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Sugar and Sweeteners Outlook

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The USDA forecasts 2012/13 Mexico sugar production at 6.216 million metric tons (mt), an increase of almost 100,000 mt over the April forecast. The USDA bases its forecast on harvest data through April 27, 2013, adjusted by ratios between data from recent harvests through the same corresponding end-of-April time period and their respective end-of-season totals. Sugar production for 2013/14 is forecast at 5.887 million mt. This forecast assumes more area planted due to higher returns in years prior to 2013, a return to normal sugarcane yields, and trend-level sucrose recovery.

Mexico sugar deliveries for human consumption in 2012/13 remain at 4.200 million mt, and deliveries of high fructose corn syrup (HFCS) are also unchanged at 1.635 million mt, dry weight. The sweetener forecast for 2013/14 assumes the same level of per capita sweetener consumption as in 2012/13—50.206 kilograms, adjusted for population growth. The USDA assumes the same level of total HFCS consumption as in 2012/13, implying that overall sugar consumption grows by 60,000 mt to 4.260 million mt.

Sugar surplus conditions for both forecast years are reflected in high assumed stocks relative to human consumption: 27.6 percent for 2012/13, implying stocks at 1.160 million mt, and 25.0 percent for 2013/14, implying stocks at 1.065 million mt. Exports are forecast to balance total use with total supply: 1.618 million mt in 2012/13, up 98,000 mt relative to last month, and 1.519 million mt in 2013/14.

The USDA made minor changes to fiscal year (FY) U.S. 2013 cane sugar production on the basis of processor-reported production estimates. The USDA projects FY 2014 U.S. sugar production at 8.584 million short tons, raw value (STRV), a reduction of 431,000 STRV from FY 2013. The USDA projects FY 2014 beet sugar production at 4.840 million STRV, a decrease of 260,000 STRV from FY 2013. Area planted is based on National Agricultural Statistics Service (NASS) forecasts from 2013 Prospective Plantings. Other production parameter estimates are derived from recent averages and trends. FY 2014 cane sugar production is projected at 3.744 million STRV.

The USDA estimates FY 2013 sugar imports at 2.903 million STRV, a reduction from last month of 133,000 STRV. The decrease stems from a 100,000 STRV reduction in other program imports (re-export program) and an increase in tariff-rate quota (TRQ) shortfall of 60,000 STRV. The USDA forecasts FY 2014 sugar imports at 3.438 million STRV, an increase over last year of 535,000 STRV. The largest change from FY 2013 is increased imports from the re-export sugar program (up 275,000 STRV), followed by lower shortfall—forecast at a high 200,000 STRV but still 260,000 STRV lower than that estimated for FY 2013.

The USDA reduced its estimate of FY 2013 deliveries for human consumption by 80,000 STRV to 11.400 million STRV. Forecast deliveries for human consumption for FY 2014 are 11.560 million STRV. FY 2014 ending stocks are calculated as the difference between total supply and total use at 2.245 million STRV. This exceeds the FY 2013 ending stocks estimate by 77,000 STRV. The FY 2014 ending stocks-to-use ratio is 18.8 percent, close to but exceeding the FY 2013 estimated ratio of 18.5 percent.

Sugar and Sweeteners in the North American Free Trade Area

On May 10, 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 Mexico and the United States for fiscal year (FY) 2013 and its first projections for FY 2014.

Mexico Sugar and High Fructose Corn Syrup

The USDA forecasts 2012/13 Mexico sugar production at 6.216 million metric tons (mt), an increase of almost 100,000 mt over the April forecast. The USDA bases its forecast on harvest data through April 27, 2013 adjusted by ratios between data from recent harvests through the same corresponding end-of-April time period and their respective end-of-season totals.

The weakest element of this approach is the forecast of area harvested. As is seen in table 1, the *Comite Nacional Para El Desarrollo Sustentable de la Caña de Azúcar* (Conadesuca) forecasts area at 768,000 hectares— 60,000 hectares greater than the USDA forecast of 708,000 hectares. Contrary to past practice, Conadesuca has not published the factory-level forecasts, including those for area harvested, which are the basis for the national forecast. To reach the Conadesuca forecast, weekly area harvested would have to average a high level of 18,300 hectares through the end of June. Area harvested through April 27 at 603,385 hectares trails the 5-year average of 622,370 hectares.

Although USDA arrives at a production forecast close to the Conadesuca forecast, this results from a USDA higher sugarcane yield forecast. The Conadesuca forecast of 71.4 seems far too low, given the high yields through the end of April (fig. 1). Both the USDA and Conadesuca project sucrose recoveries at 11.4 percent. If the USDA has been too conservative in its forecast of area harvested, there is potential for sugar production to be much higher than the current forecast.

Table 1 also shows assumptions behind its forecast of 2013/14 Mexico sugar production of 5.887 million mt. This forecast is the same as that made for the USDA Outlook Conference in February 2013. It assumed more area planted due to higher returns in years prior to 2013, a return to normal sugarcane yields, and trend-level sucrose recovery.

Sugar deliveries for human consumption in 2012/13 remain at 4.200 million mt, and deliveries of high fructose corn syrup (HFCS) are the same at 1.635 million mt, dry weight. Figure 2 shows that October 2012–March 2013 deliveries of both sugar and HFCS are at about the same level as last year. The sweetener forecast for 2013/14 assumes the same level of per capita sweetener consumption as in 2012/13—50.206 kilograms, adjusted for population growth. The USDA assumes the same level of total HFCS consumption, implying that overall sugar consumption grows by 60,000 mt to 4.260 million mt. Sugar deliveries into Mexico's product re-export program (IMMEX) are set at 340,000 mt for both forecast years.

Table 1 -- Mexico sugar crop parameter projections for 2012/13 and 2013/14

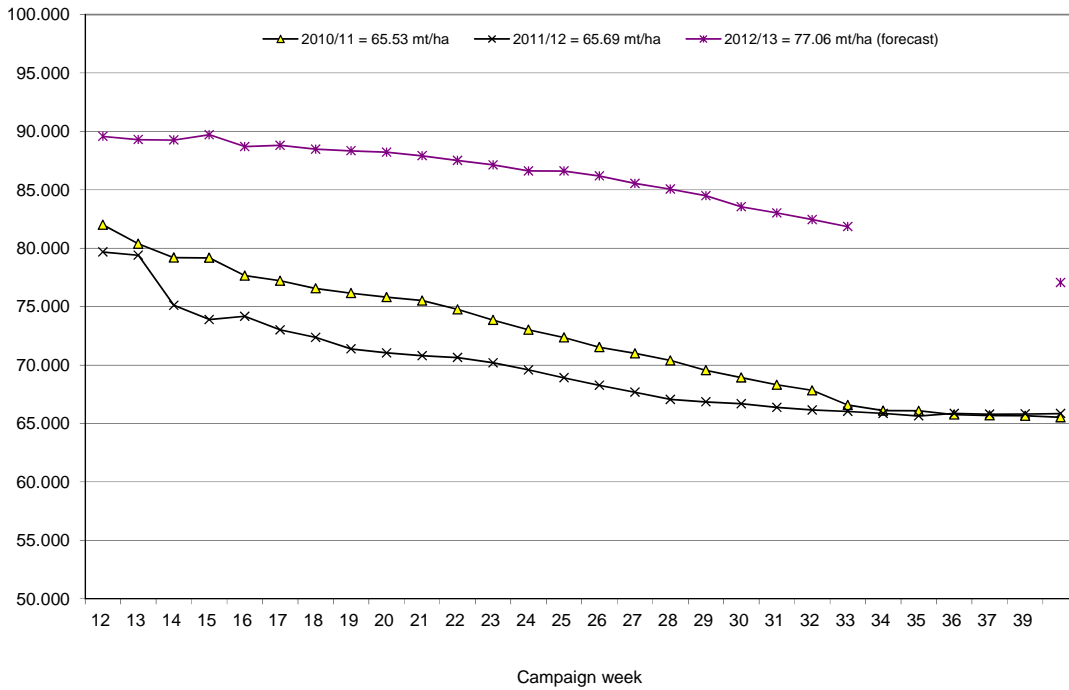
	Conadesuca	WASDE: May 2013	
	2012/13	2012/13 1/	2013/14
Area (hectares)	767,893	707,879	730,514
Yield (metric ton/hectare)	71.36	77.06	69.90
Sugarcane (metric tons)	54,796,168	54,551,275	51,061,937
Recovery (percent)	11.40	11.39	11.53
Sugar (metric tons)	6,246,744	6,215,833	5,886,851

