



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

JACK RONEY  
DIRECTOR OF ECONOMICS AND POLICY ANALYSIS  
AMERICAN SUGAR ALLIANCE

**USDA OUTLOOK FORUM**  
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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**

The United States: One of the World's Largest and Lowest-Cost Sugar Producers		
U.S. rank among world sugar markets <sup>1/</sup>		
	U.S. Rank	
Production	5	
Consumption	3	
Imports	3	
U.S. cost of production rank among all producers <sup>2/</sup>		
	U.S. Rank	# of Producing Countries/Regions
<b>All</b>	<b>20</b>	<b>95</b>
<i>Beet</i>	1	35
<i>Cane</i>	35	61

<sup>1/</sup> USDA, Foreign Agricultural Service, Nov 2020. Rankings based on 2018/19-20/21 averages.  
<sup>2/</sup> LMC International, Sugar Production Costs: Global Benchmarking 2011 Report, August 2012, Oxford, England. "One" ranking = lowest cost.

# U.S. Sugar Industry Status

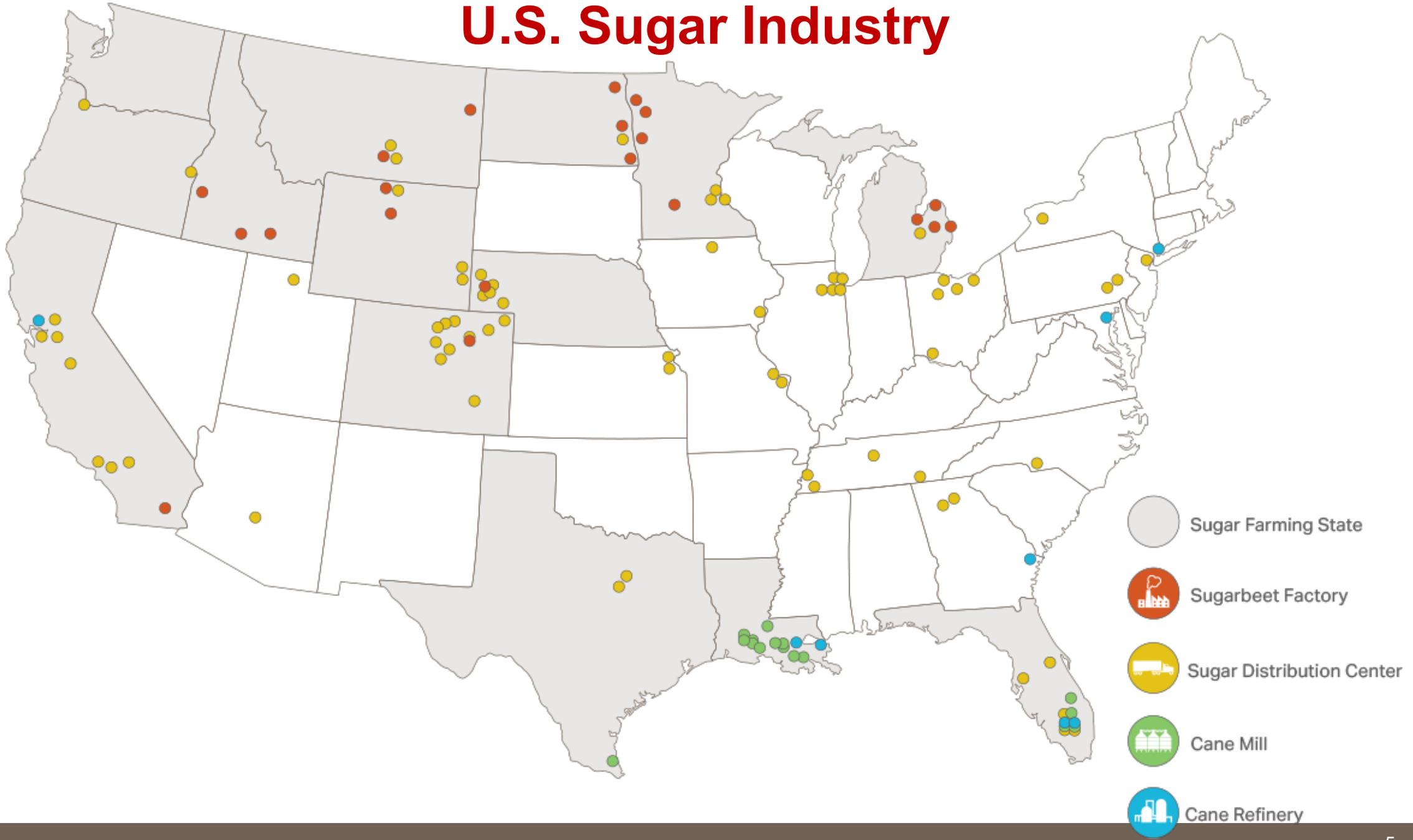
## Large U.S. footprint:

