounts for the largest proportion of U.S. refinery deliveries. Deliveries to that industry were 7.0 percent higher than the previous year and 8.4 percent higher than the 5-year average. Other industries in the sector also showed strong growth from FY2014, including ice cream and dairy products (9.8 percent) and canned, bottled, and frozen food (22.3 percent). First-quarter nonindustrial sugar use deliveries increased 2.8 percent, with increases in retail grocers and chain stores (11.6 percent increase from FY2014) eclipsing declines from wholesale grocers, jobbers, and sugar dealers (4.5 percent decline).

Table 3: First quarter FY2015 (Oct. to Dec.) U.S. domestic deliveries by program reporters, by industry

	vs Q1 FY2014	vs Q1 FY2013	vs Q1 5-year average	% of Total Deliveries
Bakery, cereal, and allied products	7.0%	11.3%	8.3%	23.1%
Confectionery and related products	-3.7%	8.5%	5.4%	10.6%
Ice cream and dairy products	9.8%	15.6%	21.0%	7.0%
Beverages	0.6%	8.6%	21.4%	4.9%
Canned, bottled, & frozen foods	22.3%	13.4%	11.3%	4.2%
All other food uses	21.3%	17.1%	30.6%	8.4%
Non- food use	0.1%	5.5%	2.7%	1.1%
Subtotal industrial use	7.2%	11.8%	13.0%	59.3%
Hotels, restaurants, and institutions	8.8%	-27.2%	-3.2%	1.2%
Wholesale grocers, jobbers, sugar dealers	-4.5%	-14.5%	-9.6%	21.6%
Retail grocers, chain stores	11.6%	7.5%	5.7%	13.5%
All other deliveries	16.4%	165.9%	95.9%	4.4%
Subtotal non- industrial use	2.8%	-1.0%	1.3%	40.7%
Total U.S.	5.4%	6.2%	7.9%	100.0%

Source: USDA, ERS, "Sugar Yearbook Tables"

Given the available data, however, it is not yet clear that these trends in deliveries reflect changes in the demand structure for sugar or that they reveal changes in sourcing patterns due to the uncertainties regarding the AD/CVD investigations. Projected deliveries for FY2015 remain at 11.859 million STRV, unchanged from the previous month's projection, as the data do not provide a clear indication for an adjustment. Despite the low volumes of sugar imports from Mexico in the fiscal year's first quarter, Mexico could still meet its Export Limit during the remainder of the year.. If that occurs, then DCI would also likely increase from the slow pace witnessed through January. Developments in this situation, as well as its impact on deliveries of corn-based sweeteners, will be an important factor in USDA projections throughout the rest of FY2015.



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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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