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U.S. DEPARTMENT OF AGRICULTURE

Trends in Sugar-Containing Products (SCPs) 2012-2022

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February 2023

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About Agralytica

- **Food and agriculture consulting firm that has been working with sugar for 30 years**
 - Have been tracking trade of sugar containing products for 20 years in SCP report
 - Efforts began with Tom Earley in 2003
- **Agralytica does work in the following areas:**
 - Market research
 - Economic impact studies
 - Impacts of proposed regulations
 - Grant applications and program evaluations for USDA Cooperators
 - Commodity monitoring

Agenda

- **Introduction**
 - Defining SCPs
- **Trade Flows of SCPs**
 - Import trends and sugar flows
 - Export trends and sugar flows
 - Net imports
- **Domestic SCP production**
- **How SCPs fit into the USDA Sugar Balance framework**
- **Driving the trends**
- **Looking ahead**

Key Takeaways

- **Net imports of sugar in SCPs are increasing**
 - Imports of SCPs have increased substantially in the past 10 years
 - Exports and domestic production is flat
 - Sugar in SCPs accounting for bigger portion of U.S. consumption
- **U.S. made SCPs are increasing in costs – less competitive compared to foreign alternatives**
- **Pandemic accelerated net import growth**
- **Accelerated growth likely to subside, but long-term trend will remain**

Sugar Containing Products

- **What are Sugar Containing Products**

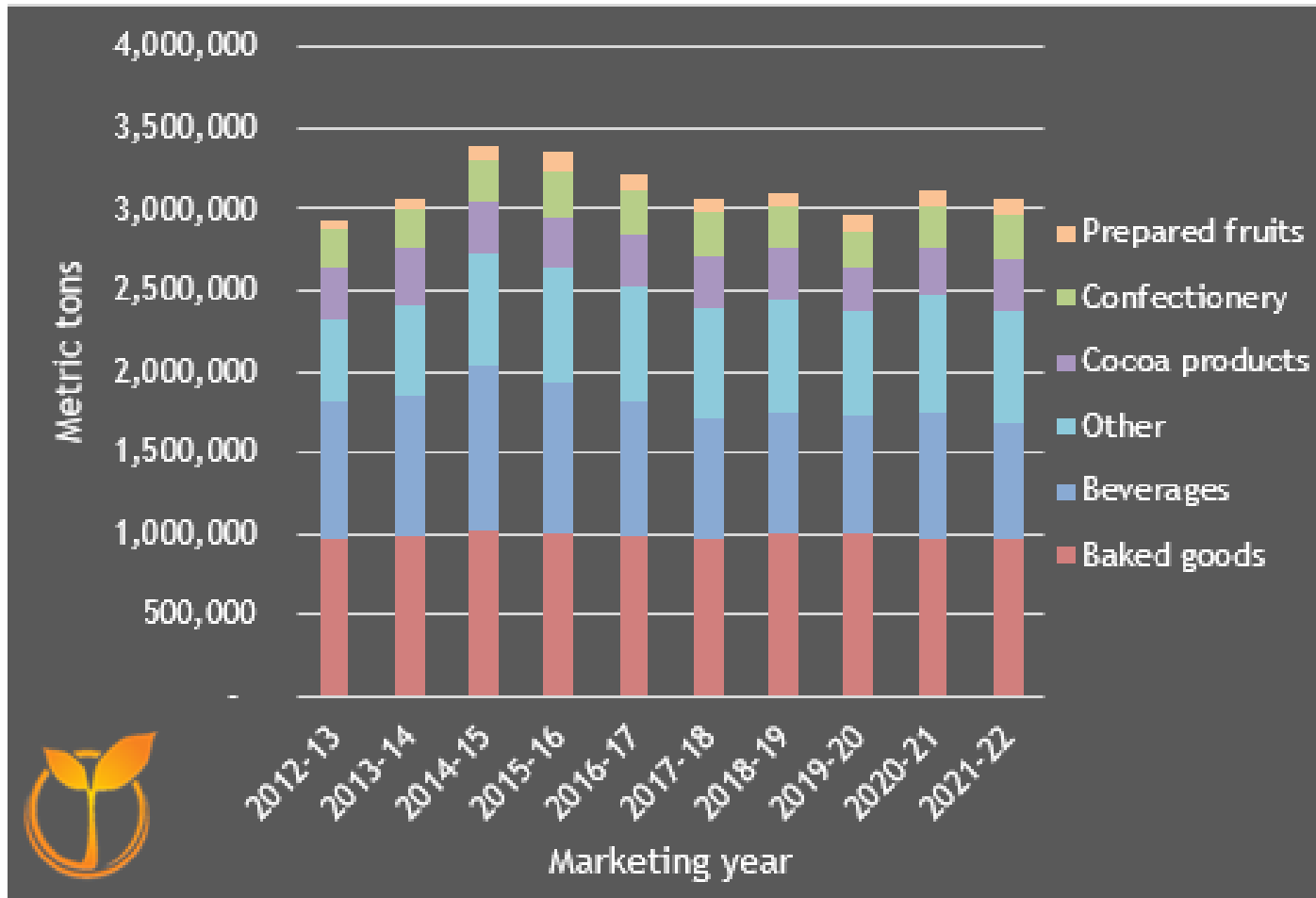
- “any product, other than those products normally marketed by cane sugar refiners, that is produced from refined sugar or to which refined sugar has been added as an ingredient.”