- 142,000 jobs in 22 states
- \$20 billion in annual economic activity

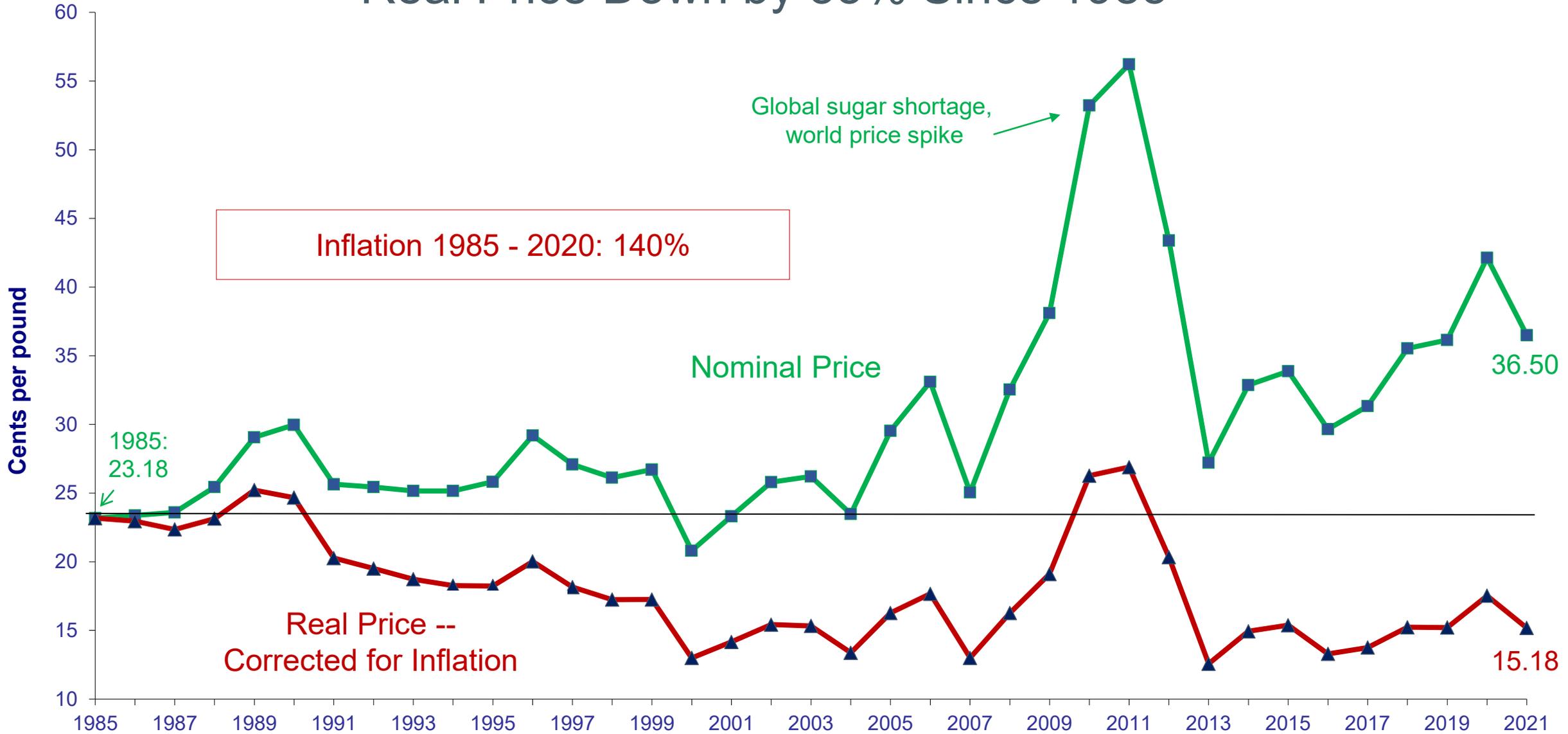
**GOOD JOBS**



# U.S. Sugar Industry

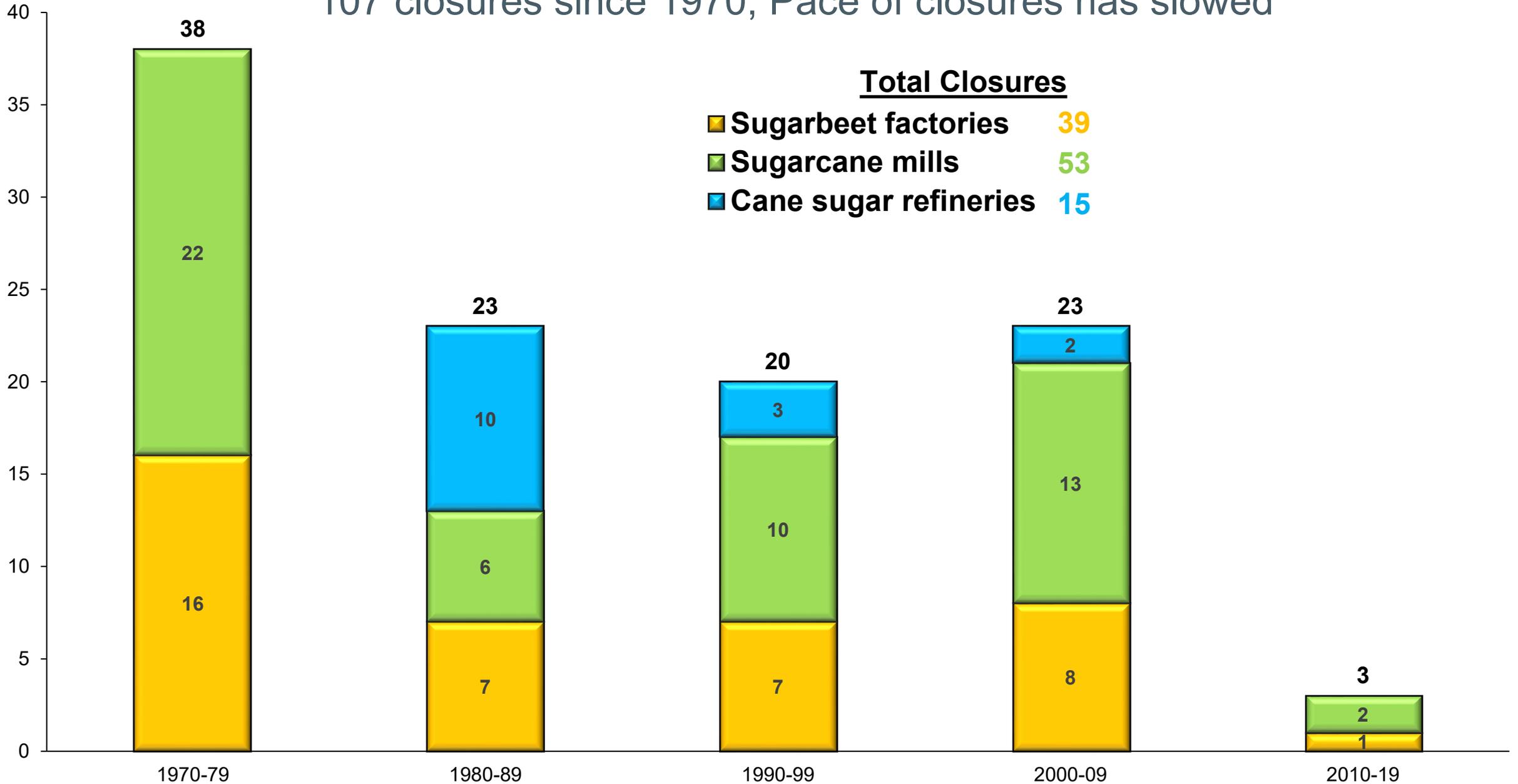


# U.S. Wholesale Refined Sugar Prices: Real Price Down by 35% Since 1985



Data sources: BLS -- CPI-U. USDA - wholesale refined beet sugar, Midwest markets; annual averages 1985-2020; 2021 January average; 2020 CPI preliminary.