1/ Forecast based on Conadesuca production data through April 27, 2013.

Source: USDA, WASDE; ERS, *Sugar and Sweetener Outlook* (SSO).

Figure 1
Cumulative sugarcane yield in metric tons (mt) per hectare (ha) during harvest season

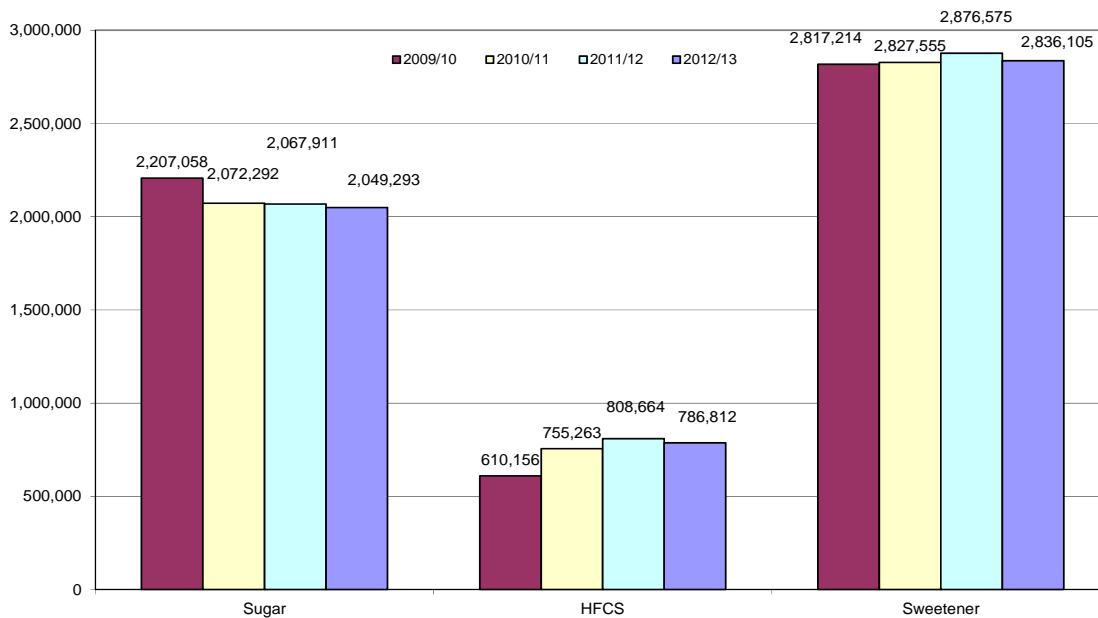
Sugar mt per hectare



Source: Conadesuca.

Figure 2
Sweetener consumption in Mexico, 6 months into marketing year, 2009/10 - 2012/13

Metric tons, tel quel



Source: Conadesuca.

Sugar surplus conditions for both forecast years are reflected in high assumed stocks relative to human consumption: 27.6 percent for 2012/13, implying stocks at 1.160 million mt, and 25.0 percent for 2013/14, implying stocks at 1.065 million mt.

Exports are forecast to balance total use with total supply: 1.618 million mt in 2012/13, up 98,000 mt relative to last month, and 1.519 million mt in 2013/14. Reliable sources indicate to Foreign Agricultural Service (FAS) sugar personnel that most of the 2012/13 increase will be shipped to non-U.S. destinations. The gap between U.S. and world raw sugar prices is almost nonexistent, about 2 cents per pound. The narrow gap makes shipments to other countries more profitable. Exports to the U.S. market are projected to increase, nonetheless, by 23,000 mt to 1.433 million mt.

Exports to the United States in 2013/14 are projected at 1.509 million mt, all except for 10,000 mt to third countries. It seems likely that the U.S.-world raw sugar price margin will broaden in the coming fiscal year, making the United States the probable destination of almost all Mexican sugar exports.

Table 2 shows the Mexico forecast sugar supply and use balances for 2012/13 and 2013/14.

Table 2 -- Mexico sugar production and supply, forecast for 2012/13 and 2013/14

2012/13 Market year (Oct/Sept)	2012/13	2013/14
	1,000 metric tons, actual weight	
Beginning stocks	966	1,160
Production	6,215	5,887
Imports	137	137
Imports for consumption	14	20
Imports for sugar-containing product exports (IMMEX) 1/	123	116.934
Total supply	7,318	7,184
Disappearance		
Human consumption	4,200	4,260
For sugar-containing product exports (IMMEX)	340	340
Total	4,540	4,600
Exports	1,618	1,519
Exports to the United States and Puerto Rico	1,433	1,509
Exports to other countries	185	10
Total use	6,158	6,119
Ending stocks	1,160	1,065
	1,000 metric tons, raw value	
Beginning stocks	1,024	1,230
Production	6,588	6,240
Imports	145	145
Imports for consumption	15	21
Imports for sugar-containing product exports (IMMEX)	130	124
Total supply	7,757	7,615
Disappearance		
Human consumption	4,452	4,516
For sugar-containing product exports (IMMEX)	360	360
Total	4,812	4,876
Exports	1,715	1,610
Exports to the United States and Puerto Rico	1,518	1,600
Exports to other countries	196	11
Total use	6,527	6,486
Ending stocks	1,230	1,129
Stocks-to-Human Consumption (percent)	27.6	25.0
Stocks-to-Use (percent)	18.8	17.4
High Fructose Corn Syrup (HFCS) Consumption (dry weight)	1,635	1,541

Source: USDA, WASDE and ERS, *Sugar and Sweeteners Outlook*; Conadesuca.

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

U.S. Sugar – Production

The USDA made minor changes to FY 2013 cane sugar production on the basis of processor-reported production estimates. Florida production is increased 16,000 short tons, raw value (STRV), to 1.866 million STRV, and Texas production is increased 16,000 STRV to 169,000 STRV. Beet sugar production remains at 5.100 million STRV. Total sugar production is 9.015 million STRV.