7 CFR Part 1530 -- The Refined Sugar Re-Export Program

- **In the Harmonized Tariff Schedule, these products include specific tariff lines in Chapters 17-22**

HTS Chapter	SCP products	ERS	Agralytica
Chapter 17	Confectionery	✓	✓
Chapter 18	Cocoa and products prepared with cocoa	✓	✓
Chapter 19	Bakery products	✓	✓
Chapter 20	Prepared fruit products		✓
Chapter 21	Other miscellaneous food products	✓	✓
Chapter 22	Beverages (primarily soft drinks)		✓

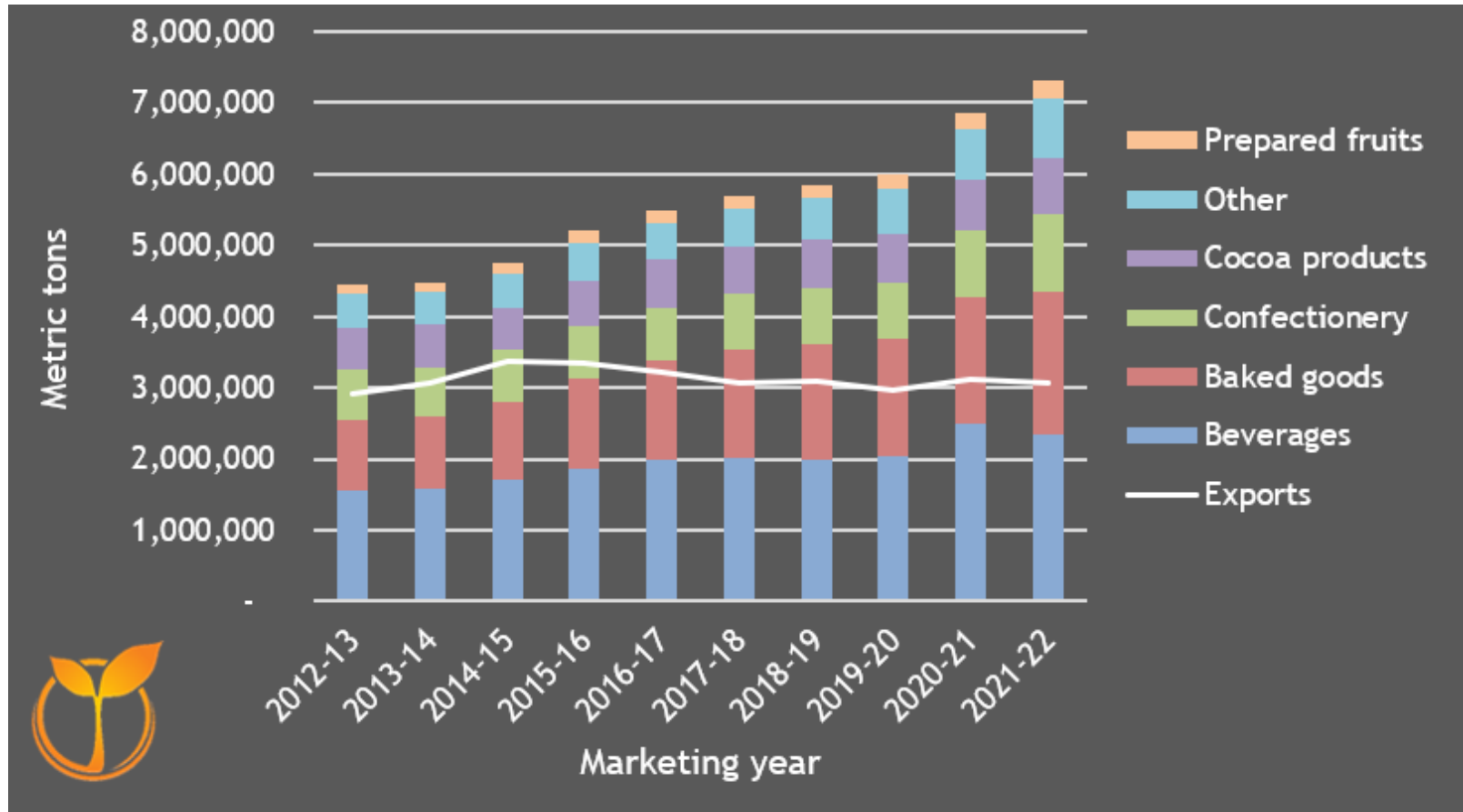
Volume Exports of SCPs



Exports stable up 5%

Bakery and beverages most of exports

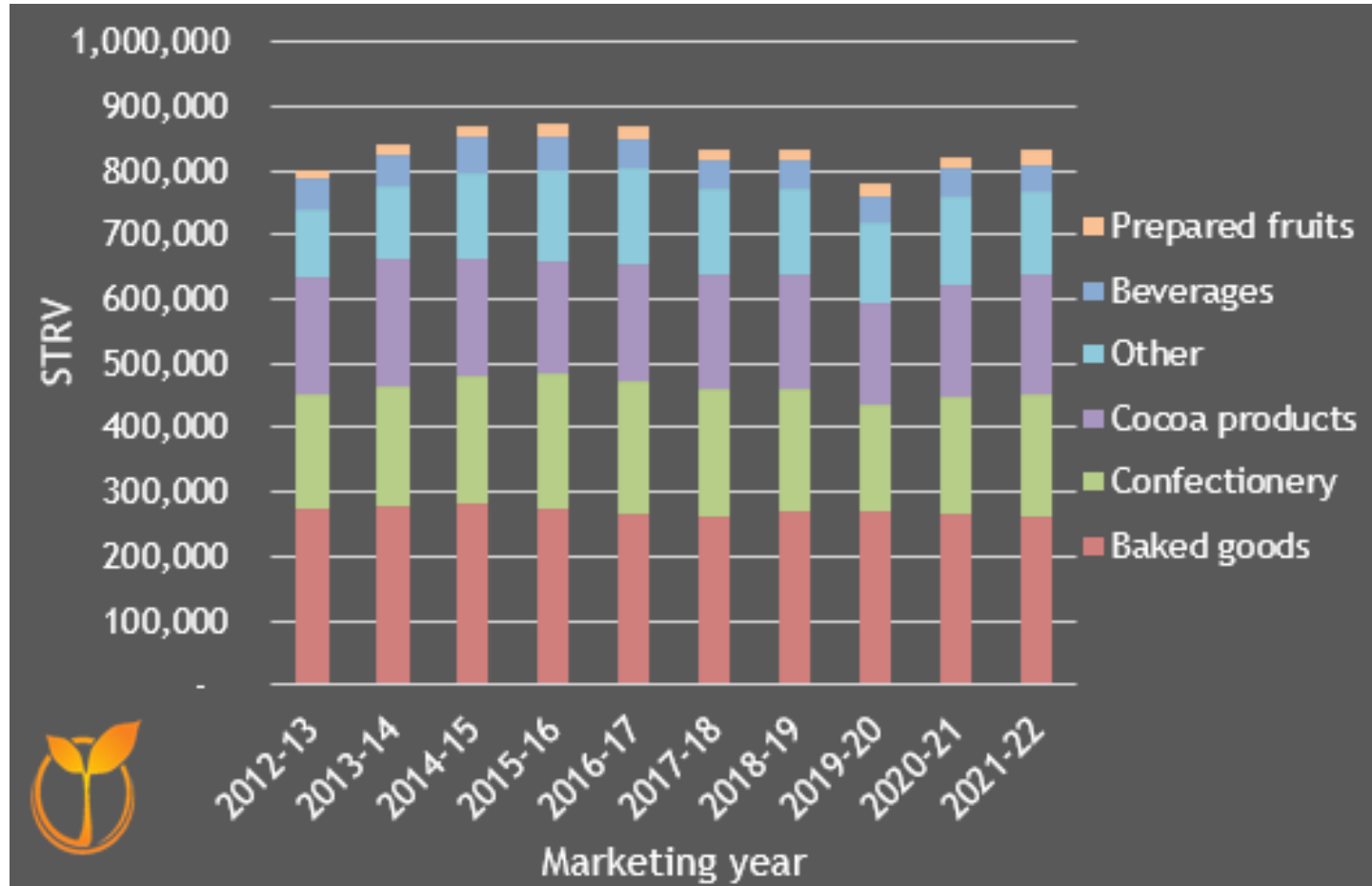
Volume Imports of SCPs



Imports up substantially – 64%

All product categories up

Exports of Sugar in SCPs (Short Ton Raw Value)