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



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

## U.S. Sugar Industry Status

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

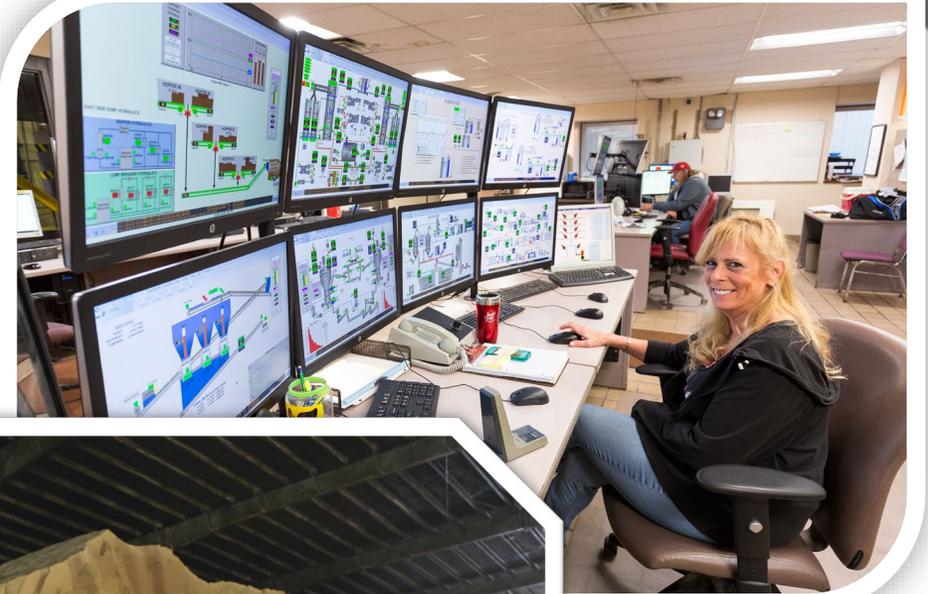
➤ Sustaining production with less acreage, fewer processing facilities

▪ **Already operating at arguably the world's highest and most costly standards for protection of:**