The USDA projects FY 2014 beet sugar production at 4.840 million STRV, a decrease of 260,000 STRV from FY 2013. Table 3 shows the assumptions behind the forecast for the five sugarbeet-growing regions. Area planted is based on National Agricultural Statistics Service (NASS) forecasts from 2013 *Prospective Plantings*. Recent ratios of harvested-to-planted area are averaged to forecast area harvested. Sugarbeet yield is forecast as the Olympic average (simple averaging that excludes maximum and minimum values) of regional yields since FY 2005. Sugar yield is estimated as a function of sugarbeet yield and trend, and the estimate is multiplied by area harvested to produce the sugar production forecast. The sum of regional production forecasts is 4.441 million STRV. To this forecast of production from sugarbeet slicing is added the forecast of production from molasses desugaring of 396,597 STRV.

The NASS sugarbeet crop year runs from September to August, while the USDA sugar fiscal year runs from October to September. The NASS 2011/12 crop year presented further complications because the sugarbeet harvest started in earnest in August. Table 4 shows the combined sugarbeet and beet sugar production data based on the NASS crop year and makes a comparison with the fiscal year beet sugar total. (The 2011/12 crop year is adjusted to count beet sugar produced in August 2011 from sugarbeets sliced in August.) As table 4 shows, the differences can be large—481,000 STRV in 2011/12. For 2013/14, the USDA makes no distinction between the crop and fiscal years. The FY 2014 beet sugar projection includes production in September 2014, most of which will come from the 2014/15 sugarbeet crop. The USDA assumes that production levels of September 2013 and September 2014 will be about the same.

The USDA projects FY 2014 cane sugar production at 3.744 million STRV. Because there is no NASS forecast of area harvested until the end of June, the USDA assumes the same area harvested for sugar as in the previous year. (An exception is made for Texas to reflect FY 2014 production about the same as in FY 2013 but still assuming trend sugarcane yield.) Sugarcane and sugar yields are estimated from trend, and these are applied to area for the production forecasts. The largest difference from a year earlier is less production in Louisiana, down 139,000 STRV to 1.561 million STRV. As the growing year progresses, more information will be available to make adjustments to yield and area forecasts.

Table 3 -- *Sugar and Sweetener Outlook* projections of sugarbeet production and sugar production from sugarbeet slicing for 2013/14

	Great Lakes 1/	Red River Valley 2/	Great Plains 3/	Northwest4/	Southwest 5/	Total
Planted area (acres) 6/	154,000	690,000	156,100	186,500	24,500	1,211,100
Harvested area (acres) 7/	151,970	651,860	147,000	189,600	24,280	1,164,710
Yield (tons/acre) 7/	25.30	24.71	26.04	33.30	42.03	26.71
Sugarbeet production (tons) 7/	3,844,841	16,107,461	3,827,880	6,313,680	1,020,488	31,114,350
Sugar production (tons, raw value) 7/ 8/	563,600	2,290,700	525,500	926,900	134,500	4,441,200

1/ Great Lakes = Michigan; 2/ Minnesota and North Dakota; 3/ Colorado, Montana, Nebraska, and Wyoming; 4/ Idaho and Oregon; 5/ California.

6/ USDA, NASS, *Prospective Plantings*; 7/ USDA, ERS, *Sugar and Sweetener Outlook*;

8/ Sugar from desugared molasses, not shown in table = 396,597 tons.

Table 4 -- U.S. sugarbeet and beet sugar area, yield, and production -- sugarbeet crop year and sugar fiscal year

Year	Planted (1,000 acres)	Harvested (1,000 acres)	Harvested- to-Planted ratio (Percent)	Yield (Tons/acre)	Beets (1,000 tons)	Sugar recovery (Percent)	Sugar yield (Tons/acre)	Beet sugar (1,000 tons, raw value)	Beet sugar: Oct/Sept fiscal year (1,000 tons, raw value)
September/August crop year except where noted									
2006/07	1366.2	1303.6	95.42	26.13	34,064	14.85	3.88	5,057	5,008
2007/08	1268.8	1246.9	98.27	25.53	31,834	15.22	3.89	4,846	4,721
2008/09	1090.7	1004.5	92.10	26.76	26,881	15.20	4.07	4,087	4,214
2009/10	1185.8	1148.5	96.85	25.93	29,783	14.97	3.88	4,457	4,575
2010/11	1171.9	1156.1	98.65	27.71	32,034	15.29	4.24	4,897	4,663
2011/12	1232.8	1213.2	98.41	23.82	28,896	15.29	3.64	4,419	4,900
2012/13 1/	1230.1	1204.2	97.89	29.26	35,236	15.40	4.51	5,426	5,100
2013/14 1/	1211.1	1164.8	96.17	26.72	31,119	15.55	4.15	4,838	4,840

1/ Forecast.

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

Total production for FY 2014 is projected at 8.584 million STRV, a reduction of 431,000 STRV from FY 2013.

U.S. Sugar – Re-Export Import Program Developments and Trade

On April 30, 2013, USDA announced that it will temporarily permit licensed refiners to transfer program sugar from their license to another licensed refiner's license through September 30, 2013. The USDA will also temporarily increase the license limit for raw cane sugar refiners from 50,000 metric tons, raw value (MTRV) of credits to 100,000 MTRV of credits, through December 31, 2014. Beginning January 1, 2015, the credit limit will revert to 50,000 MTRV. No change is made to the 50,000 MTRV limit for debits on the licenses. The USDA's intention is to rebalance Re-Export Program licenses and provide greater flexibility for licensees to balance program sugar imports, exports, and transfers.

The effect on sugar trade forecasts of this policy action is to decrease other program imports in FY 2013 by 100,000 STRV to 125,000 STRV and correspondingly increase FY 2014 other program imports by 100,000 STRV above the 300,000 STRV at which they would have been forecast in the absence of the change. Although the FY 2013 export forecast was increased by 25,000 STRV to 200,000 STRV, this increase was based on pace-to-date unconnected with the policy announcement.

Table 5 -- *Sugar and Sweetener Outlook* projections of sugarcane production and cane sugar production for 2013/14

State	Area harvested for sugar (1,000 acres)	Yield (tons per acre)	Sugarcane (1,000 tons)	Recovery (percent)	Raw sugar (1,000 tons, raw value)	Sugar yield (tons per acre)
Florida	393.6	36.9	14,536.0	12.6	1,833.0	4.66
Louisiana	400.0	30.3	12,112.0	12.9	1,561.0	3.90
Texas	45.7	34.5	1,574.8	10.8	170.0	3.72
Hawaii	15.5	80.8	1,252.1	14.4	180.0	11.61
Total	854.8	34.5	29,474.9	12.7	3,744.0	4.38

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

The USDA estimates FY 2013 sugar imports at 2.903 million STRV, a reduction from last month of 133,000 STRV. Table 6 shows the import components and their change from last month. The largest change was the 100,000 STRV reduction in other program imports, already mentioned. The raw sugar tariff-rate quota (TRQ) shortfall was increased by 60,000 STRV to 460,000 STRV. The narrow margin of just over 2 cents per pound between U.S. and world raw sugar prices makes quota-holding countries' exports to non-U.S. destinations more profitable than filling their U.S. allotments. Imports from Mexico resulting from increased production increase by 26,836 STRV to 1.674 million STRV.

