

# State & Future of US Sugar Refining

Chris Bergin – Trader/Market Strategist | February 16, 2024

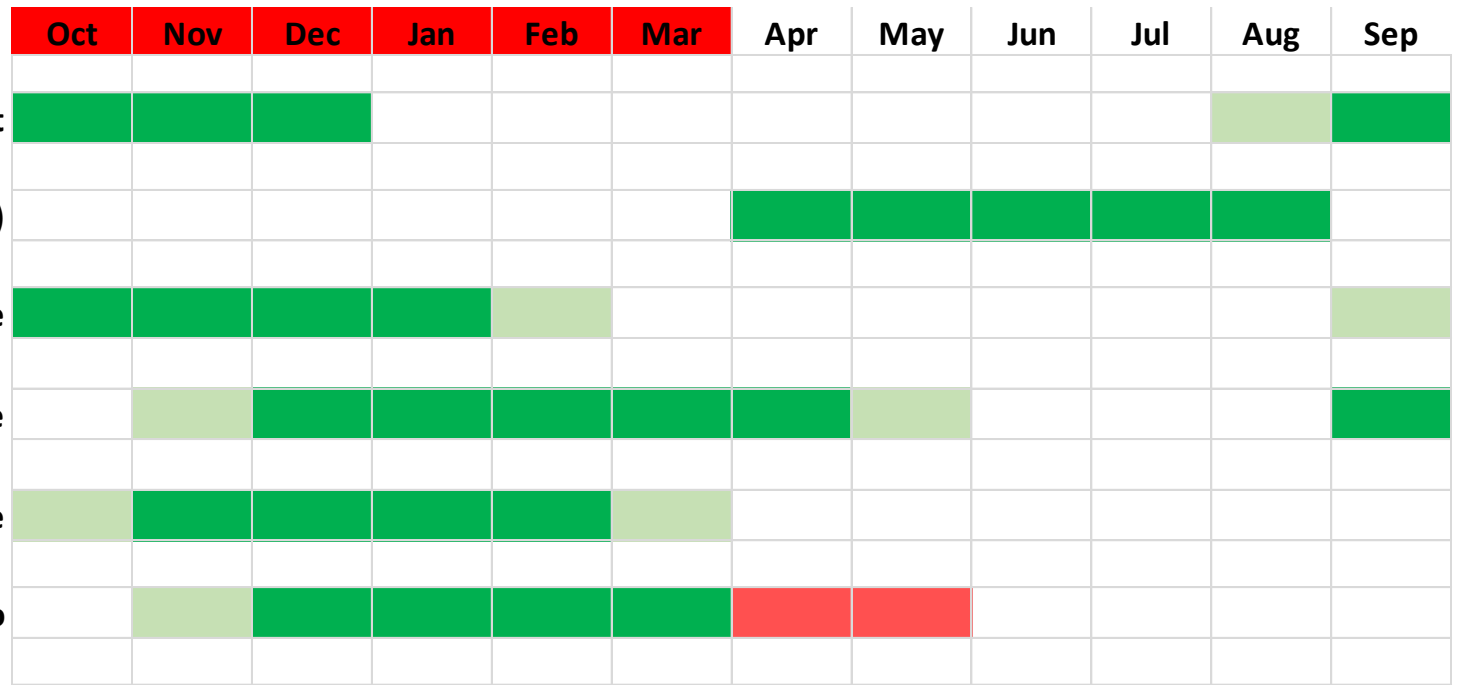
Change the way you think about sugar...