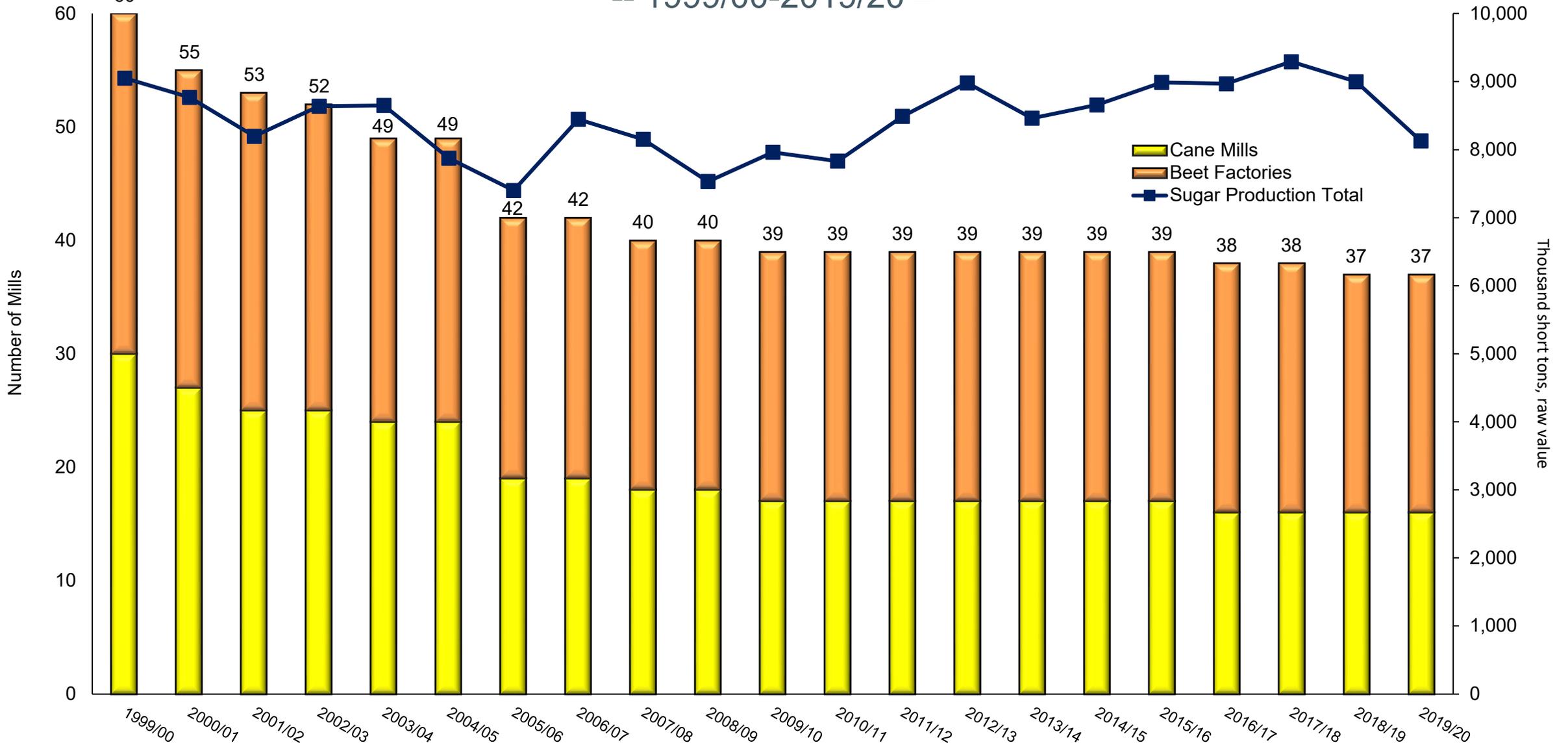
- Workers
- Environment
- Consumers

▪ **Becoming more sustainable:**

- Fewer acres
- Less water
- Fewer inputs
- But higher yields

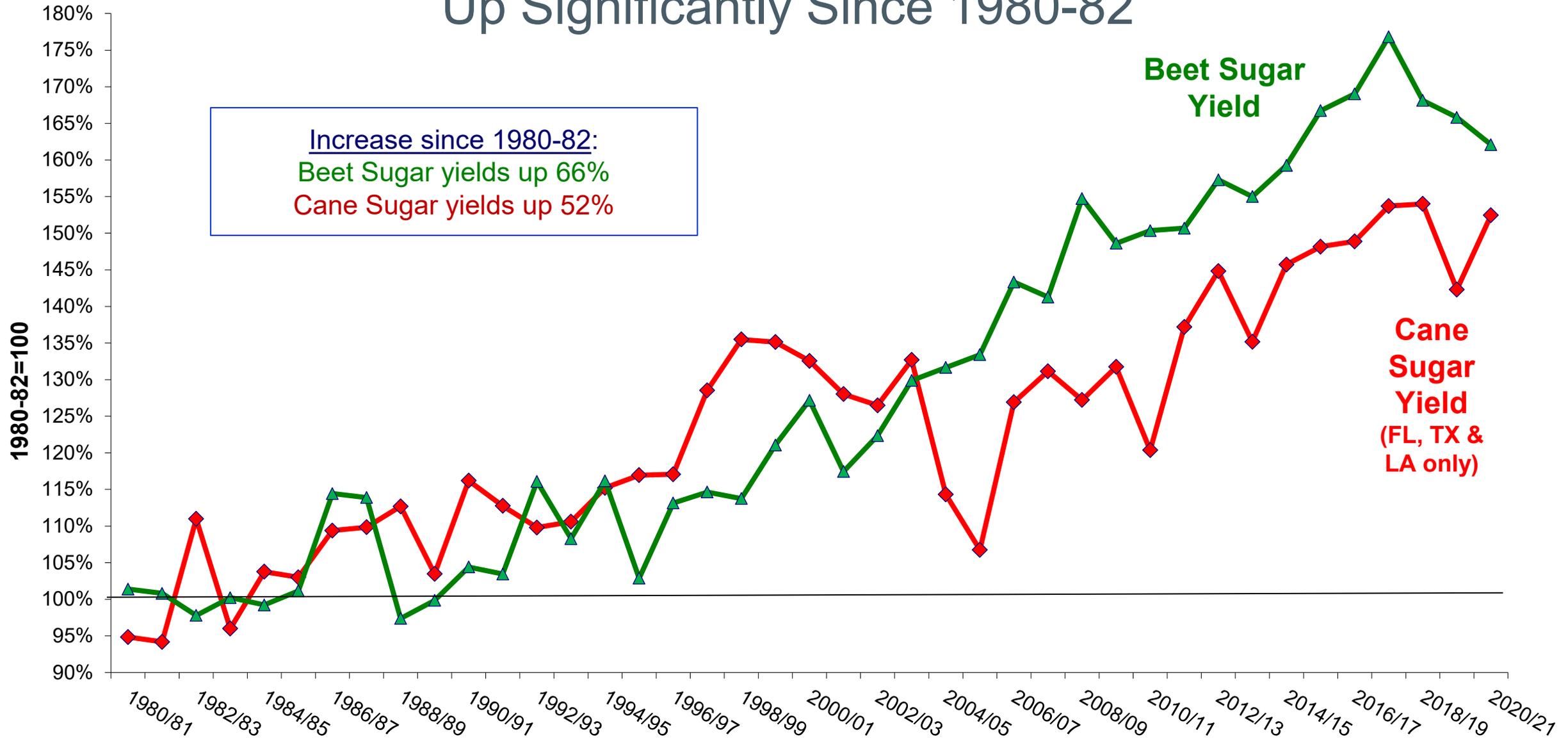


# Coping with declining sugar prices: Consolidation, but higher yields— Number of processing mills down 38% since 2000, but production steady -- 1999/00-2019/20 --



Data sources: USDA, American Sugar Alliance, September 2020.