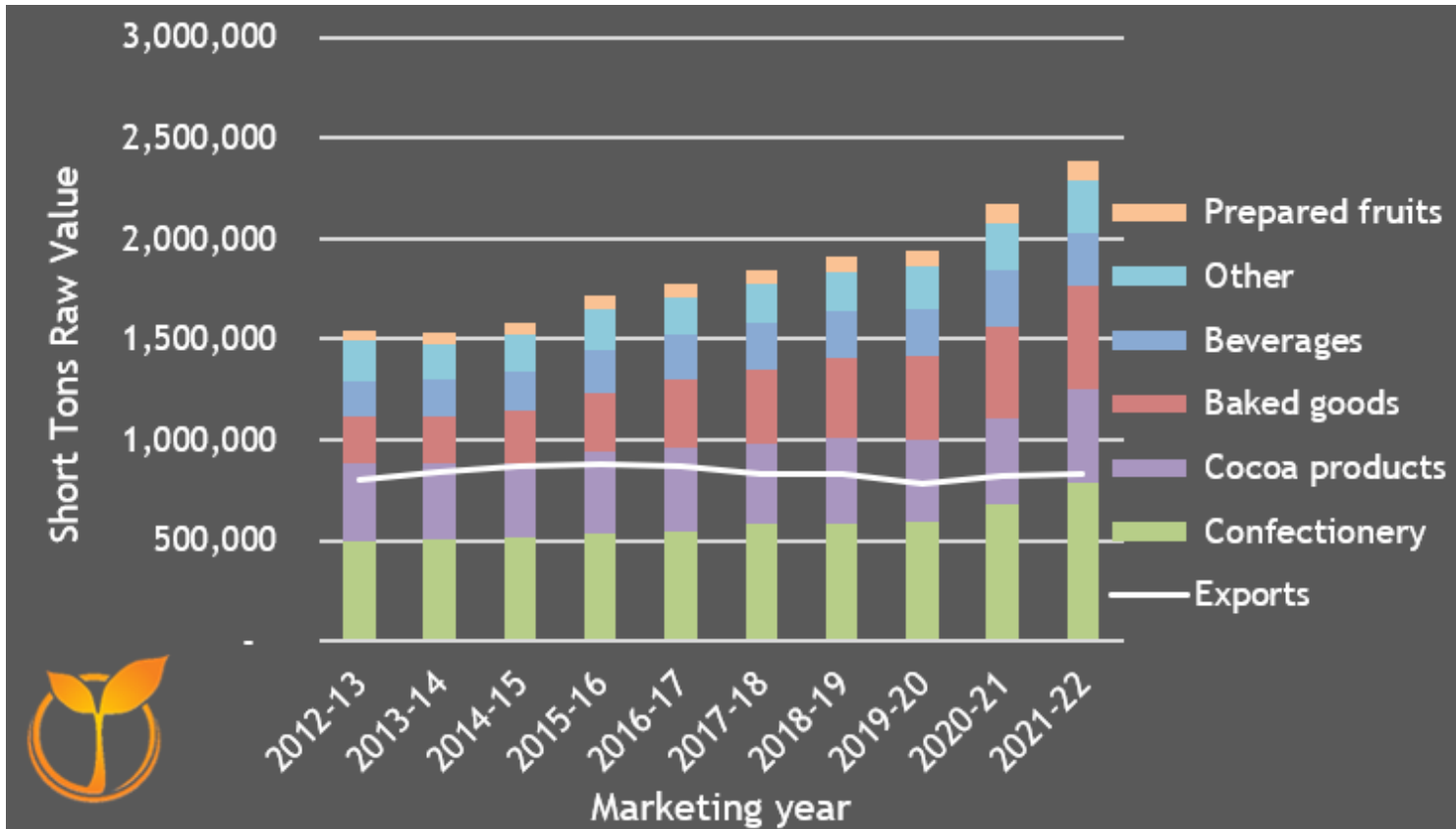


Similar story – Sugar exports up 4%

Confectionery, chocolate, and baked goods account for most exported sugar