# Defining Our Current Market

*Where are we? What do we know?*

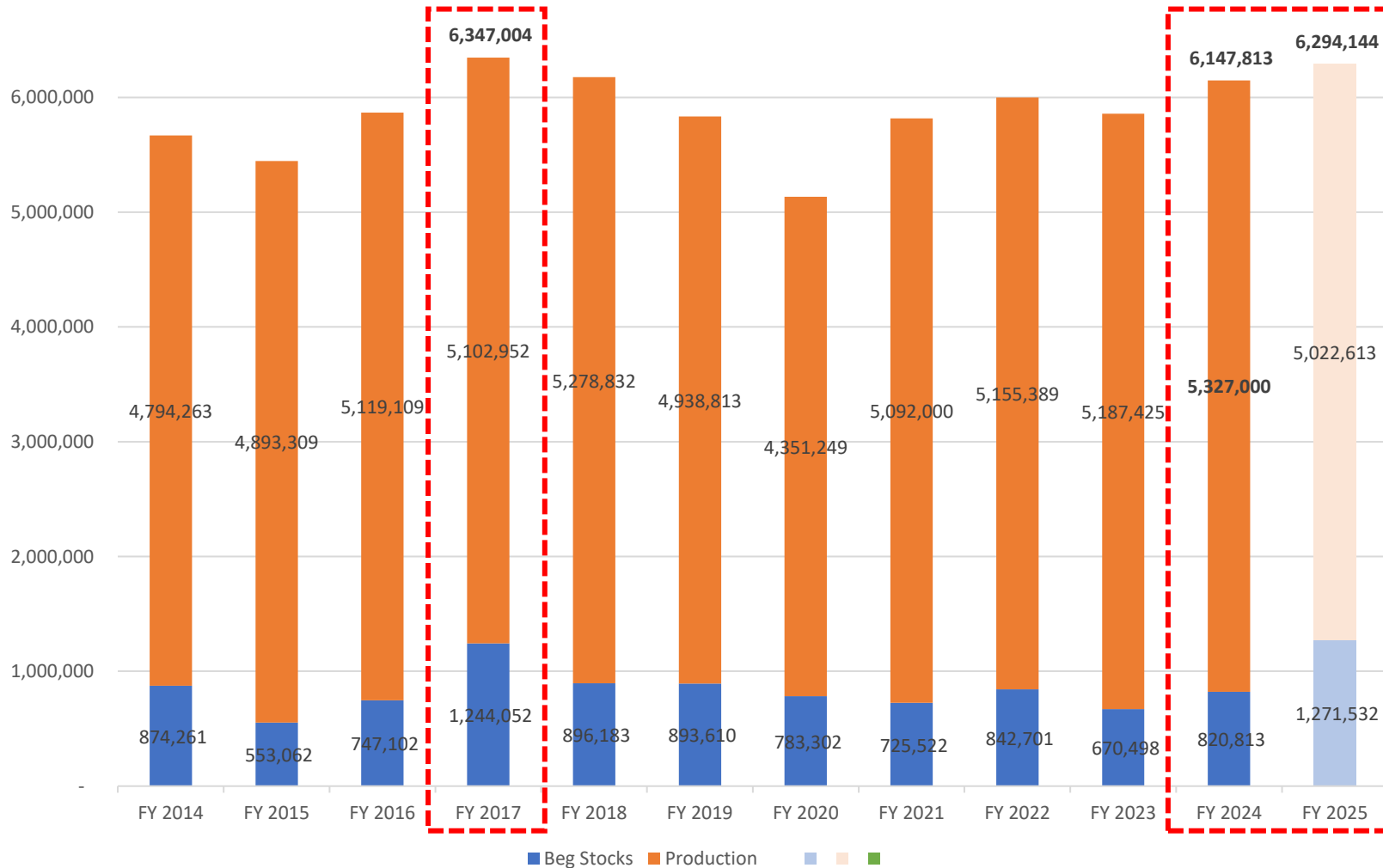
**YOU ARE HERE**



- **US Domestic Production Known**
- **Focus Shifts to Imports... how will we now manage the deficit?**
- **S/U Ratio Fixed until March 31**