The USDA forecasts FY 2014 sugar imports at 3.438 million STRV, an increase over last year of 535,000 STRV. Table 7 shows the component detail. TRQ imports are forecast at minimum levels to be consistent with U.S. obligations to the World Trade Organization (WTO) and sugar provisions of Free Trade Agreements (FTA). Because the USDA has not announced a TRQ for specialty sugar, it is set at zero for now. Otherwise, the largest change from FY 2013 is lower shortfall—forecast at a high 200,000 STRV but still 260,000 STRV lower than that estimated for FY 2013.

As detailed above, other program imports (re-export imports) are forecast at 400,000 STRV. Imports from Mexico are forecast at a high 1.763 million STRV.

U.S. sugar supply is the sum of beginning stocks, production, and imports. The FY 2014 projection is 14.190 million STRV. This exceeds the FY 2013 estimate of 13.903 million STRV by 287,000 STRV.

U.S. Sugar: Deliveries and Ending Stocks

The USDA reduced its estimate of FY 2013 deliveries for human consumption by 80,000 STRV to 11.400 million STRV. Although volatile, direct consumption imports by entities that do not report to the Sweetener Market Data (SMD nonreporters) fell in March to a low 11,353 STRV, much below expectations. Forecast deliveries for human consumption for FY 2014 are 11.560 million STRV.

Table 6 -- USDA estimate of sugar imports in FY 2013

	May 2013 WASDE		Change		April 2013 WASDE	
	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			1,117,195	1,231,497
Less other shortfall	-417,305	-460,000	-54,431	-60,000	-362,874	-400,000
Additional Quota					0	0
Total raw sugar TRQ	699,890	771,497	-54,431	-60,000	754,321	831,497
Refined sugar TRQ						
Allocation to Canada	12,050	13,283			12,050	13,283
Allocation to Mexico Less Mexican shortfall 1/						
Global	8,294	9,143			8,294	9,143
Specialty						
Base	1,656	1,825			1,656	1,825
Additional	95,254	105,000			95,254	105,000
Total refined sugar TRQ	117,254	129,250			117,254	129,250
Free Trade Agreements						
CAFTA/DR CY 2012, entered in FY 2013	24,702	27,229			24,702	27,229
CAFTA/DR CY 2013, forecast to enter in FY 2013	97,180	107,123			97,180	107,123
Peru CY 2012, entered in FY 2013	0	0			0	0
Peru CY 2013, forecast to enter in FY 2013	2,000	2,205			2,000	2,205
Colombia CY 2012, entered in FY 2013	6,554	7,225			6,554	7,225
Colombia CY 2013, forecast to enter in FY 2013	44,321	48,856			44,321	48,856
Panama CY 2012, entered in FY 2013	0	0			0	0
Panama CY 2013, forecast to enter in FY 2013	1,000	1,102			1,000	1,102
Total Free Trade Agreements	175,757	193,739			175,757	193,739
Total estimate TRQ entries	992,901	1,094,486	-54,431	-58,898	1,047,332	1,153,384
Mexico	1,518,478	1,673,836	23,868	26,836	1,494,610	1,647,000
Re-export program imports	113,398	125,000	-90,718	-100,000	204,117	225,000
Sugar syrups, high-tier	9,072	10,000	0	0	9,072	10,000
Total estimated imports	2,633,849	2,903,321	-121,282	-132,062	2,755,131	3,035,384

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

Source: USDA, FAS, Sugar Monthly Import and Re-Export Data Report.

Table 7 -- USDA estimate of sugar imports in FY 2014

	Metric tons, raw value	Short tons, raw value
Raw sugar TRQ	1,117,195	1,231,497
Less other shortfall	-181,437	-200,000
Additional Quota		
Total raw sugar TRQ	935,758	1,031,497
Refined sugar TRQ		
Allocation to Canada	NA	NA
Allocation to Mexico Less Mexican shortfall 1/	NA	NA
Global	NA	NA
Specialty		
Base	1,656	1,825
Additional	NA	NA
Total refined sugar TRQ	22,000	24,251
Free Trade Agreements		
CAFTA/DR CY 2013, entered in FY 2014	27,626	30,452
CAFTA/DR CY 2014, forecast to enter in FY 2014	107,994	119,043
Peru CY 2013, entered in FY 2014	0	0
Peru CY 2014, forecast to enter in FY 2014	2,000	2,205
Colombia CY 2013, entered in FY 2014	6,429	7,087
Colombia CY 2014, forecast to enter in FY 2014	45,071	49,682
Panama CY 2013, entered in FY 2014	0	0
Panama CY 2014, forecast to enter in FY 2014	1,000	1,102
Total Free Trade Agreements	190,120	209,571
Total estimate TRQ entries	1,147,878	1,265,319
Mexico	1,599,367	1,763,000
Re-export program imports	362,874	400,000
Sugar syrups, high-tier	9,072	10,000
Total projected imports	3,119,191	3,438,319

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

Source: USDA, FAS, Sugar Monthly Import and Re-Export Data Report.

Table 8 shows the *Sugar and Sweetener Outlook* (SSO) model on which the forecasts are made. The model essentially takes annual and seasonal trends and pushes forward with the predicted monthly outcomes through the end of FY 2014. The sum of domestically processed beet and cane sugar FY 2014 deliveries is 10.133 million STRV—224,485 STRV less than the FY 2013 sum. This means that direct imports by SMD nonreporters have to expand to a record 1.431 million STRV to meet the overall forecast. This would imply even more substitution of sugar for HFCS into FY 2014. How far that substitution can be pushed will require monitoring.

Table 9 shows the complete U.S. sugar supply and use balance for FY 2012, FY2013, and FY 2014. FY 2014 ending stocks are calculated as the difference between total supply and total use at 2.245 million STRV. This exceeds the FY 2013 ending stocks estimate by 77,000 STRV. The FY 2014 ending stocks-to-use ratio is 18.8 percent, close to but exceeding the FY 2013 estimated ratio of 18.5 percent.

Table 8 -- *Sugar and Sweetener Outlook* May 2013 projection model of U.S. sugar deliveries for human consumption in fiscal years 2013 and 2014

