World Sugar Propels Domestic Market
Current Situation Intensifies

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Why must we understand the #11?

- Mexican sugar harvest is failing for the second year in a row, worse than previously projected
- The US had endured consecutive years of beet production related issues prior to the current reduction of Mexican imports
- As a result, the US sugar market became more and more reliant upon high-tier, duty-paid sugar to satisfy demand
- JSG has forecast high-tier global sugar needs will exceed 1.2 million tons in FY 2024
- Since high-tier needs represent ~10% of total domestic demand, world sugar market (#11) values dictate raw sugar domestic (#16) levels and thus impact refined values now and for the foreseeable future
Tier-2 Math, more complicated yet sensible

- March 2024 #11 price: 23.00 cents
- Tier-2 duty for raw sugar entry into the United States: 15.35 cents
- Current freight rates given global concerns: ~4.00 cents
- Physical Premium for March-May Central American sugar: 0.50 cents
- Polarity adjustment: less 0.70 cents
- = 42.15 cents CIF DP

- Current spot offers in #16 market ~42.25 cents
World Sugar Market: 20.00 is the new 15.00
World Sugar Balances vs #11
2012 to present (Oct-Sep basis)

Source: Platts
Top global producer trends: 2018-2025 (est.)

Source: Platts
Super El Nino Negatively Impacted Global Production
Super El Nino Negatively Impacted Global Production, II

Source: Maxar
Mexico in crisis following record drought
Production: 1.571 million tonnes, down 13.4%

**Mexican Sugar Production:** weekly adj.

- FY'21: 5.715 million mttq
- FY'22: 6.185 million mttq
- FY'23: 5.224 million mttq
- FY'24: 4.959 million mttq est. Conadesuca
  - 4.875 million mttq est. USDA
  - 4.500 million mttq est. JSG

Source: Conadesuca
Mexican Sugar Production:
FY’20-FY’24

Source: USDA/FAS
#11 Speculator Position 2/6 +27,530 – 2023/24
Average 2023 position: 171,165

Source: CFTC
Total Open Interest vs. #11: 2023-present (883K)
Average 2023 total OI: 917K, Average price: 24.06

Source: CFTC
Nearby #11, #16, Midwest beet, refined cane:
average quarterly price, 2000-2024

High-tier environment

Source: ICE Futures US, USDA ERS
High-tier imports vs #16 futures:
10/1/20- present

Source: ICE Futures US
Mexico and high-tier imports:

Source: USDA WASDE
Global Production Issues
Present & Future

• Mexico – crop down to 4.5 mmt, old cane
• Central America – drought, older cane as well
• India – lower acreage, El Nino impacts – down 5% this year
• Thailand – drought, heat, crop switch – ~7.0mmt production
• EU – importer from exporter
• China – crop 10.5mmt, Consistent Physical Buyer
• Brazil needs to perform at another historic level
World Sugar Balance of Year Outlook

• Follow any new investment, fund participation in #11
• Consistently high White Premium (+$135) indicates strong demand
• Brazilian Center-South weather over next 6 weeks critical
• No Indian raw exports for foreseeable future
• Thailand has lost production momentum
• Global warfare Red Sea, Panama Canal issues bring freight risks
• Where does Crude Oil/Commodity Complex head?
• Sugar #11 could range: 20.00-30.00 cents = 39.00-49.00 cents #16?
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