# Domestic Supply

## US Beet Sugar Production – A Record!



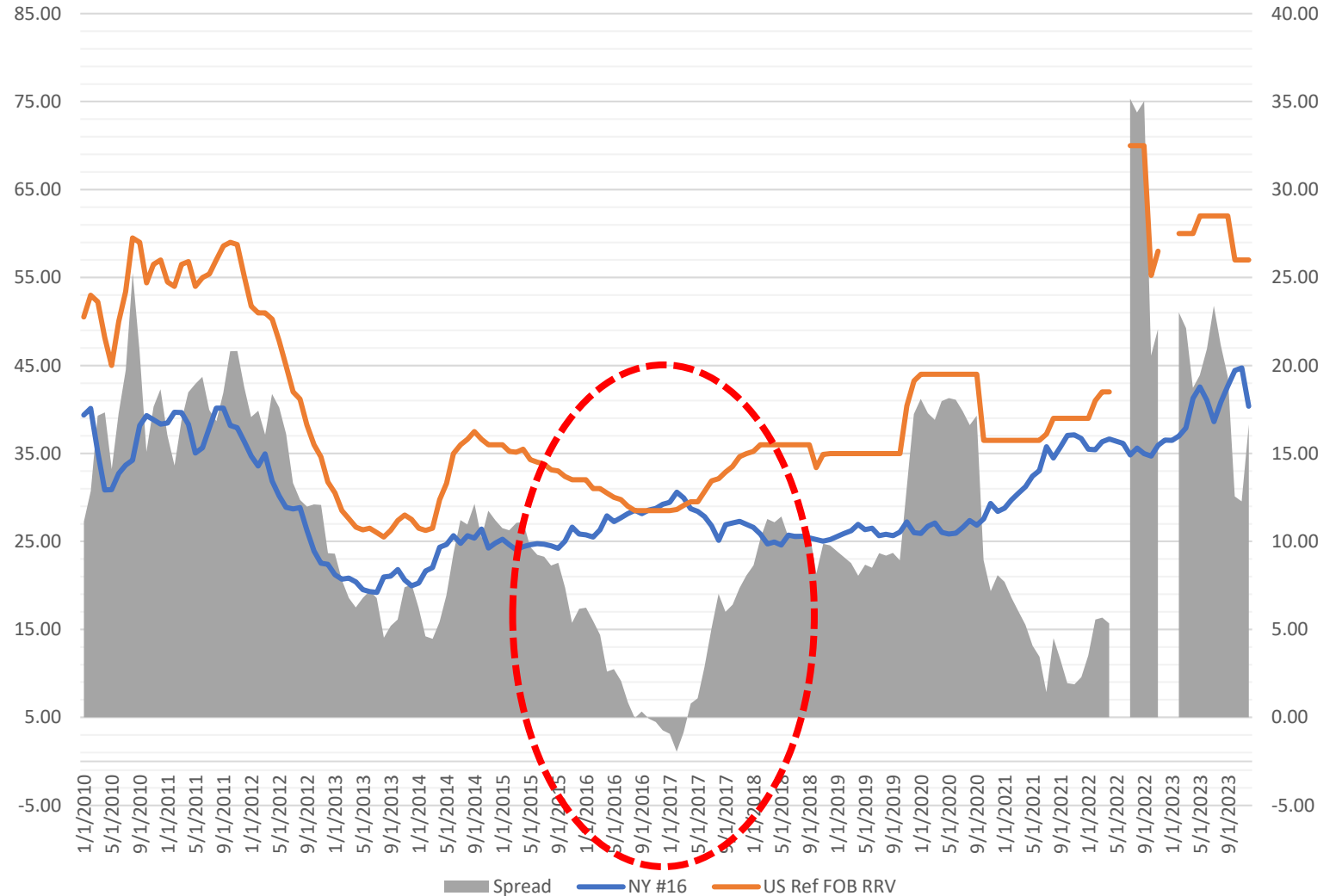
- Record US Domestic Production in FY 2024
- Total beet supplies available to market?
- Forward Forecast shows 6.3mm tons possible in FY 2025
- Refined storage typically becomes an issue....