<u>Model coefficients</u>						
	Symbols	Total deliveries (I)	Beet deliveries (II)	Cane deliveries (III)	Direct Cons. Imports (IV)	Residual = I - (II+III)
Constant	A	784,648	406,409	550,640		
Shifter	B	-86,774	0	32,958		
Trend (value in FY 2013)	C	15,414	0	0		
Beet deliveries	D	0	0	-0.1992		
Oct	E	0	0	0		
Nov	F	-87,097	-42,395	-24,022		
Dec	G	-193,502	-84,561	-91,665		
Jan	H	-187,006	-62,245	-100,015		
Feb	I	-194,011	-64,786	-102,621		
Mar	J	-66,845	-21,555	-19,844		
Apr	K	-125,260	-40,940	-64,506		
May	L	-81,371	-17,993	-35,483		
Jun	M	-56,967	0	-19,287		
Jul	N	-72,784	-18,146	-35,732		
Aug	O	0	0	0		
Sept	P	0	0	0		
<u>FY 2013: Model projections of monthly deliveries: total, beet sugar, cane sugar, and direct consumption imports (short tons, raw value).</u>						
Delivery months	Formula	Total deliveries (I)	Beet deliveries (II)	Cane deliveries (III)	Direct Cons. Imports (IV) 1/	
Oct	A+B+C+D*(II)+E	1,044,236	451,422	512,609		80,205
Nov	A+B+C+D*(II)+F	1,034,596	385,218	521,274		128,104
Dec	A+B+C+D*(II)+G	742,149	315,055	414,213		12,881
Jan	A+B+C+D*(II)+H	921,151	383,590	465,350		72,211
Feb	A+B+C+D*(II)+J	888,578	368,676	423,153		96,749
Mar	A+B+C+D*(II)+J	890,797	398,461	480,983		11,353
Apr	A+B+C+D*(II)+K	911,716	365,469	446,296		99,951
May	A+B+C+D*(II)+L	955,605	388,417	470,749		96,440
Jun	A+B+C+D*(II)+M	980,009	406,409	483,361		90,239
Jul	A+B+C+D*(II)+N	964,193	388,263	470,530		105,399
Aug	A+B+C+D*(II)+O	1,036,976	406,409	502,648		127,919
Sept	A+B+C+D*(II)+P	1,036,976	406,409	502,648		127,919
FY 2013: Total projected deliveries	Sum	11,406,983	4,663,799	5,693,814		1,049,370
<u>FY 2014: Model projections of monthly deliveries: total, beet sugar, cane sugar, and direct consumption imports (short tons, raw value).</u>						
Delivery months						
Oct	A+B+C+D*(II)+E	1,052,390	406,409	502,648		143,333
Nov	A+B+C+D*(II)+F	965,293	364,015	487,070		114,208
Dec	A+B+C+D*(II)+G	858,888	321,848	427,827		109,213
Jan	A+B+C+D*(II)+H	865,384	344,165	415,031		106,189
Feb	A+B+C+D*(II)+J	858,379	341,623	412,931		103,825
Mar	A+B+C+D*(II)+J	985,545	384,854	487,098		113,593
Apr	A+B+C+D*(II)+K	927,130	365,469	446,296		115,365
May	A+B+C+D*(II)+L	971,019	388,417	470,749		111,853
Jun	A+B+C+D*(II)+M	995,423	406,409	483,361		105,653
Jul	A+B+C+D*(II)+N	979,606	388,263	470,530		120,813
Aug	A+B+C+D*(II)+O	1,052,390	406,409	502,648		143,333
Sept	A+B+C+D*(II)+P	1,052,390	406,409	502,648		143,333
FY 2014: Total projected deliveries	Sum	11,563,839	4,524,291	5,608,837		1,430,712

1/ Calculated as a residual; 2/ SMD = Sweetener Market Data from USDA's Farm Service Agency.

Forecast: FY 2013 and FY 2014

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

Table 9 -- 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	1,985	2,168	1,250	1,800	1,967
Total production	8,488	9,015	8,584	7,700	8,178	7,787
Beet sugar	4,900	5,100	4,840	4,446	4,627	4,391
Cane sugar	3,588	3,915	3,744	3,255	3,552	3,396
Florida	1,828	1,866	1,833	1,658	1,693	1,663
Louisiana	1,438	1,700	1,561	1,305	1,542	1,416
Texas	150	169	170	136	153	154
Hawaii	172	180	180	156	163	163
Puerto Rico						
Total imports	3,632	2,903	3,438	3,295	2,634	3,119
Tariff-rate quota imports	1,883	1,094	1,265	1,709	993	1,148
Other Program Imports	664	125	400	602	113	363
Non-program imports	1,085	1,684	1,773	984	1,528	1,608
Mexico	1,071	1,674	1,763	972	1,518	1,599
Total supply	13,498	13,903	14,190	12,245	12,613	12,873
Total exports	269	200	200	244	181	181
Miscellaneous	-69	0	0	-63	0	0
Deliveries for domestic use	11,313	11,535	11,745	10,263	10,464	10,655
Transfer to sugar-containing products for exports under reexport 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	11,400	11,560	10,107	10,342	10,487
Total use	11,513	11,735	11,945	10,445	10,646	10,836
Ending stocks	1,985	2,168	2,245	1,800	1,967	2,037
Stocks-to-use ratio	17.238	18.47	18.80	17.24	18.47	18.80

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

NOTE: Numbers may not add due to rounding.

World Sugar

Foreign Agricultural Service (FAS) overseas offices provide information on international production, consumption, and trade of most commodities of interest to U.S. agricultural producers, including sugar. Countries selected for scheduled annual or semiannual sugar commodity reporting are either major sugar producers or major markets for sugar. These annual and semiannual reports contain production, supply, and distribution (PSD) tables containing 3 years of data: past, current, and forecast. The data and accompanying analyses provide an overview of the sugar situation and outlook. It should be noted, however, that Production, Supply, and Distribution (PSD) data contained in the Global Agricultural Information Network, or GAIN, are not official USDA data but represent estimates made by FAS Attachés.

This chapter summarizes recently released sugar GAIN reports (mostly in April 2013) for major producing and trading countries. Not all countries are covered, and some reports for certain major players may not have been released in time for inclusion.¹

Brazil

The 2013/14 Brazil sugarcane crop is forecast at 640 million metric tons (mt), an increase of 8.3 percent over the 2012/13 crop of 591.1 million mt. The production in Center/South (C/S) Brazil is forecast at 585 million mt, up 9.8 percent over last year's 532.6 million mt. The crop has benefited from good weather and a renewal of sugarcane stocks. Production in North/Northeast (NNE) Brazil is forecast at 55 million mt, a 6-percent decrease from 2012/13. Total area harvested is projected at 9.8 million hectares, up 50,000 hectares. Industrial yield, at 136.44 total reducing sugars per mt, is marginally up from 2012/13.

The share of the sugarcane crop for sugar is expected to be 48 percent, down from 50 percent. Domestic sugar prices are now at or below ethanol parity. Even so, sugar production is expected to increase by 1.8 million metric tons, raw value (MTRV) to 40.4 million MTRV due to the larger sugarcane crop. The C/S production is projected at 36.35 million MTRV, up 5 percent, and NNE production at 4.05 million MTRV, a 3.6-percent reduction.

Ethanol production is projected at 26.82 billion liters: 12.55 billion liters for anhydrous ethanol and 14.27 billion liters for hydrous. Anhydrous is expected to increase the most because of the increase in the blend requirement to 25 percent for gasoline sales. Although 90 percent of all vehicles sold in Brazil are flex-fuel, hydrous ethanol prices in Sao Paulo State alone seem consistently low enough to favor ethanol use over gasoline.

Brazil's sugar exports for 2013/14 are projected at 29.3 million MTRV, a 1.65 million MTRV increase over 2012/13. It is expected that raw sugar will constitute 78 percent of total exports, or 22.95 million MTRV.

Domestic taxes (PIS/COFIN) and social security contributions by sugar-ethanol mills are set for reduction. Also, there is an expected reduction in federal taxes (PIS/COFIN and an Industrial Product TAX) on food products, including sugar. These reductions should favor the enhanced profitability of sugar and ethanol producers.

¹See: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>.