# Major Advances in Sugar Yields Per Acre, Up Significantly Since 1980-82



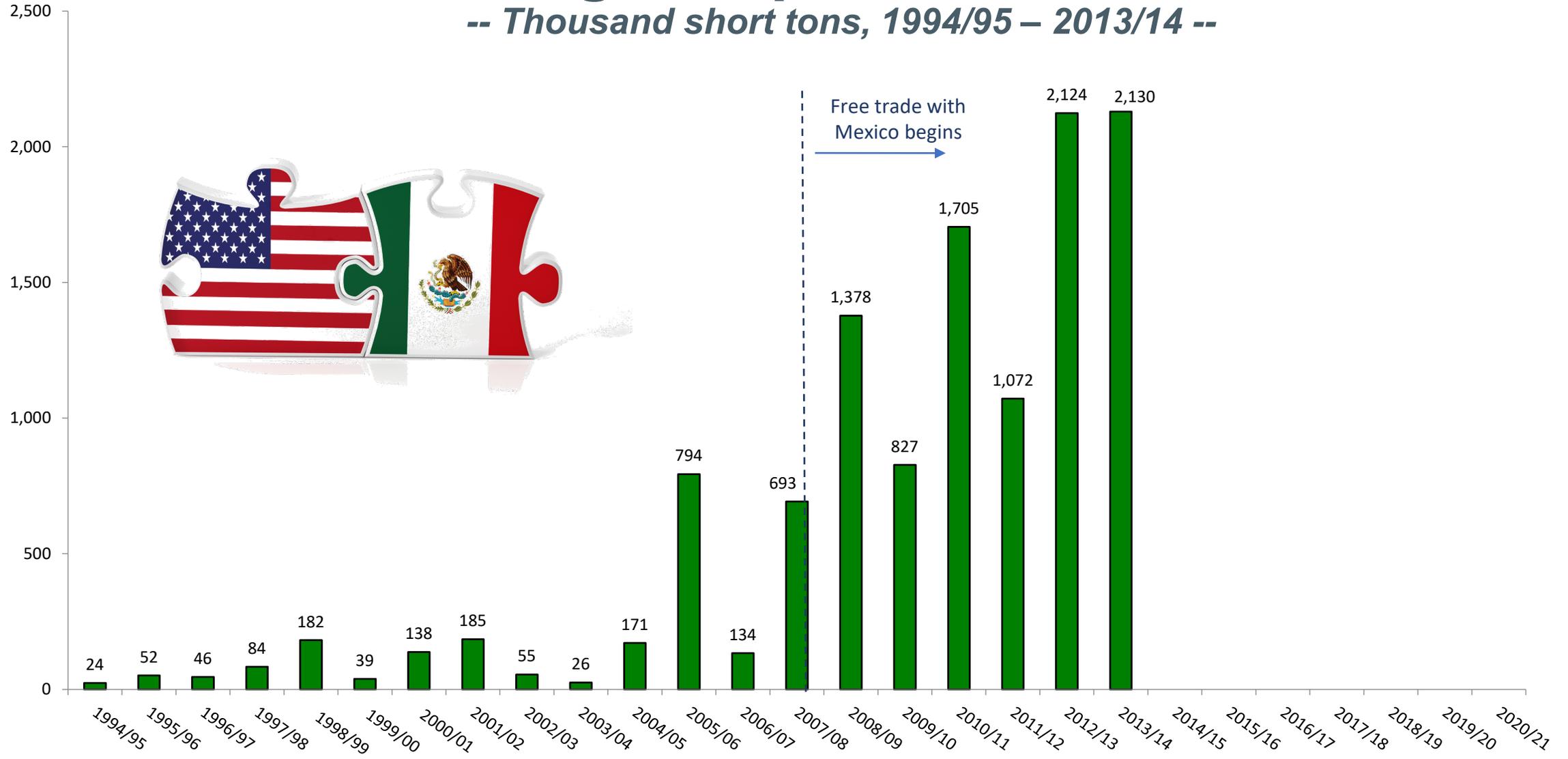
# U.S. Sugar Industry Status

- 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 --



Source: USDA, Global Agriculture Trade System(GATS) (<http://apps.fas.usda.gov/gats/default.aspx>).