Farm Service Agency. SMD Report. USDA. Retrieved February 8<sup>th</sup>, 2024, from <https://www.fsa.usda.gov/programs-and-services/economic-and-policy-analysis/dairy-and-sweeteners-analysis/index>

# Domestic Supply

## US Refined vs Raw Pricing

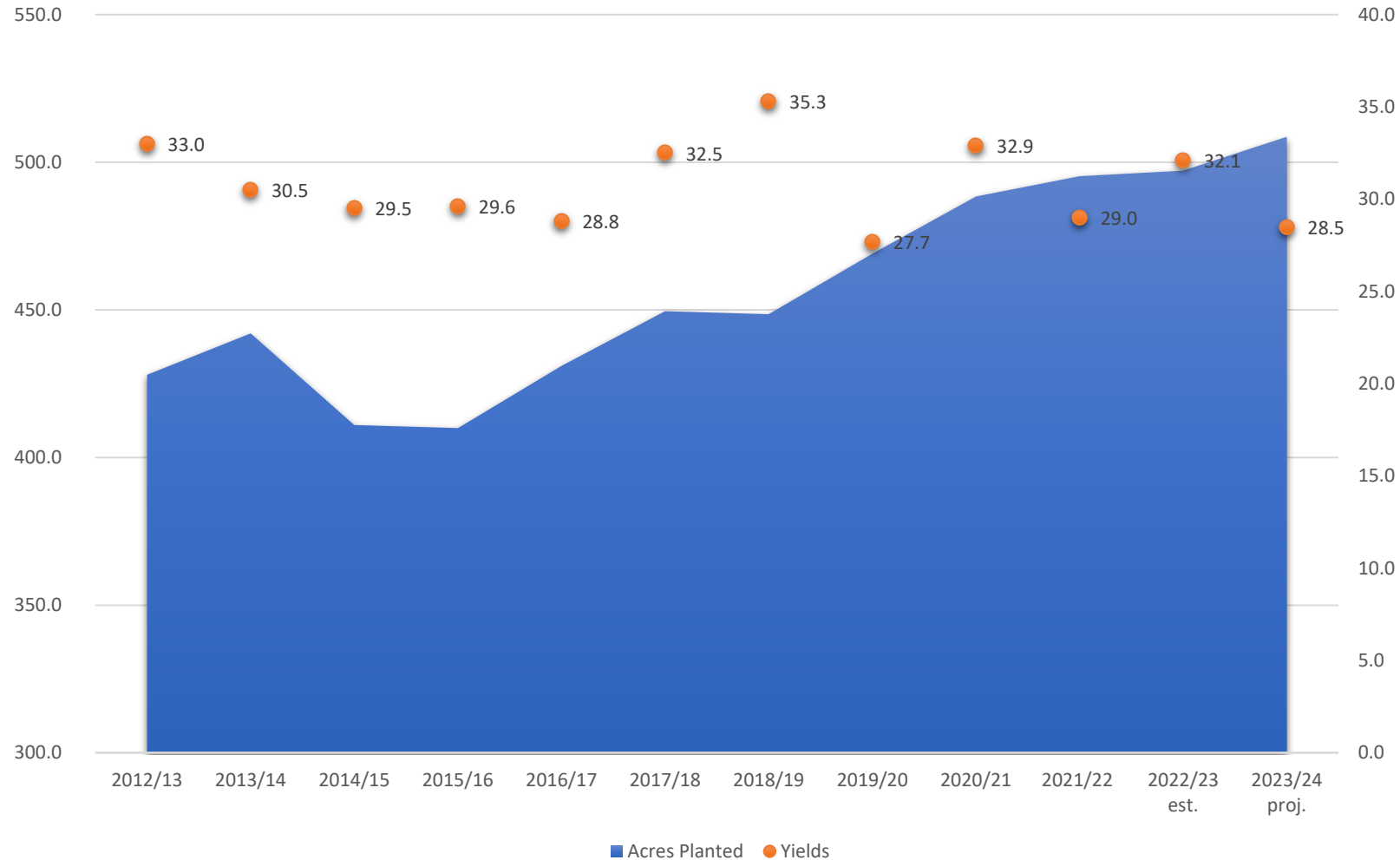
- **How did the market react in similar years (2017)?**
  - Beet/Raw Spread: -2.00 c/LB
  - Squeezed refining margins
  - World Market Exports
  
- **“Is this another one of those?”**
  
- **2024 vs 2017, what is different?**
  - Fewer Mexican refined imports
  - US Sugar/Imperial Merger
  - Mexico is taking the surplus!