Argentina

Sugar production is forecast at 2.35 million MTRV. Argentina faced its second straight dry summer. Most affected was the State of Tucuman, where about 60 percent of the sugarcane crop is grown. Other producing States Salta and Jujuy have more irrigation and are less dependent on timely rainfall.

Argentinian producers and processors have experienced large price declines. Prices in 2013 have averaged about 2,100 pesos per mt compared with 3,270 pesos per mt in 2011 and 2,900 pesos in 2012. Inflation rates of around 25 percent since 2011 have made the pricing situation even worse, with escalating production costs. Almost all small- and medium-sized growers are experiencing negative returns.

The State of Tucuman has recently instituted a law regulating its sugar market. The newly created Tucuman Sugar and Alcohol Promotion Board is made up of representatives from the State Government, sugarcane mills, and growers. The goal of the Board is to restrict domestic sales to boost prices and facilitate exports. The challenge is great because of the diversity of the sugar sector. There are 8,000 producers and 15 mills. The mills are diverse and do not all have the same problems. Only some of them are facing financial difficulties. Stockholding among firms is uneven. Some mills produce bioethanol, while others do not.

The Argentinian retail sugar market takes about 500,000 mt of production. Regulations enforced by the Government's Secretary of Internal Commerce places 25 percent of the total into low-priced "popular" sugar and another 25 percent into a slightly higher priced category of "selective" sugar. The balance can be sold at market prices in what is considered the premium market.

Overall sugar consumption is about 1.84 million MTRV, with most sugar demanded by the food and beverage industries. Consumption is limited by having lower priced high fructose corn syrup (HFCS) fulfill a good proportion of industrial demand and low-calorie high-intensity sweeteners meet demand in the retail market. A major food company launched construction of another HFCS, which is expected to be operational in 2014.

Exports in 2013/14 are expected to be about 500,000 MTRV. The industry is pressing for higher exports of 800,000 MTRV. These hopes are dimmed by Federal Government export controls, restrictions on access to finance and the resulting diminished commercial opportunities, and logistical difficulties.

Ending stocks in 2013/14 are projected at 456,000 MTRV, the same as beginning stocks. This projection is sensitive to the success or failure of the Tucuman Promotion Board to realize its goals.

Colombia

Sugarcane production in Colombia is just now making a full recovery from adverse weather conditions of the past few years. A "La Niña" weather pattern with excessive rainfall during 2009-11 caused lower levels of production than originally expected. Normal weather returned in 2012, but residual weather damage on about 30,000 hectares in the prime growing area of the Cauca river valley weakened yields. With full recovery, sugar production in 2013/14 is projected at 2.4 million MTRV, up 190,000 MTRV from 2012/13. Sugarcane yields could reach 110 mt per hectare, up from an estimated 90-95 mt per hectare range in 2012.

The Cauca river valley is the sugarcane-growing area in Colombia where all sugarcane for centrifugal sugar production is grown. In 2013, planted area is estimated at 227,000 hectares. There are 13 sugarcane mills, 5 of which also produce ethanol. Most of the industry is vertically integrated, controlling sugarcane production and processing.

Ethanol production has been increasing since its introduction in 2005. Production in 2012 is estimated at 370 million liters, with production capacity at 1.3 million liters per day. More ethanol production in place of sugar has reduced sugar exports, down 30 percent since 2004/05. It has also increased sugar imports, which are forecast at 290,000 MTRV for 2013/14 compared with 25,000 MTRV in 2004/05.

Sugar consumption in Colombia is forecast at 1.74 million MTRV for 2013/14. An expanding area of demand has been the confectionery industry, where an increasing share of production is being exported. Sugar exports for 2013/14 are projected at 880,000 MTRV, up 7.3 percent from 2011/12. Over 80 percent of sugar exports are constituted of refined sugar.

Non-centrifugal sugar, or *panela*, constitutes a large share of sweetener consumption in Colombia. There are an estimated 70,000 growers, with about 120,000 are employed in the producing sector. About 80 percent of total underlying crop production is grown on farms less than 5 hectares. Production in 2012 is estimated at 1.2 million mt, implying per capita consumption of about 25 kilograms per capita.

Guatemala

Area harvested in 2013/14 is expected to expand 4,000 hectares to 260,000 hectares. Growing conditions are expected to remain good and produce a yield of 95 mt per hectare, close to the realized yield of 96 mt per hectare in 2012/13. The sugarcane crop is at 24.7 million mt, and the resulting sugar production is projected at 2.6 million MTRV.

Consumption is forecast at 797,000 MTRV. Year-over-year increases are expected by beverage manufacturers (juice/soft drinks) and processed food manufacturers (especially confectionery and baked goods). However, only 28 percent of total demand is from the industrial sector – most sugar is sold to consumers for direct consumption.

Sugar exports are forecast at 1.655 million MTRV, slightly more than the 1.640 million MTRV estimated for 2012/13. The long-term goal of Guatemalan exporters is to ship more of the product in higher valued refined form than in raw sugar. Refined sugar constituted about 11 percent of exports 10 years ago but is forecast at 44 percent for 2013/14. The shift to refined sugar exporting is reflected in increased exports destined for South American and Caribbean markets and away from eastern and central European destinations. Guatemala's largest customers for raw sugar are the United States, Canada, and South Korea.

Although limited by a lack of land on which to expand sugarcane production, Guatemala seems well-positioned for future exports. The country possesses a large storage capacity of 431,000 mt and a high port-loading capacity of 2,200 mt per hour. The export facility at Puerto Quetzal has a 66,000 mt capacity of 50 kilogram bags for containerized ocean transport, especially important for refined sugar exports.

South Africa and Swaziland

South Africa sugarcane faced two consecutive seasons of severe drought in 2010/11 and 2011/12. Recovery in 2012/13 was less than anticipated due to untimely bouts of precipitation during the harvest season and a national transport strike. The 2013/14 sugarcane crop is forecast at 18.1 million mt, an increase of 5 percent from 2012/13. Crop development has been aided by good precipitation during the growing season and also by a large carryover of unharvested 2012/13 sugarcane. Sugar production is forecast at 2.175 million MTRV, 7.7 percent higher than 2012/13.

In spite of better 2013/14 sugarcane prospects, production is far short of past performance. Ten years earlier, production was at 23.0 million MTRV. Sugarcane harvested area has decreased due to smaller profit margins, land reform, urbanization, rural crime, and underdevelopment of transportation infrastructure. The number of large-scale producers has decreased 20 percent to 1,400. Land reform has not resulted in an increase in small-scale producers – their number has declined 48 percent to 25,000.

Sugarcane in Swaziland provides a vivid contrast. Area has grown 28 percent since 2000/01 due to investments—made by the Swaziland Government, the European Union, and a host of donor organizations. Sugarcane production of 5.7 million mt in 2012/13 is expected to grow to 6.5 million mt in 2016/17 due to more than 10,000 additional

hectares being brought into sugarcane cultivation. Sugarcane production in 2013/14 is forecast at 5.9 million mt from a harvested area of 56,000 hectares. 2013/14 sugar production is forecast at 750,375 MTRV.

South Africa and Swaziland are the only sugar-producing countries in the South Africa Customs Union (SACU). Other member countries include Botswana, Lesotho, and Namibia. South Africa supplies 1.7 million mt to the combined SACU and Swaziland supplies 310,000 mt. Imports, mostly from Brazil, constitute the remaining supply of 190,000 mt.