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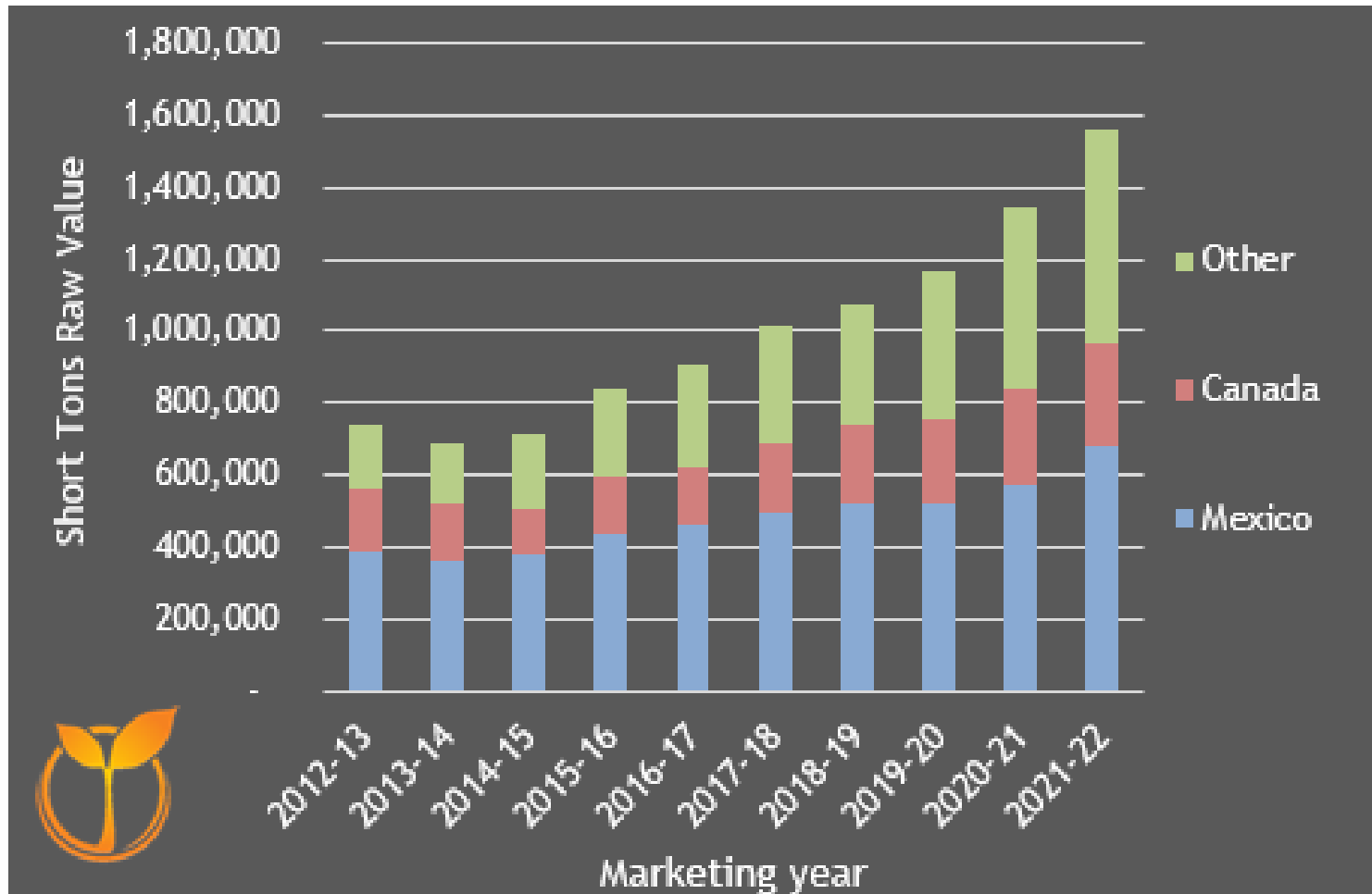
Imports of Sugar in SCPs (Short Ton Raw Value)