Economic Research Service. *US Sugar Crop Production and Sugar Production...*, Table 4. USDA. Retrieved February 8<sup>th</sup>, 2024, from <https://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables/>  
 Economic Research Service. *US Sugar Crop Production and Sugar Production...*, Table 5. USDA. Retrieved February 8<sup>th</sup>, 2024, from <https://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables/>

# Domestic Supply

## US Cane – Louisiana Sugar Production Growth



- ~100,000 acreage increase in past 10 years
- Crop variability will increase
- Refining capacity in LA is expanding

Economic Research Service. *US Sugar Crop Production and Sugar Production...*, Table 15. USDA. Retrieved February 8<sup>th</sup>, 2024, from <https://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables/>

# Imported Supply

## Mexico – How much sugar will they have for the US?

US S&D	2023/24 proj.
Beginning stocks	1,842
<b>Total production</b>	<b>9,351</b>
Beet sugar	5,327
Cane sugar	4,024
<b>Total imports</b>	<b>3,327</b>
Tariff-rate quota imports	1,612
<del>Other program imports</del>	<del>200</del>
<b>Mexico</b>	<b>799</b>
High-tier tariff/other	715
<b>Total supply</b>	<b>14,520</b>
<b>Total exports</b>	<b>160</b>
<b>Deliveries for domestic use</b>	<b>12,555</b>
<b>Total use</b>	<b>12,715</b>
<b>Ending stocks</b>	<b>1,805</b>
<b>Stocks-to-use ratio</b>	<b>14.19</b>

Mexico S&D	2023/24 proj.	Adj. Estimate
Beginning stocks	835	835
<b>Total Production</b>	<b>4,875</b>	<b>4,500</b>
<b>Total Imports</b>	<b>547</b>	<b>120</b>
<b>Total Supply</b>	<b>6,258</b>	<b>5,455</b>
<b>Deliveries</b>	<b>4,649</b>	<b>4,649</b>
<b>Exports</b>	<b>709</b>	<b>0</b>
<b>Total Use</b>	<b>5,358</b>	<b>4,649</b>
<b>Ending stocks</b>	<b>899</b>	<b>806</b>
<b>Stocks-to-use ratio</b>	<b>16.79</b>	<b>17.33</b>
<b>Targeted Stocks (2.5 Months)</b>	<b>969</b>	<b>969</b>
<b>Difference</b>	<b>(69)</b>	<b>(163)</b>

USDA. February 2024 WASDE Report. Retrieved February 8<sup>th</sup>, 2024, from <https://www.usda.gov/oce/commodity/wasde>

# US Demand

## *US Exports to Mexico*



- Deficit in Mexico have caused prices to be on par with those in the US
- Supply Chains are built South to North
- US Exports to Mexico are limited to...
  - Immex market
  - Bulk to bagging capacity

