U.S. and Mexico Sweetener Market: Outlook and Issues for 2018/19

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## U.S. Sugar Supply and Use

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,000 STRV</td>
<td>Percent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning stocks</td>
<td>2,054</td>
<td>1,876</td>
<td>2,088</td>
<td>6.6</td>
</tr>
<tr>
<td>Production</td>
<td>8,970</td>
<td>9,293</td>
<td>9,017</td>
<td>-3.1</td>
</tr>
<tr>
<td>Beet sugar production</td>
<td>5,103</td>
<td>5,279</td>
<td>4,900</td>
<td>-7.7</td>
</tr>
<tr>
<td>Cane sugar production</td>
<td>3,867</td>
<td>4,014</td>
<td>4,117</td>
<td>2.5</td>
</tr>
<tr>
<td>Imports</td>
<td>3,244</td>
<td>3,277</td>
<td>3,076</td>
<td>-6.5</td>
</tr>
<tr>
<td>Total supplies</td>
<td>14,267</td>
<td>14,445</td>
<td>14,100</td>
<td>-2.4</td>
</tr>
<tr>
<td>Domestic deliveries</td>
<td>12,258</td>
<td>12,185</td>
<td>12,270</td>
<td>0.7</td>
</tr>
<tr>
<td>Exports</td>
<td>95</td>
<td>170</td>
<td>35</td>
<td>-385.6</td>
</tr>
<tr>
<td>Ending stocks</td>
<td>1,876</td>
<td>2,008</td>
<td>1,795</td>
<td>-11.8</td>
</tr>
<tr>
<td>Stocks-to-use ratio</td>
<td>15.1%</td>
<td>16.1%</td>
<td>14.6%</td>
<td>--</td>
</tr>
</tbody>
</table>

*Source: U.S. Department of Agriculture, WAOB.*
Focus on Deliveries

• The outlook for deliveries has been an important and divergent topic in the market.
• Data suggest that trends in recent years are different from trends established after U.S.-Mexico sweetener market integration.
• Forecasts have important implications due to the terms of the Suspension Agreements.
Since NAFTA, sugar deliveries have trended upward, but with volatility.
Drivers for growth have been steady for the past ten years

- Lower total caloric sweetener deliveries on a per person basis.
- Refined sugar has accounted for a larger share, especially since mid-2000’s, as HFCS’s share declined.
- Growth due largely to:
  - Population growth
  - Larger share of the sweetener portfolio

Three factors affecting recent deliveries trends

• Calendar year vs. fiscal year data series

• Recent changes to seasonal patterns in deliveries

• Imports sugar containing products (SCPs)
Calendar year deliveries are more stable indicator of overall demand

**Total U.S. sugar deliveries for food and beverage use, fiscal and calendar year, 2008 to 2018**

**Annual growth in U.S. sugar deliveries for food and beverage use, 2010 to 2018**

Source: U.S. Department of Agriculture, Farm Service Agency.

Prices do not explain annual changes in overall deliveries

- Deliveries are not responsive to changes in prices.
- Changes are most closely related to time trends, likely representative of gradual changes in tastes and preferences.
Recent changes in seasonal patterns

- October quarter deliveries have been higher since 2016.
- Several quarters have departed from normal seasonal patterns.
- Annual changes are not steady, pace-to-date changes throughout the year.
- Are these changes a response to temporary market dislocation or structure change in demand?

Source: U.S. Department of Agriculture, Farm Service Agency.
Deliveries affected by imports of SCPs

- Sugar containing products (SCP) represent another market.
- There are difficulties in deducing how much sugar is represented in tariff-code data.
- Selection of SCP imports show increases in some categories, but not a clear narrative.
Implications for Forecasting Deliveries

• Preferences and trends from consumers and food manufacturers are the key driver for growth in the U.S. market.

• Changes in seasonal patterns make it difficult to simply compare year-to-date deliveries with previous years.

• Delivery levels are not responsive to domestic prices, but perhaps beginning to be more responsive to SCPs.
Current USDA Outlook

• Deliveries are forecast to continue increasing, but at a lower rate than in previous years.

• Population growth and per capita delivery trends continue to be important drivers for the market.

• Changes in seasonality, SCPs, and other developing market events merit attention.
Thank You!

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https://www.ers.usda.gov/topics/crops/sugar-sweeteners/