

American Sugar Cane League
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U.S. Sugar Market and Policy Update

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U.S. Sugar Market and Policy Update

1. Market Update

- Supply-demand situation
- Role of Mexico

2. Defending U.S. sugar policy

- Why we have a sugar policy
- How the sweetened-product manufacturers attack it
- How we defend the policy

3. Key industry challenges

- Trade policy
- Defending sugar and sweetened-product consumption

U.S. Sugar Market and Policy Update

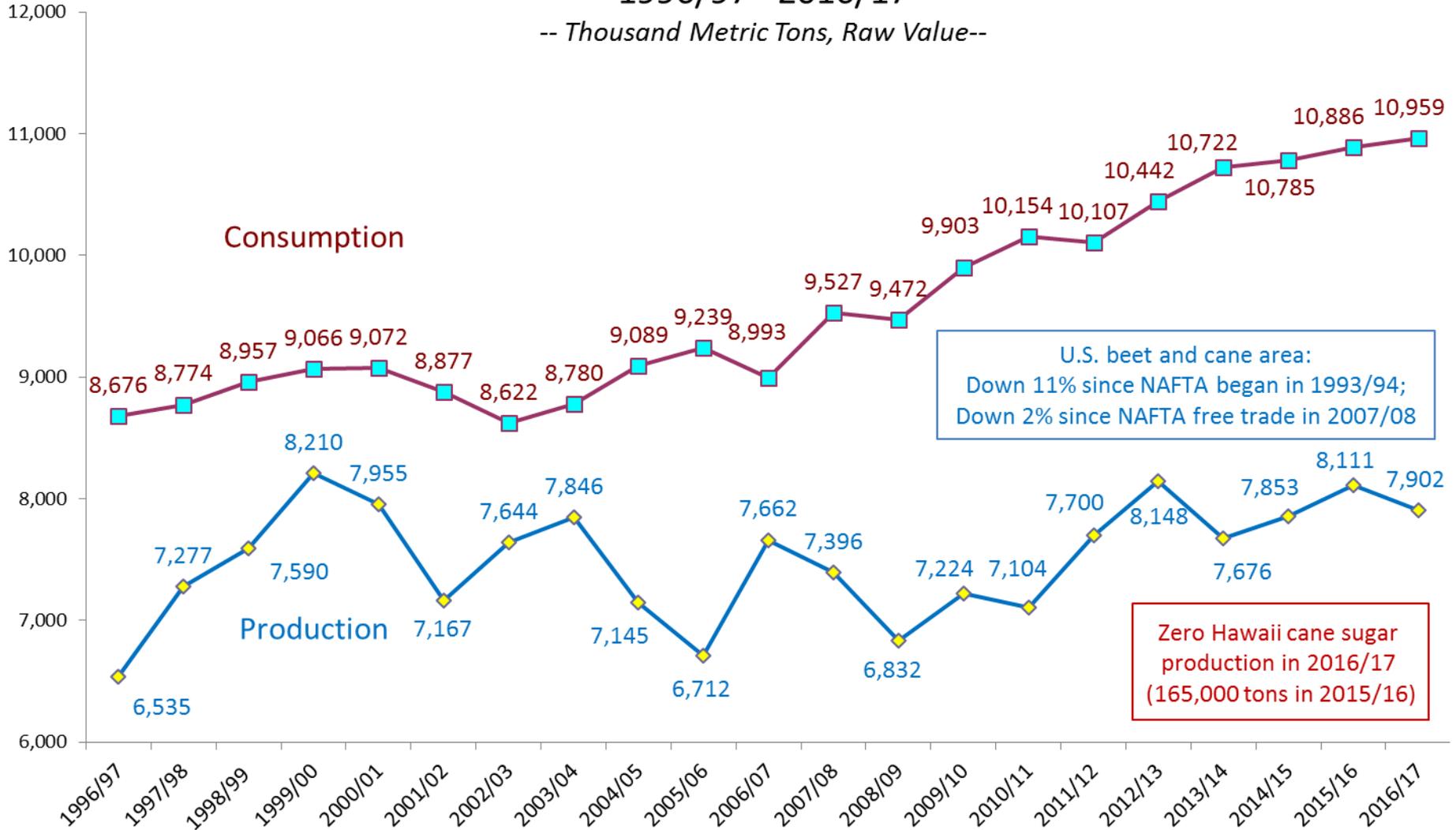
1. Market Update

- Market more stable since Suspension Agreements (SAs) enacted in December 2014