# US Demand – In a Broader Context

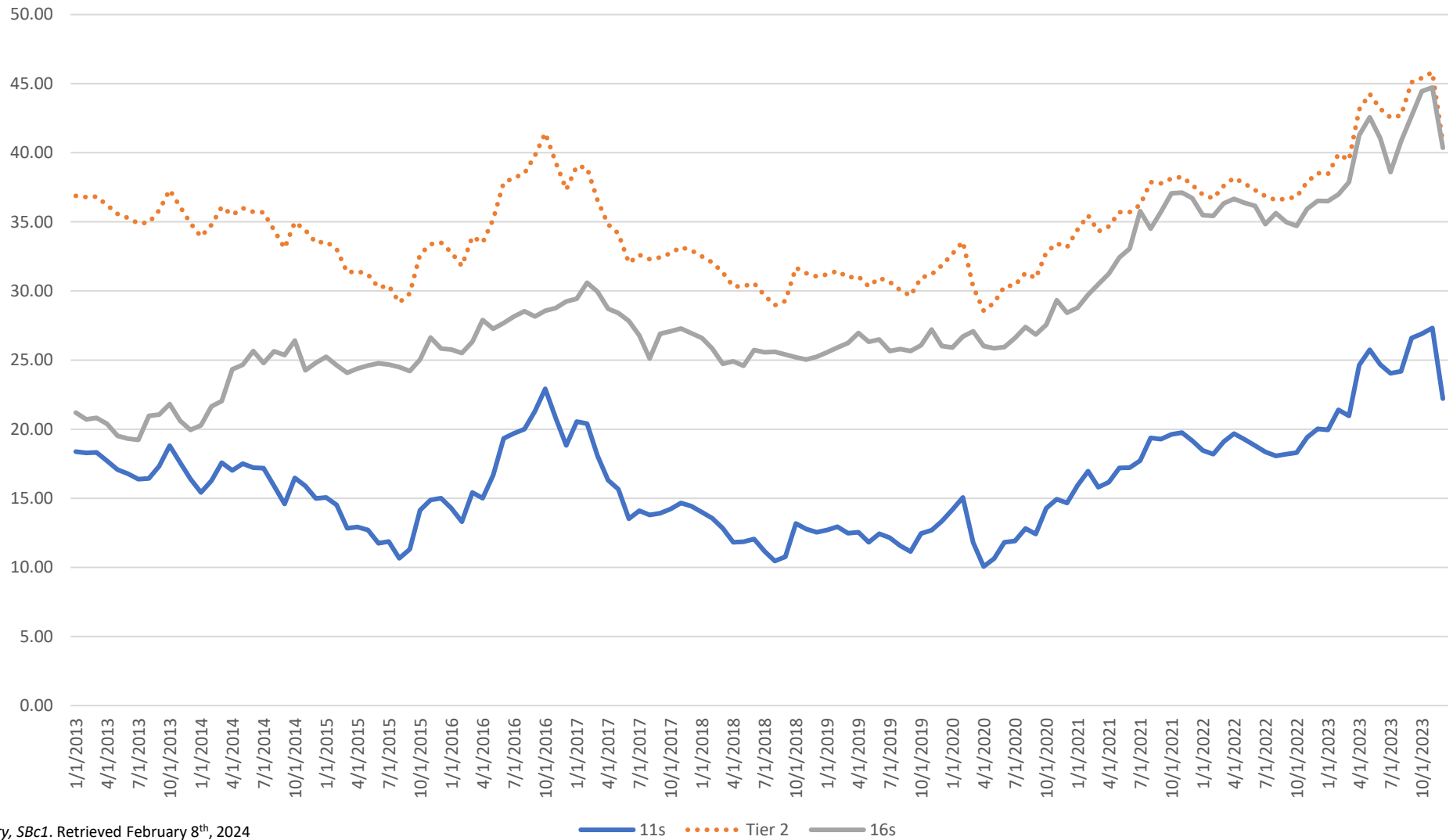
## Sugar in the Eyes of the Buyer



LSEG Workspace. Charting, Relative Performance of Corn, Wheat, Soybean Continuation Months against SFSc1. Retrieved February 7<sup>th</sup>, 2024