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

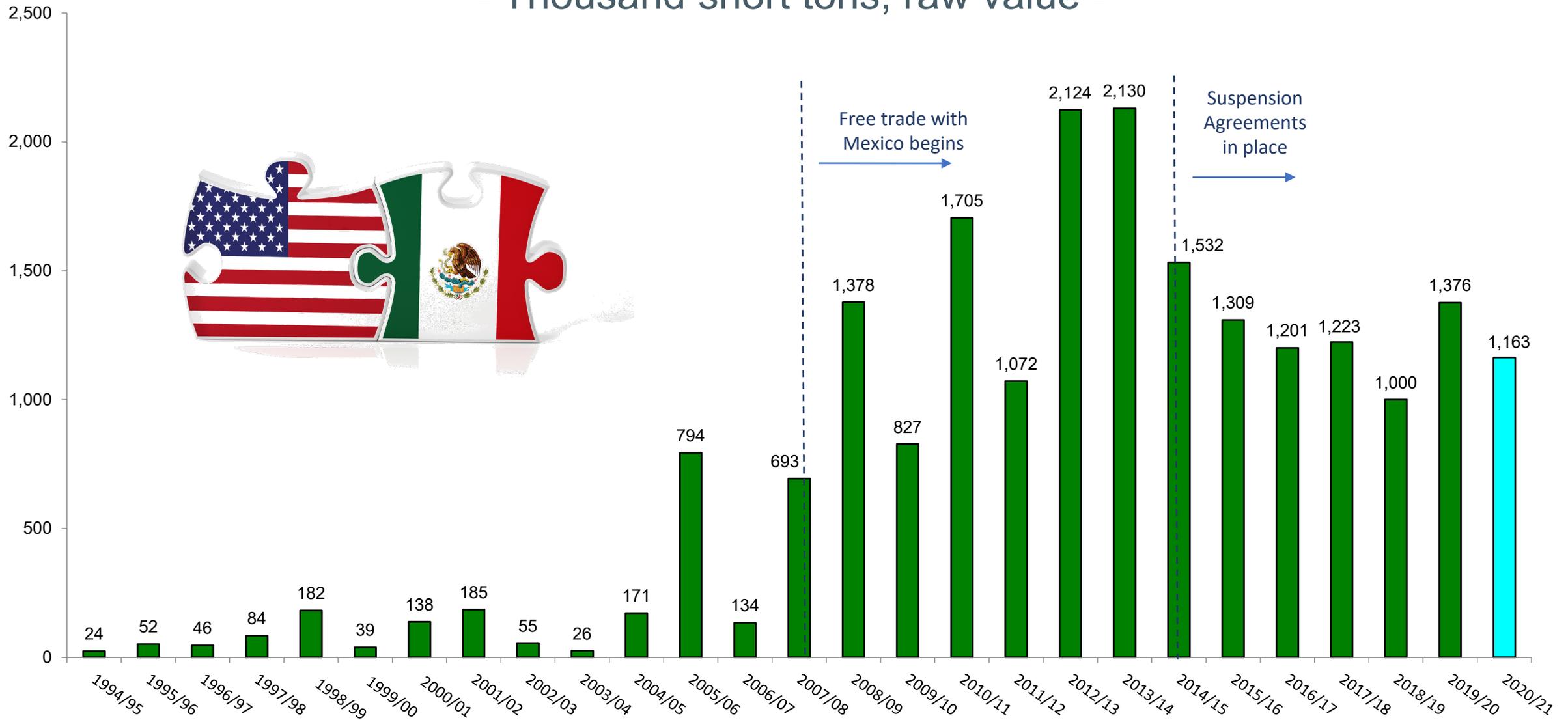
## U.S. Sugar Industry Status

- 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 -



Source: USDA, Global Agriculture Trade System(GATS) (<http://apps.fas.usda.gov/gats/default.aspx>).  
 USDA, ERS: Table 24b, 2020/21 forecast.

