STATUS OF THE U.S. SUGAR INDUSTRY AND REFLECTIONS ON 36 YEARS ON THE SUGAR BEAT

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U.S. Sugar Industry Status

➢ Large, efficient, responsible
Is the U.S. sugar industry important, efficient?

- World’s fifth largest sugar producer; third largest consumer and importer
  - USDA data
- 20th lowest cost of 95 sugar-producing countries (LMC International study)
  - U.S. sugarbeet growers among the lowest cost of all beet producers
  - Competitive despite high U.S. labor and environmental standards and costs

<table>
<thead>
<tr>
<th>The United States: One of the World's Largest and Lowest-Cost Sugar Producers</th>
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<td><strong>U.S. rank among world sugar markets</strong>¹/</td>
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<td>U.S. Rank</td>
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<td>Production</td>
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<td>Consumption</td>
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<td><strong>U.S. cost of production rank among all producers</strong>²/</td>
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<td>U.S. Rank</td>
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<tr>
<td>All</td>
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<td>Beet</td>
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<td>Cane</td>
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U.S. Sugar Industry Status

Large U.S. footprint:

- 142,000 jobs in 22 states
- $20 billion in annual economic activity
U.S. Wholesale Refined Sugar Prices: Real Price Down by 35% Since 1985

U.S. raw cane sugar mills, refineries, and sugarbeet processing plant closings: 107 closures since 1970; Pace of closures has slowed

Total Closures
- Sugarbeet factories: 39
- Sugarcane mills: 53
- Cane sugar refineries: 15

Source: American Sugar Alliance. 45 operations remain in 2021: 21 beet factories, 16 cane mills, 8 cane refineries.
Considerable concentration

- Declining real prices over time = multiple closures, some regions have exited the business (Hawaii cane, Texas and Ohio beet)
- But pace of concentration has slowed
U.S. Sugar Industry Status

- Sustaining production with less acreage, fewer processing facilities
  - Already operating at arguably the world’s highest and most costly standards for protection of:
    - Workers
    - Environment
    - Consumers
  - Becoming more sustainable:
    - Fewer acres
    - Less water
    - Fewer inputs
    - But higher yields
Coping with declining sugar prices: Consolidation, but higher yields—
Number of processing mills down 38% since 2000, but production steady
-- 1999/00-2019/20 –

Number of processing mills down 38% since 2000, but production steady

Data sources: USDA, American Sugar Alliance, September 2020.
Major Advances in Sugar Yields Per Acre, Up Significantly Since 1980-82

Increase since 1980-82:
Beet Sugar yields up 66%
Cane Sugar yields up 52%

Data source: USDA, ERS. January 2021. Sugar per harvested acre. Excludes Hawaii. 1980-82 average = 100%.
U.S. Sugar Industry Status

- A stable outlook now, but only after years of uncertainty

- USDA lost control of U.S. sugar policy in 2008 – unlimited access for Mexico under NAFTA

- 2013-2014: Mexico flooded U.S. market with subsidized, dumped surplus sugar – U.S. market collapse
U.S. Sugar Imports from Mexico
-- Thousand short tons, 1994/95 – 2013/14 --

USDA, ERS: Table 24b, 2019/20 = forecast.

Free trade with Mexico begins
U.S. Sugar Industry Status

- 2014: USDOC found Mexican subsidy and dumping margins over 80%
  - U.S. & Mexican governments negotiate agreements to suspend the 80% tariffs

- Suspension Agreements:
  - Limit Mexican access to U.S. market to U.S. import needs, based on WASDE forecasts
  - Raise reference prices to limit dumping
  - Reduce refined percentage of imports from Mexico

- Mexico remains largest duty-free supplier to U.S. market, by far
- USDA regains control of U.S. sugar policy
U.S. Sugar Imports from Mexico, 1994/95-2020/21
- Thousand short tons, raw value -

USDA, ERS: Table 24b, 2020/21 forecast.
U.S. Sugar Industry Status

- Stable price outlook
- Supply-demand balance
- Zero-Cost: Loan forfeitures and government cost only once in past 18 years
- Prices expected to remain above loan forfeiture levels
Average Prices
1980's: 27.06
1990's: 26.63
2000's: 27.79