South Africa is expected to export 500,000 MTRV in 2013/14, up 25 percent from the estimated 400,000 MTRV in 2012/13. Only 271,330 MTRV was exported in 2011/12. Over the longer term, it is expected that South Africa will deliver proportionally more of its sugar into the SACU and consequently be less dependent on exports.

Swaziland has an Economic Partnership Agreement (EPA) with the European Union (EU) that permits a projected 350,000 mt to be exported to the EU in 2013/14. Exports to the United States under the U.S. raw sugar tariff-rate quota are forecast at 10,000 mt. There were no exports to the United States for 2011/12 and 2012/13 because of better prices offered in the EU market.

India

Sugar area harvested in 2013/14 is expected to be 5.35 million hectares, slightly higher than in 2012/13. However, due to lingering effects of last year's drought in Maharashtra, national yield is expected to be lower and overall sugarcane production is forecast at 355,000 mt, about 5,000 mt lower than in 2012/13. Sugar production is projected at 25.3 million MTRV, a decrease of 8 percent from last year. More sugarcane is expected to be drawn away for the production of gur (a noncentrifugal sugar), whose price is expected to remain relatively strong through 2013/14. Gur production is forecast at 7.24 million mt, up from 5.80 million mt in 2011/12.

In April 2013, the Indian Government abolished the sugar levy on mills and deregulated the sale of open market sugar. Under the levy system, mills were obliged to sell 10 percent of their production at below-market prices to the Government. The Government in turn subsidized the sale of this sugar to poor consumers. The Government will now purchase this sugar from the open market for resale. The new program is scheduled to be reviewed in 2 years. The positive effect for mills, along with increased revenue, is assurance that cane-grower payments can be made in a timelier manner than before.

Sugar consumption is projected at 26.0 million MTRV, an increase of about 2.0 percent from 2012/13. This consumption growth stems from population growth of 1.8 percent and forecast national income growth of 6.7 percent. Wholesale prices between \$530 and \$585 per mt are expected through 2013/14, although large unexpected changes in world prices could affect the range. Imports are projected at 1.5 million MTRV, and exports are expected to be minimal. Ending stocks should be about 10.8 million MTRV. This represents about 3 months of consumption needs, generally considered a satisfactory level of ending stocks.

Pakistan

Sugarcane production is projected at 59.0 million mt, a 3-percent drop from last year. Yield is lower than last year because production is from an older crop. Also, there is less area for harvest because late payments made to growers caused land to be withdrawn from sugarcane. Sugar production for 2013/14 is forecast at 4.54 million MTRV, a reduction of 2.8 percent.

Consumption is forecast at 4.5 million MTRV, an increase of 2.3 percent. The increase is attributable to population growth and increased demand for bulk sugar from food and beverage manufacturing firms.

In March 2013, the Pakistan Government approved an inland freight subsidy on sugar for export and also lowered a federal excise tax duty on a proportion of domestic sugar sales from 8 percent to 0.5 percent. For a particular mill, the lower tax is applied to the same level of domestic deliveries as that exported by the mill up to a Government-allocated export target for the mill. The goal is to export 1.2 million MTRV of sugar. This is meant to aid processors who are experiencing low domestic sugar prices and who, at the same time, are required to make high Government-set payments to growers for their delivered sugarcane. This policy action is expected to lower 2012/13 ending stocks to 610,000 MTRV. The likely impact on the sugar balance in 2013/14 is to increase imports, probably up to 450,000 MTRV, to get ending 2013/14 stocks up to 900,000 MTRV, or about 2.5 months' worth of consumption.

China

Chinese sugar production in 2013/14 is forecast at 14.05 million MTRV. Cane sugar production of 12.85 million MTRV is expected from a sugarcane crop of 130 million mt, up slightly from 2012/13. Although lower sugarcane returns from unfavorable weather induced some substitution toward horticultural product/vegetable production, higher yields are expected in 2013/14. Grower returns tend to be fairly steady because of Guidance Sugarcane Purchase pricing set by provincial governments.

Beet sugar production for 2013/14 is projected at 1.2 million MTRV. Sugarbeets are expected to be harvested on the same area as in 2012/13—300,000 hectares—and yield is also expected to be the same, 41.7 mt per hectare. Unlike for sugarcane, there are no provincial guidance prices for sugarbeets, but mills do offer extension services and discounted inputs to their growers.

Chinese sugar consumption is projected at 15.4 million MTRV, up 4 percent from 2012/13. In 2012/13, lower relative corn prices allowed for more consumption of corn-based starch sugar than originally expected. So far in 2013, starch-based sweeteners are still less expensive than sugar. This competitiveness may manifest itself in lower sugar demand if it persists into 2014.

For 2013/14, overall sweetener demand is expected to decrease because of lower dairy demand (from consumer concerns with food safety) and lower soft drink demand (lower purchasing power).

Imports in 2013/14 are forecast at 2.0 million MTRV, the same as in 2012/13. The Chinese sugar tariff-rate quota (TRQ) bound by the import commitment made to the World Trade Organization (WTO) is 1.95 million MTRV and the in-quota tariff rate is 15 percent. The over-quota rate is 50 percent. Chinese sugar producers maintain that the in-quota rate is insufficiently high to provide domestic price protection for themselves.

2013/14 ending stocks are expected to rise 11.5 percent to 5.9 million MTRV. State stock reserves are typically augmented to bolster producer prices. In 2012/13, plans were announced to purchase 3 million MTRV for State reserves. First purchases of 1.5 million MTRV were made in December 2012 and January 2013. There have been no further purchases to date.

The production and distribution of saccharin is set by the Chinese Government. In 2012, 3,787 mt was produced for domestic use and 14,768 was produced for export. These levels do not vary much from year to year.

Australia

Sugar exports in 2013/14 are projected at 8.5 million MTRV, an increase of 500,000 MTRV. Yields are expected to have fully recovered from Cyclone Yasi. The raw sugar export component is 5.3 million MTRV, up from 5.0 million MTRV in 2012/13. 2013/14 ending stocks are expected to decline to 1.3 million MTRV from a beginning level of 2.1 million MTRV. Sugar production for 2013/14 is forecast at 4.54 million MTRV, up 5 percent from 2012/13. With the rebound in production, exports are expected to increase, as well: to 3.4 million MTRV in 2013/14, compared with 2.8 million MTRV in 2011/12 and 3.1 million MTRV in 2012/13. In spite of the export recovery, Australia may not fill its U.S. TRQ allotment because of higher prices available in Asian markets.

Recent sugarcane acquisitions by foreign entities have pushed foreign ownership of Australian sugar mills up to 75 percent. The percentage was only 16 percent in 2010. This has been favorably viewed in Australia as a sign of commitment for import sugar sourcing from Australia into the future.

Thailand

There are now 51 sugarcane mills in Thailand with a capacity to crush 1.0 million mt per day, up from 0.9 million mt in 2011/12. Area expanded by 65,000 hectares in 2012/13 to 1.345 million hectares to take advantage of the increased capacity. In 2012/13, sugarcane production at 99.5 million mt ended lower than originally expected because prolonged drought conditions led to lower yields. For 2013/14, area is expected to expand 15,000 hectares to 1.360 million hectares, and yields should improve moderately to an average 75 mt per hectare. A sugarcane crop of 102 million mt should produce 10.5 million MTRV of sugar and 30-40 million liters of ethanol in 2013/14.