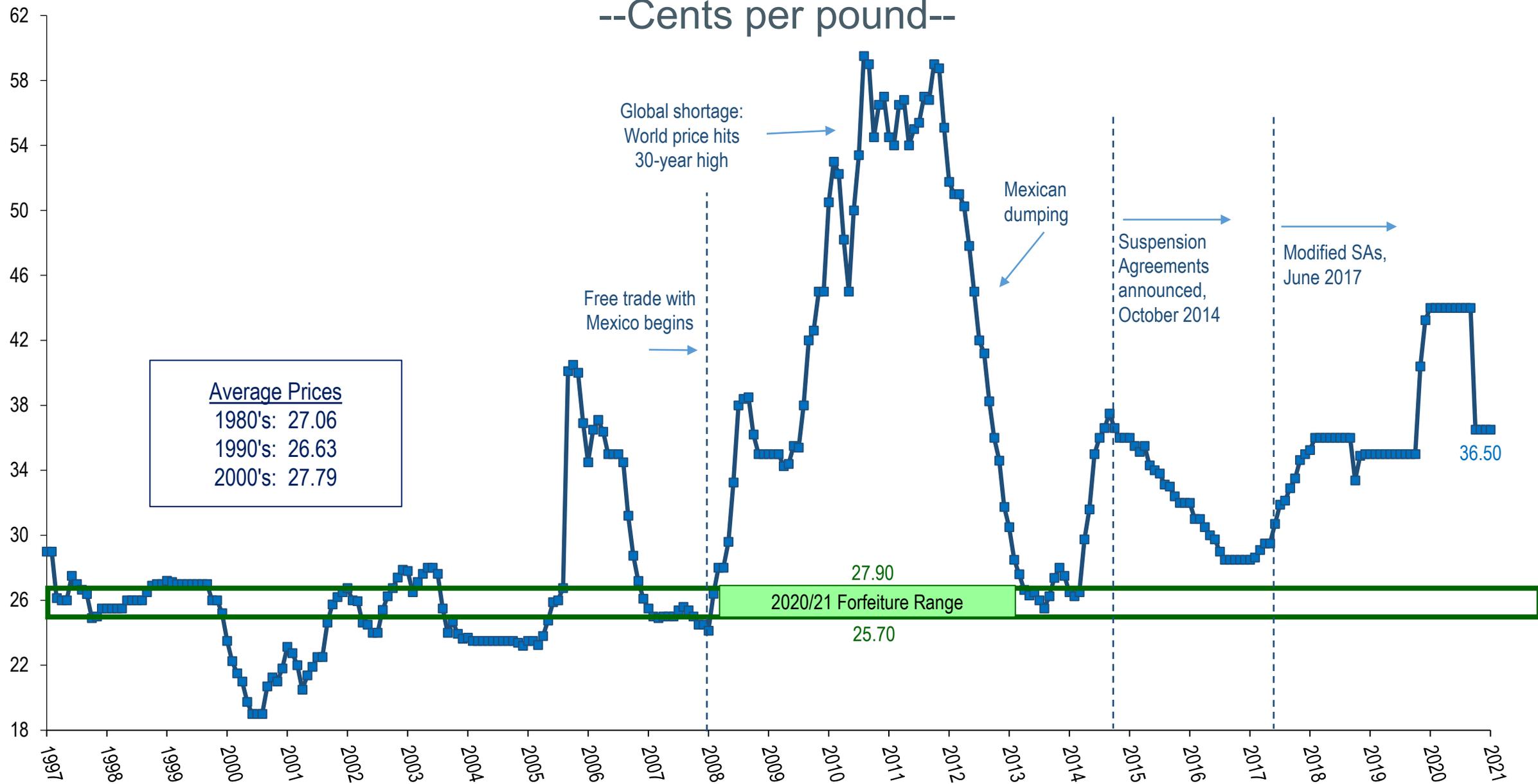
# U.S. Sugar Industry Status

- 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



# U.S. Wholesale Refined Beet Sugar Prices, 1997-2021

--Cents per pound--



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



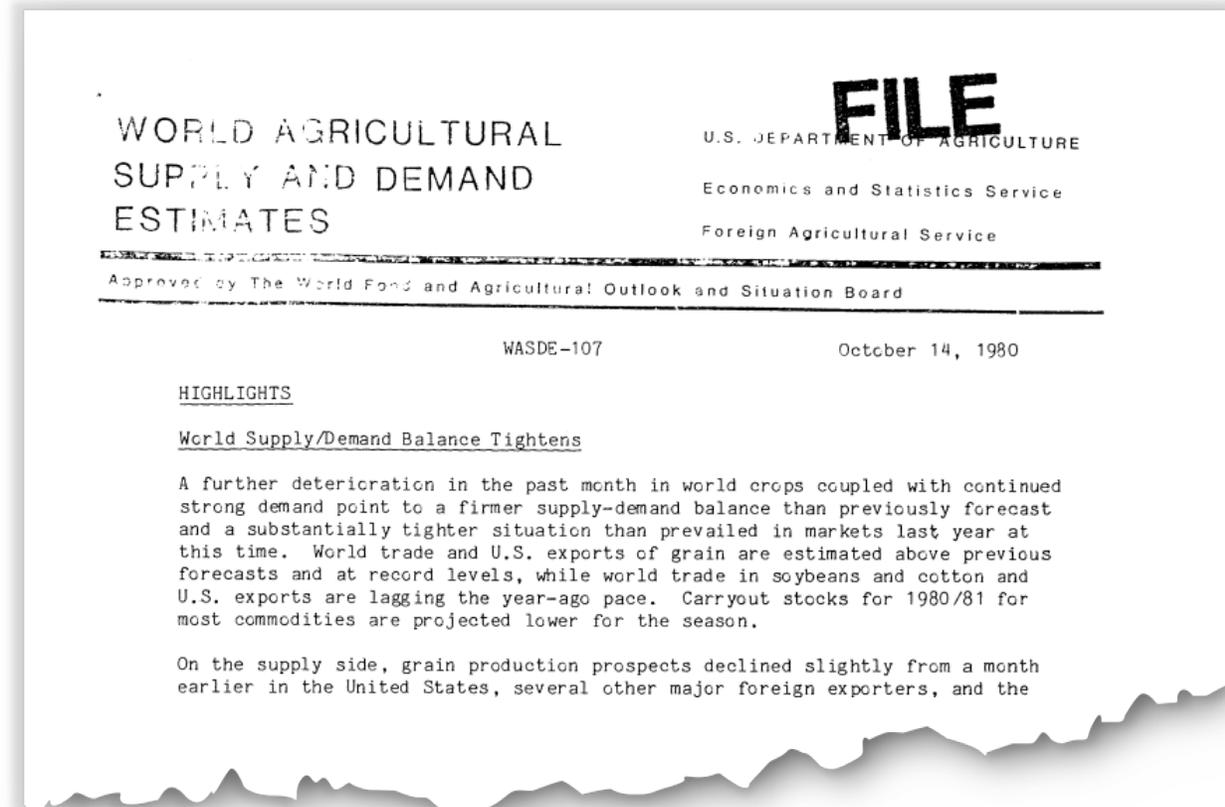
## Reflections on 46 years in ag policy

- 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)



**Outlook** Economic Research Service | Situation and Outlook Report  
 SSS-M-389 | January 19, 2021 Next release is February 16, 2021

**Sugar and Sweeteners Outlook**

Andrew Sowell, coordinator  
 Ron Lord, contributor

**In this report:**  
[U.S. Sugar Outlook](#)  
[Mexico Sugar Outlook](#)  
[Organic Sugar Market Analysis](#)

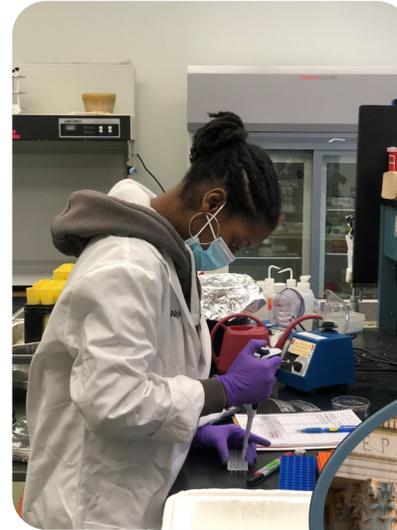
January 2021

**WASDE - 608 - 16**  
**U.S. Sugar Supply and Use 1/**

	2018/19	2019/20 Est.	2020/21 Proj.	2020/21 Proj.
			Dec	Jan
	<i>1,000 Short Tons, Raw Value</i>			
Beginning Stocks	2,008	1,783	1,618	1,618
Production 2/	8,999	8,149	8,960	9,156
Beet Sugar	4,939	4,351	4,859	4,992
Cane Sugar	4,060	3,798	4,101	4,163
Florida	2,005	2,106	2,135	2,135
Hawaii	0	0	0	0
Louisiana	1,907	1,566	1,824	1,886
Texas	147	126	142	142
Imports	3,070	4,235	3,428	3,344
TRQ 3/	1,541	2,152	1,808	1,721
Other Program 4/	438	432	350	350
Other 5/	1,092	1,651	1,270	1,273
Mexico	1,000	1,376	1,160	1,163
Total Supply	14,077	14,166	14,006	14,117

# 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:**
    - Beet sugar +66%
    - 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.***



**37<sup>th</sup> International Sweetener  
Symposium**

July 30 – August 3, 2021

Meritage Resort \* Napa Valley, CA



<http://sugaralliance.org>



## Jack Roney

Director of Economics and  
Policy Analysis

✉ [jack@sugaralliance.org](mailto:jack@sugaralliance.org)

☎ 703-351-5055