Source: USDA--Wholesale refined beet sugar, Midwest markets, monthly averages; FSA-calculated forfeiture range. Linear trendline.
U.S. Sugar Industry Status

- Stable price outlook
- USDA and FAPRI project zero forfeitures, zero cost to taxpayers over the next 10 years
  - U.S. and Mexican governments and industries are happy with the Suspension Agreements and they should remain in place indefinitely
  - Renewed in 2019 Sunset Review; next review in 2024
U.S. Sugar Industry Status

Positive outlook for stable prices for American and Mexican sugar growers alike
Reflections on 46 years in ag policy

- The privilege of working for American farmers
  - Helping them to sustain their farms, pass them along to their sons and daughters
Reflections on 46 years in ag policy

➢ The importance of USDA sustaining a strong commodity outlook program
  ▪ WASDE forecasts unbiased, accurate, free to all
  ▪ Built on knowledge, dedication, experience of USDA outlook analysts
Reflections on 46 years in ag policy

➢ The importance of USDA outlook work to American farmers

  ▪ The World Agricultural Outlook Board founded in 1977 to coordinate, improve USDA commodity forecasting
    
    ○ The first WASDE followed in 1980
Reflections on 46 years in ag policy

- The importance of USDA outlook work to American farmers

- Importance of WASDE for American sugar farmers codified in the Suspension Agreements with Mexico
  - Rely on the WASDE to determine U.S. import needs from Mexico
  - Our producers happy to share information, prospects with highly capable USDA sugar analysts
  - Steve Haley (WAOB); Barb Fecso, Vida Abadam, Kent Lanclos (FSA); Andrew Sowell, Mike McConnell (ERS); Lori Tortora, Souleymane Diaby, Ron Lord (FAS); Heidi Lanouette, Fleming Gibson (NASS)
Reflections on 46 years in ag policy

➢ The importance of USDA cooperative research support

➢ USDA ag experiment stations and cooperative research on beet and cane seed varieties and cultivation – increased yields critical to survival in the face of declining real prices for sugar

▪ Sugar yield per acre over past 40 years:
  o Beet sugar +66%
  o Cane sugar +52%
  • = More efficient
  • = More sustainable

Photos Source: USDA-ARS.
Reflections on 46 years in ag policy

The importance of strong relationships

- Between our industry and USDA
- Between our industry and Congress
- Between our industry and other ag groups, sugar industries in other countries
- Respect, listen, share knowledge
Reflections on 46 years in ag policy

- The importance of mentors
  - Dawson Ahalt, founder of USDA’s World Agricultural Outlook Board
  - Eiler Ravnholt, my predecessor as Washington Representative for the Hawaiian Sugar Planters Association

- Unselfish sharing of wisdom, encouragement, guidance
- Emphasis on analytical rigor, integrity, credibility
Reflections on 46 years in ag policy

➢ The importance of clarity
  ▪ Recognize audience
  ▪ Explain complicated policies clearly

➢ The importance of credibility
  ▪ No value unless factual
  ▪ Research, footnotes
Reflections on 46 years in ag policy

- The joy of working, through the years, with brilliant, capable, dedicated colleagues in Washington
Reflections on 46 years in ag policy

The importance of comity – where has it gone?

- Government service as a noble calling – JFK’s “the best and brightest”
- Disagree respectfully
- Compromise as statesmanship, not as weakness
- We can dream can’t we?
Reflections on 46 years in ag policy

- The heartbreak of not being able to sustain the Hawaiian sugar industry; but much of the U.S. industry has managed to survive

- The gratification of working now with the sons and daughters of sugar farmers I worked with a generation ago

- The satisfaction I am leaving my industry in a good place -- and in good hands

- The honor that a person of the caliber of USDA Chief Economist Rob Johansson will succeed me at ASA when I retire this August

Thank You
God willing, we will get to meet again in person in 2021. Please plan to attend our annual Symposium, this year in *The Promised Land*, beautiful Napa Valley.

37th International Sweetener Symposium
July 30 – August 3, 2021
Meritage Resort * Napa Valley, CA

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