Sugar consumption in 2013/14 is projected at 2.75 million mt, an increase of 100,000 mt. Strong economic growth of between 5 to 6 percent, along with the expansion of soft drink manufacturing capacity of 30-40 percent in 2012/13, is responsible for the expected sugar consumption increase.

Indonesia

Sugar production and trade is heavily regulated in Indonesia. Sugarcane is grown on 375,000 hectares, which is the estimate for 2012/13 and the projection for 2013/14. There are 48 sugarcane mills on the island of Java, processing about 64 percent of the total crop. There are 14 mills outside of Java. Domestic sugar is plantation white, meant for direct human consumption. It is expected that 2.08 million MTRV will be produced in 2013/14, up marginally from the 1.97 million mt estimated as produced in 2012/13.

Refined sugar for food and beverage manufacturing is processed from raw sugar imports. There are eight refineries, with three new refineries expected to come online in 2013. Imports for 2013/14 are projected at 3.6 million MTRV, up 200,000 MTRV from 2012/13.

The Philippines

The Philippines crop year runs from December through November. Area harvested for 2012/13 is forecast at 415,000 hectares, the same as the previous year. Sugarcane production is expected to increase by 1.7 million mt to 26.0 million mt. Sugar production is forecast at 2.4 million MTRV, unchanged from the previous year. Some authorities forecast an expansion of sugar production in 2013/14 in response to growing ethanol demand, with increasing area planted to sugarcane.

Philippine sugar prospects are held back, however, by an excess of sugar farmers resulting from land reform. There are 59,600 growers, and 79 percent of them farm less than 5 hectares. Only 1 percent of growers farm more than 100 hectares. The small-scale sector has sugar yields of 5.03 mt per hectare, compared with 7.34 mt for larger producers.

Typically, sugar consumption averages about 70 percent of production. The forecast for 2012/13, however, is 2.2 million MTRV. Food and beverage manufacturers take about 50 percent of the total; households, 32 percent, and institutions and hotels 18 percent. Most exports go to the United States under the U.S. raw sugar TRQ. Exports to other nations generally occur only when there is a production surplus. Exports for 2012/13 are projected at 250,000 MTRV.

A source of concern in the Philippines is tariff reform under the ASEAN Free Trade Agreement. Rates as high as 38 percent in 2010 are scheduled to be lowered to 5 percent in 2015. The implication for producers is for lower returns from increased imports.

Russia

Russia's 2013/14 sugarbeet crop is expected to fall 18 percent to 37 million mt from last year's level of 45.1 million mt. Even so, last year's crop greatly exceeded sugar processors' demand, and much was unprocessed and subsequently lost.

Area harvested is expected to drop to 1.00 million hectares from last year's 1.14 million hectares. Most of the decline is expected at less efficient farm operations. In Russia, about 60 percent of beet area is farmed by large, relatively efficient agroholding companies with good access to inputs and seed varieties. The other 40 percent is farmed on a smaller scale by independent growers with more variable yields.

Sugar production is projected at 4.9 million MTRV, only 2 percent lower than in 2012/13. There are likely to be more raw sugar imports due to an expected buildup in buffer stocks and the small reduction in beet sugar production. Imports are projected at 1.0 million MTRV (0.9 million MTRV raw and 0.1 million MTRV refined), up from 0.7 million MTRV in 2012/13 but far short of the 2.0 million MTRV levels of just a few years ago.

European Union

The European Union (EU) sugar market is characterized by heavy regulation. Domestic production of sugar for human food and beverage consumption is restricted by quotas whose aggregate sum equals 13.3 million mt, white value (MTWV), or 14.5 million MTRV. Beet sugar production quotas are set, regardless of demand conditions, for individual EU member States. Also, small cane sugar quotas are set for certain overseas territories of France and Portugal. Production quotas are not tradable between member States. There are also quotas for high fructose syrup (isoglucose) that restrict overall production to 5 percent of the EU sugar production quota total.

The EU targets a minimum reference price for sugar and requires a minimum price paid by processors to sugar crop growers. As part of its sugar policy reform in 2007, the EU replaced its intervention price mechanism and at the same time lowered the sugar-pricing targets. These prices are € 404.4 per mt for beet sugar, € 335.2 for cane sugar, and € 26.29 for sugarbeets. In addition to the instruments described here and below, the EU retains certain other instruments to attain its price objectives.²

Sugar produced in excess of quota is termed out-of-quota sugar. There are possible outlets for this sugar. First, it can be exported. Exports require EU export licenses and are limited by a World Trade Organization (WTO) export ceiling of 1.35 million MTWV. Second, the sugar can be sold to nonfood industrial customers in biochemical industries (fermentation uses) or in the production of ethanol. Third, the sugar can be released into the domestic food market but is charged a levy of € 500 per mt. This levy can be waived or reduced if the EU domestic market is undersupplied. Fourth, the sugar can be carried over into the following production year. The carryover is counted against the next year's quota.

The EU allows limited sugar imports from favored countries. Access has been extended to a set of Least Developed Countries (LDCs) under "Everything-But-Arms" (EBA) agreements and also to former colonies (termed ACP countries, where ACP stands for African, Caribbean, and Pacific) under negotiated Economic Partnership Agreements (EPAs). Certain safeguard limits apply when imports under these agreements reach 3.5 million MTWV. Certain minor TRQs have accompanied the accession of some new member States into the EU and also cover restricted sugar imports from certain countries in the Balkan region. Outside these arrangements, imports are subject to prohibitively high import tariffs and safeguard measures.

² http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Post-Reform%20European%20Union%20Sugar%20-%20Prospects%20for%20the%20Future_Brussels%20USEU_EU-27_12-21-2011.pdf

The period since the 2007 reform has been tumultuous for EU sugar. Lower EU sugar prices resulting from the reform reduced the incentive of ACP and LDC to export raw sugar to the EU. The EU Commission in bureaucratic frenzy has had to reduce high-tier tariffs on imports and release out-of-quota sugar into the EU food and beverage market on numerous occasions. (This is detailed in the 2013 EU-27 Sugar Annual, GAIN E80016.) Domestic EU prices have been much higher than anticipated. Particularly hard-hit have been EU sugar refiners, who have been hard-pressed to secure adequate supplies of raw sugar.

The EU Commission has proposed the elimination of sugar and isoglucose production quotas after 2014/15. For its part, the European Parliament has voted in a negotiating mandate to extend quotas through 2019/20. They call for the restoration of quotas in certain countries where they were eliminated in the 2007 reform. The European Council is divided over this, and the result has been to call for quotas through 2016/17. A resolution is expected, or hoped for, by the end of June 2013. All parties seem to agree that the EU sugar market has become very difficult to manage.

For 2013/14, the FAS Brussels Post projects sugar production for food and beverage use at 15.9 million MTRV and out-of-quota sugar production at 2.4 million MTRV. Consumption is projected at 18.1 million MTRV, the same as in 2012/13. Imports are also projected the same as in 2012/13, at 3.8 million MTRV. Exports are projected at 1.5 million MTRV and ending stocks at 3.1 million MTRV.

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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.

Related Websites

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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