- But major problem for cane refiners: Lack of raw sugar availability
 - Most sugar from Mexico bypassing refiners
 - Raw imports for refined re-exports to Mexico ending
 - Hawaii to end sugarcane production
 - Small refining margins
 - Problem exacerbated by increased demand for cane sugar (misguided consumer concerns about GMO)
- U.S. and Mexican governments attempting to improve the SAs, ensure cane refiner throughput

U.S. Sugar: Production and Consumption*

1996/97 - 2016/17

-- Thousand Metric Tons, Raw Value--



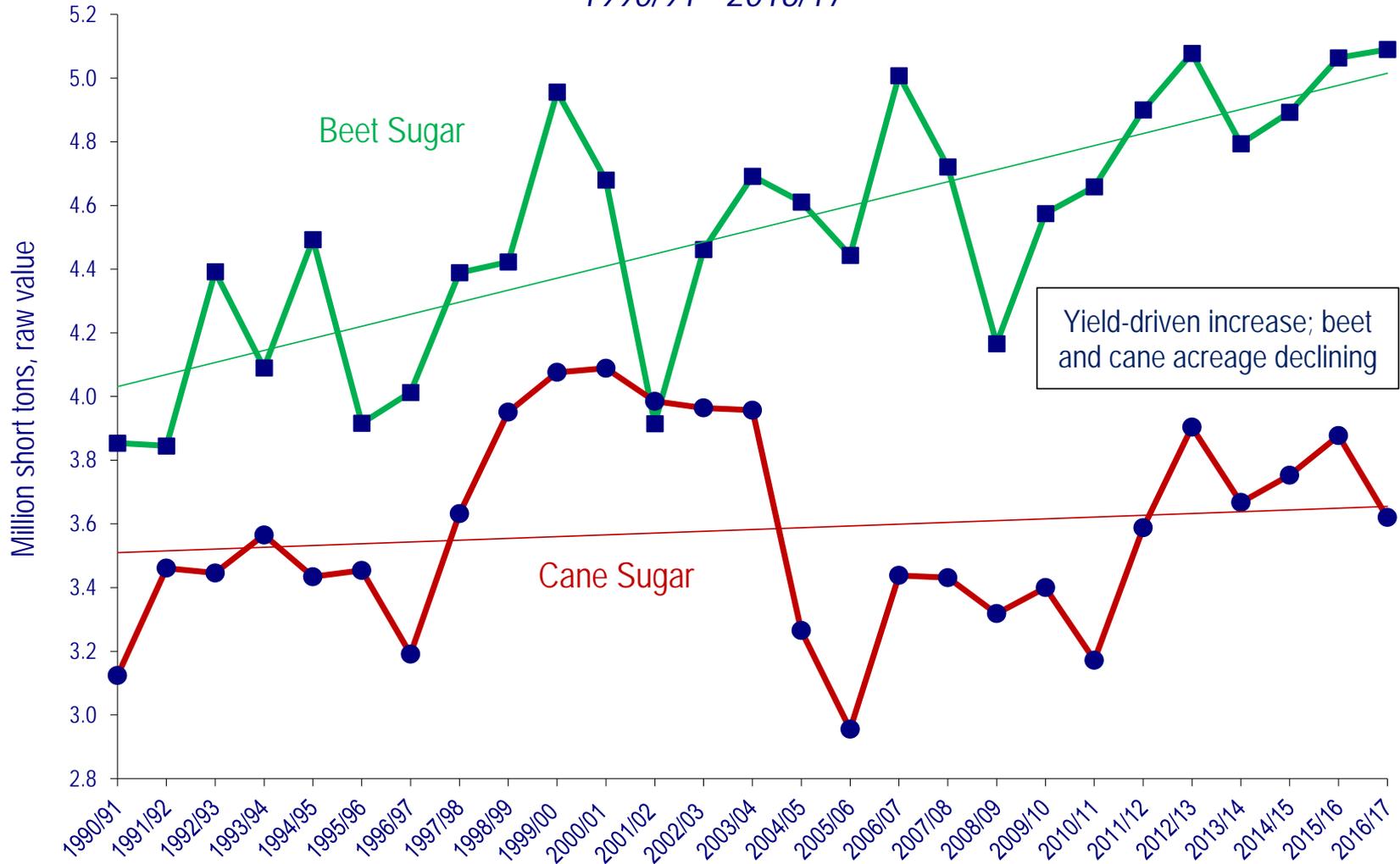
U.S. beet and cane area:
Down 11% since NAFTA began in 1993/94;
Down 2% since NAFTA free trade in 2007/08