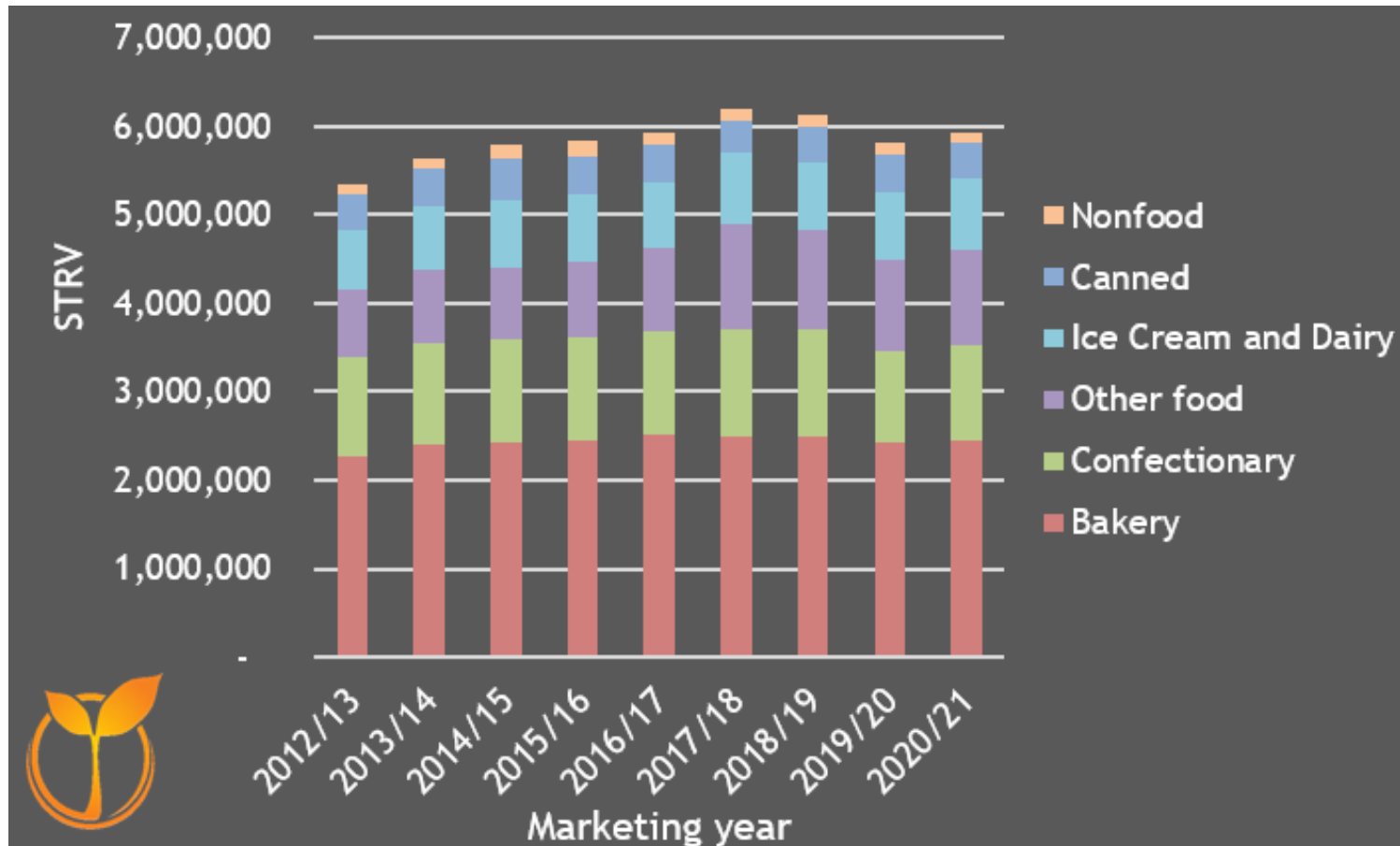
Imports of sugar in SCPs also up – 55%

Most imported sugar comes from confectionery, chocolate, and baked goods

Net Imports of Sugar in SCPs



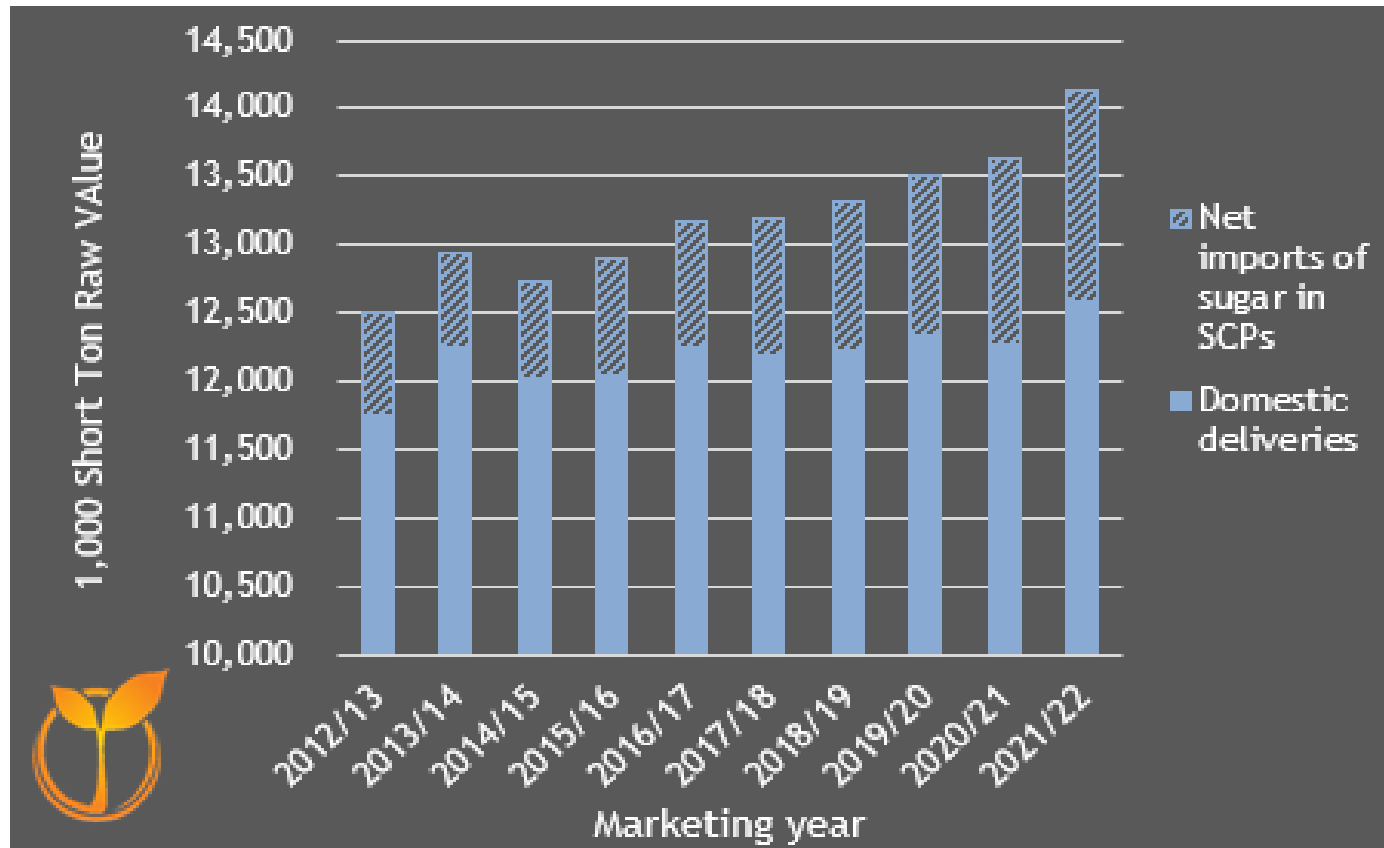
Sugar Use in Domestic Production of SCPs