# US & World Raw Sugar Prices



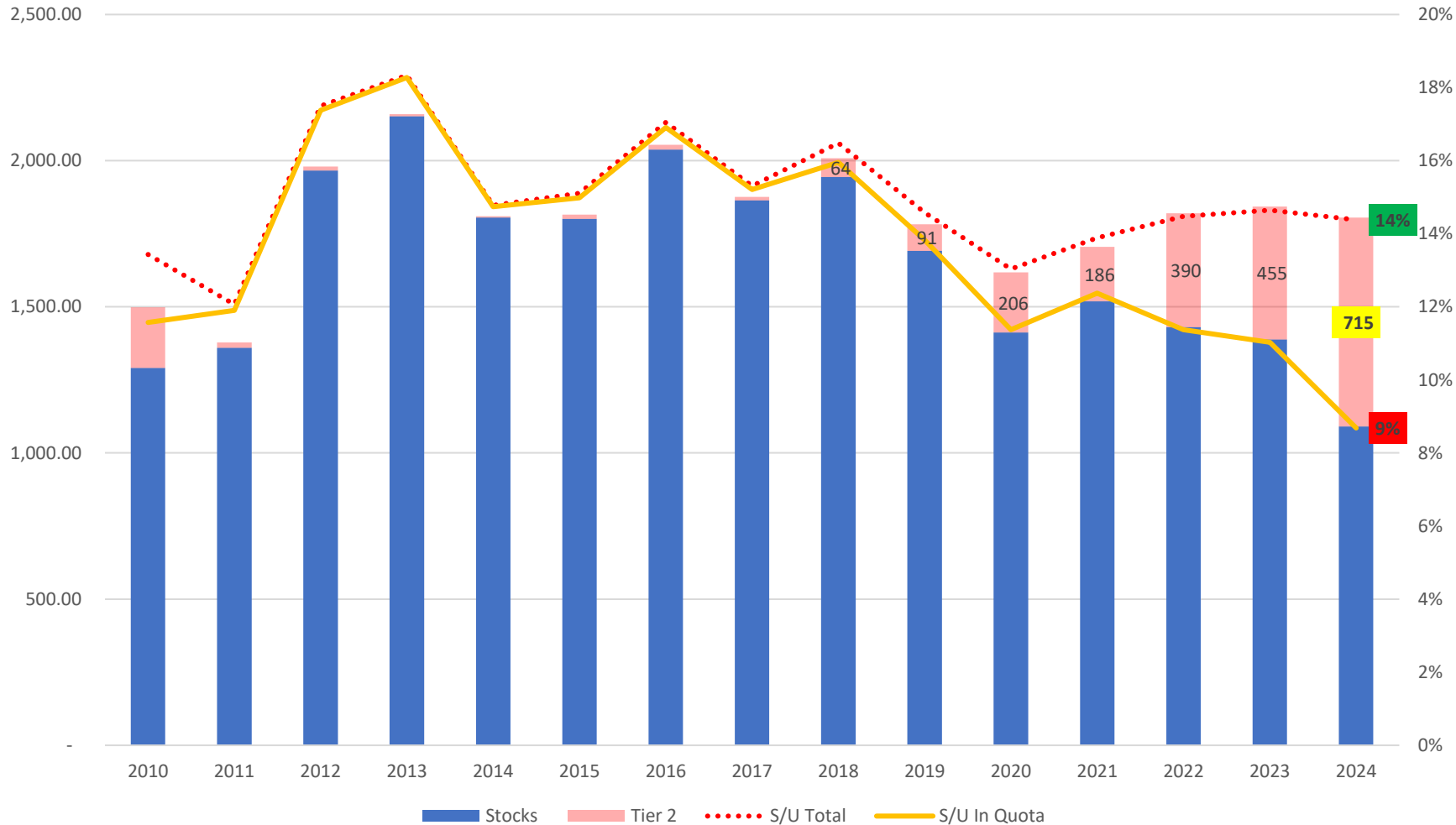
LSEG Workspace. Price History, SBc1. Retrieved February 8<sup>th</sup>, 2024

— 11s    ••••• Tier 2    — 16s



# Ending Stocks

## Stocks Sufficient... at a cost...



- How are ending stocks being solved?
- Tier 2 Imports are simply a result

Foreign Ag Service. *Sugar Monthly Import and Re-Export Data*. USDA. Retrieved February 9<sup>th</sup>, 2024, from <https://usda.library.cornell.edu/concern/publications/tq57nr00k?locale=en#release-items>  
 Farm Service Agency. *SMD Report*. USDA. Retrieved February 8<sup>th</sup>, 2024, from <https://www.fsa.usda.gov/programs-and-services/economic-and-policy-analysis/dairy-and-sweeteners-analysis/index>