Zero Hawaii cane sugar
production in 2016/17
(165,000 tons in 2015/16)

* Domestic Food Use

Data Source: USDA, 2015/16 = forecast; 2016/17 projected.

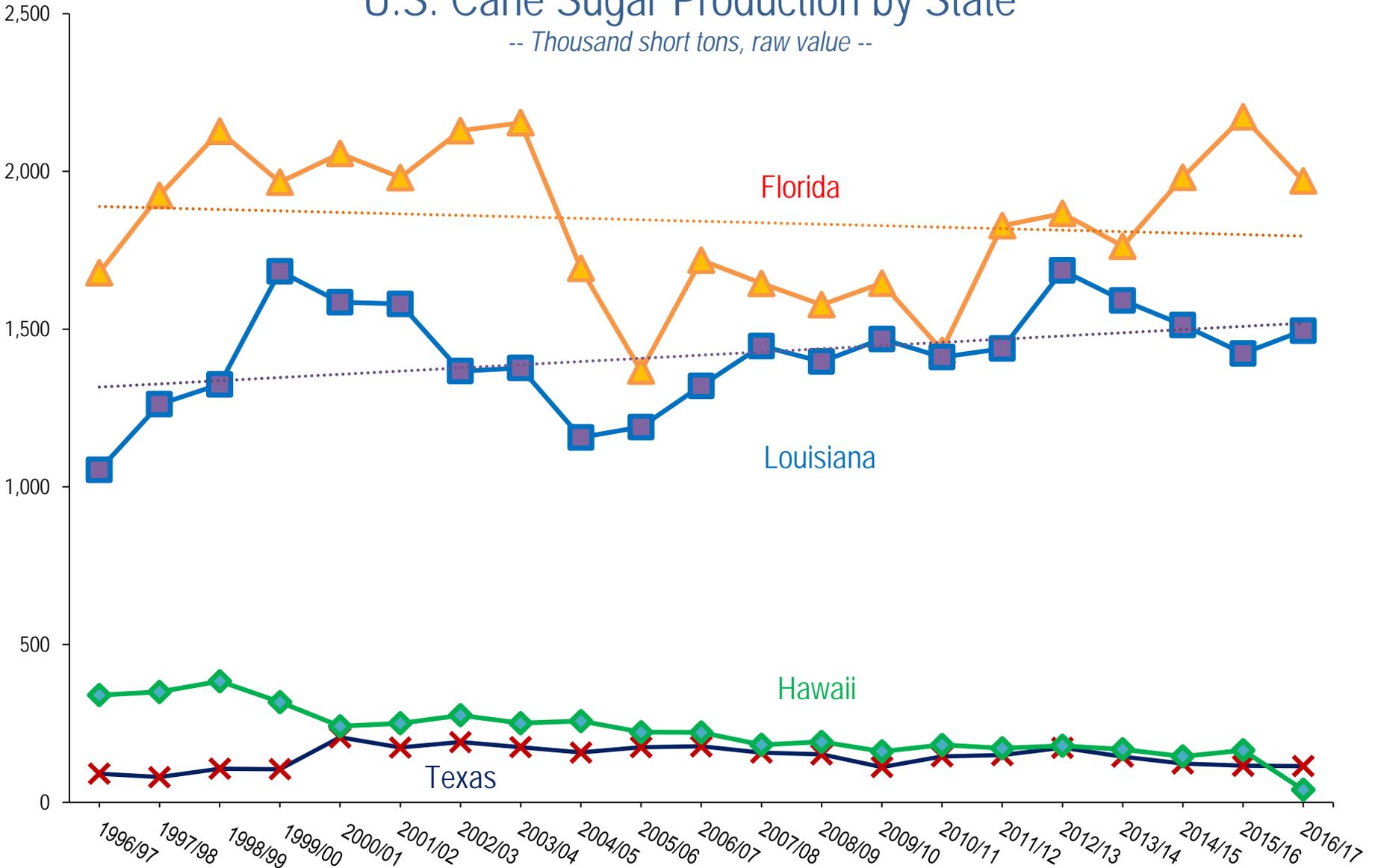
U.S. Beet and Cane Sugar Production, 1990/91 - 2016/17