Historic USDA FSA Sweetener Market Data



Fitting SCPs into the USA Sugar balance framework

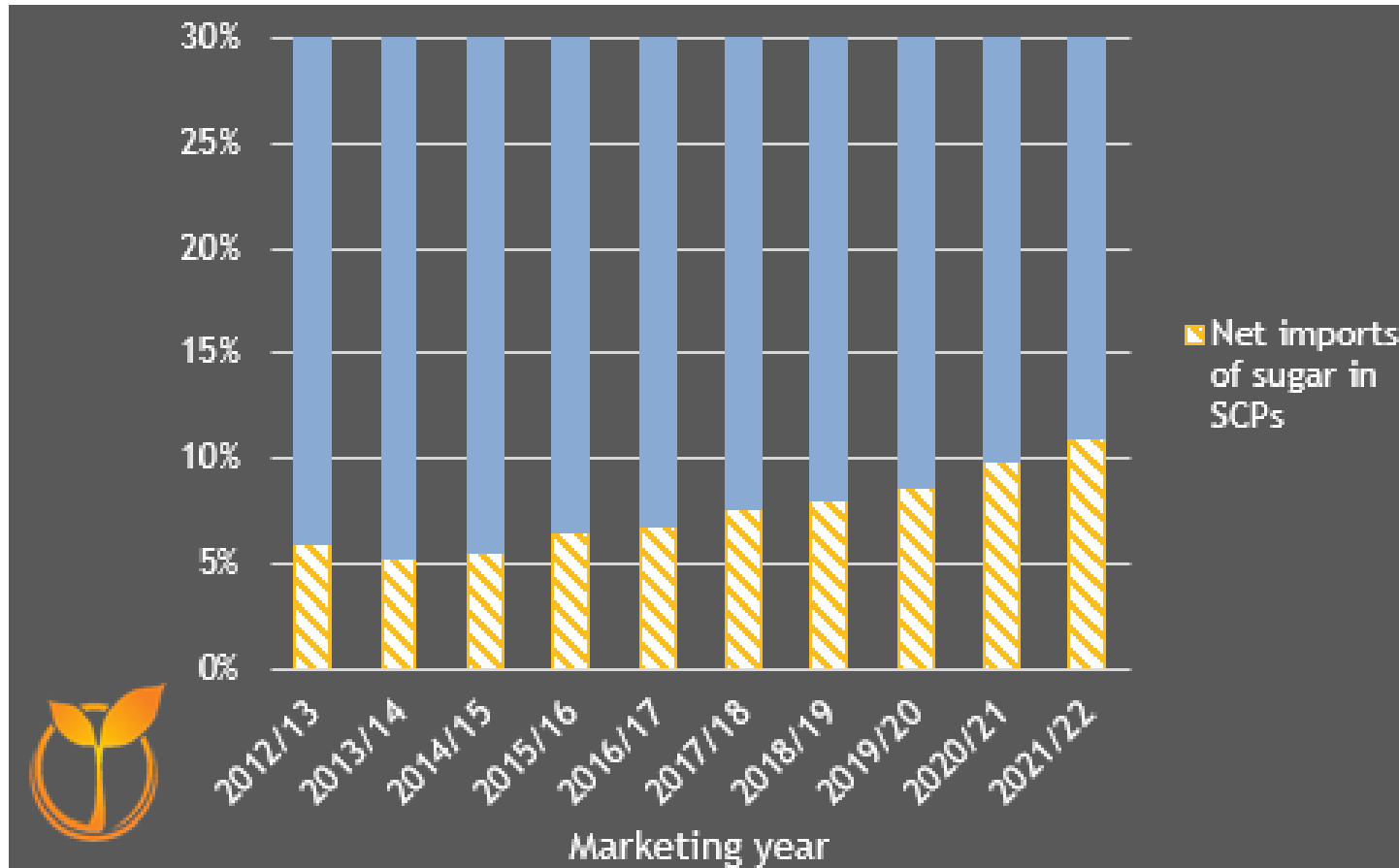


Agralytica calculations and WASDE reporting

Domestic deliveries basically flat – up 7%

Net imports of sugar in SCPs up 110% - now exceed over 10% of deliveries

SCP Import Share of Total Sugar Consumption

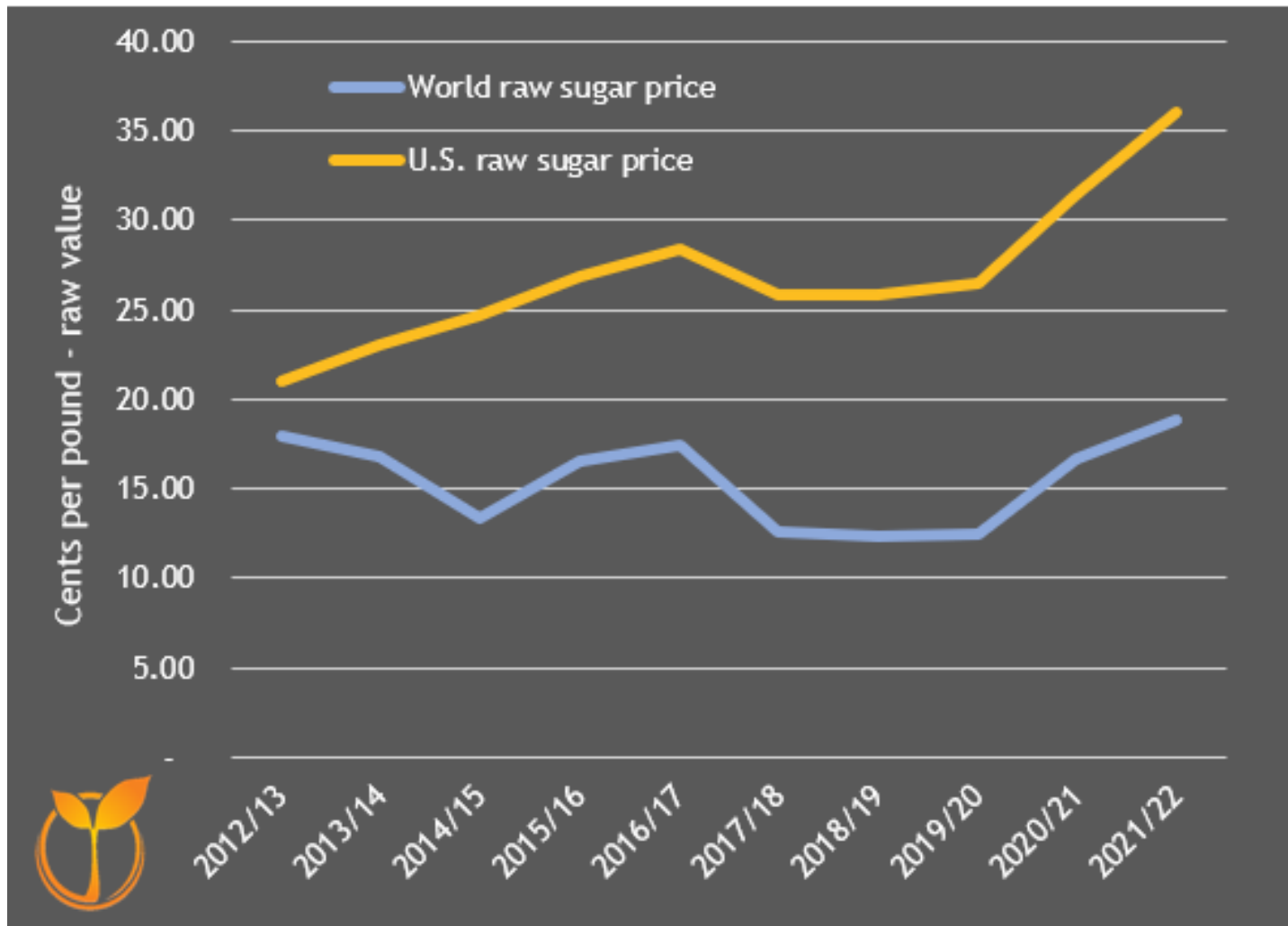


Driving the trend in net imports

Increased foreign competitiveness

- **Production costs have increased for domestic SCP manufacturing companies**
- **Cost to revenue ratios remain the same (~64%)**
- **Costs being passed further downstream:**
- **Sugar prices have increased relative to the world price, making foreign production more attractive**
 - International firms eyeing U.S. as profitable opportunity.

Price of sugar for U.S vs world



USDA ERS— global No.11 world price and global No.16 U.S. price

Driving the trend – Pandemic years

50% of net import growth over the past 10 years has occurred in the past 3 years (2020-2022)

- **Acceleration of longer-term trends**
 - Sugar price gap - U.S. vs world difference increases from 2020-2022
 - Costs of labor have increased
- **Pandemic macro-economic effects**
 - Strong U.S. Dollar – Makes imports more attractive
 - Demand for SCPs increased – Consumption shifted to CPGs

Looking ahead

Data for Q1 2022/23 show that Quarter over Quarter net imports of sugar up 4.2%

- Quarter over Quarter net import growth in 2021/22 was 9.1%

Accelerated growth likely to slow down

- Dollar is returning to historic strength
- Sugar prices may come down
- Some positive signs on inflation

Overall, long term trend of net import growth is likely to continue



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Thank you