Data source: USDA, June 2016 WASDE. 2015/16 = forecast; 2016/16 = projected. Linear trendlines.

U.S. Cane Sugar Production by State

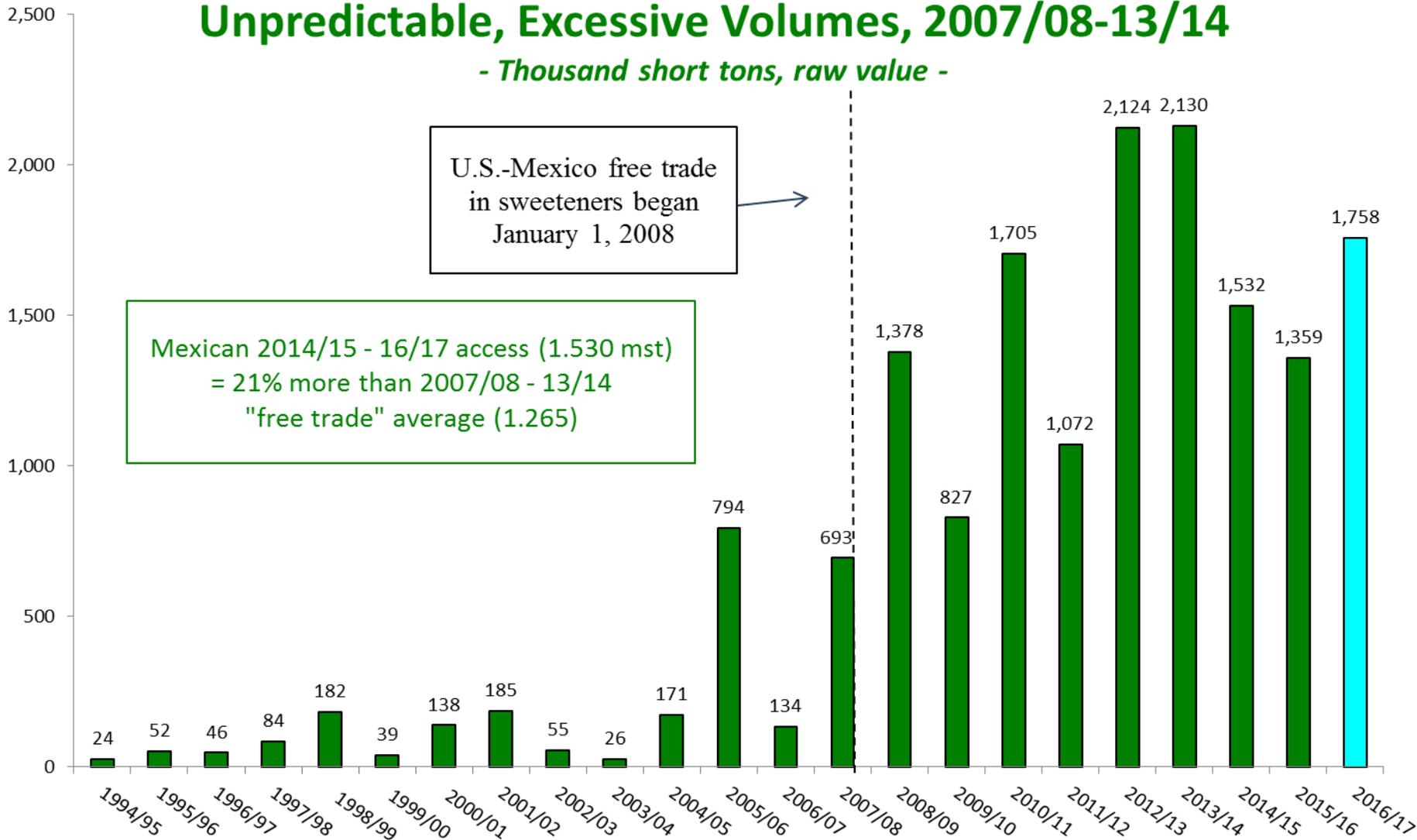
-- Thousand short tons, raw value --



Data Source: USDA, 2015/16 = forecast; 2016/17 projected. Linear trendlines.

U.S. Sugar Imports from Mexico, 1994/95-2016/17: Unpredictable, Excessive Volumes, 2007/08-13/14

- Thousand short tons, raw value -



U.S.-Mexico free trade
in sweeteners began
January 1, 2008

Mexican 2014/15 - 16/17 access (1.530 mst)
= 21% more than 2007/08 - 13/14
"free trade" average (1.265)

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

USDA, ERS: Table 24b- 2015/16= forecast; 2016/17= projection.

U.S. Anti-Dumping (AD) and Countervailing-Duty (CVD) Cases vs. Mexican Sugar

2012/13	Mexican sugar production rises by 38%; Mexican sugar exports to the U.S. double (to 2 million tons); U.S. sugar price collapses.
2014	
March	U.S. files AD/CVD cases vs. Mexican sugar.
May	U.S. International Trade Commission (ITC) preliminary finding, by 5-0 vote, that Mexico has injured the U.S. sugar industry.
August	U.S. Department of Commerce (DOC) finds that Mexico has been subsidizing and imposes preliminary CVDs at 3-17%.
October	DOC finds that Mexico has been dumping (selling below domestic cost of production or prices) and imposes preliminary ADs at 40-47%. U.S. & Mexican governments announce draft Suspension Agreements (SAs) to suspend duties and resume duty-free sugar trade, with Mexican exports to the U.S. no longer to exceed U.S. needs.
December	U.S. & Mexican governments sign the SAs. Mexico may fulfill 100% of U.S. import needs above trade commitments; reference prices and limit on refined share of imports set.
2015	
March	ITC finds, by 6-0 vote, that the SAs eliminate the injurious effect of Mexican dumping on the U.S. industry.
September	DOC finds final dumping margins of 41-42%.
October	DOC finds final subsidy margins of 48-84%. ITC final finding, by 6-0 vote, that Mexico injured U.S. sugar industry.
2016	U.S. Court of International Trade investigation, upon appeal, of whether the SAs fully eliminate injury to the U.S. sugar industry.

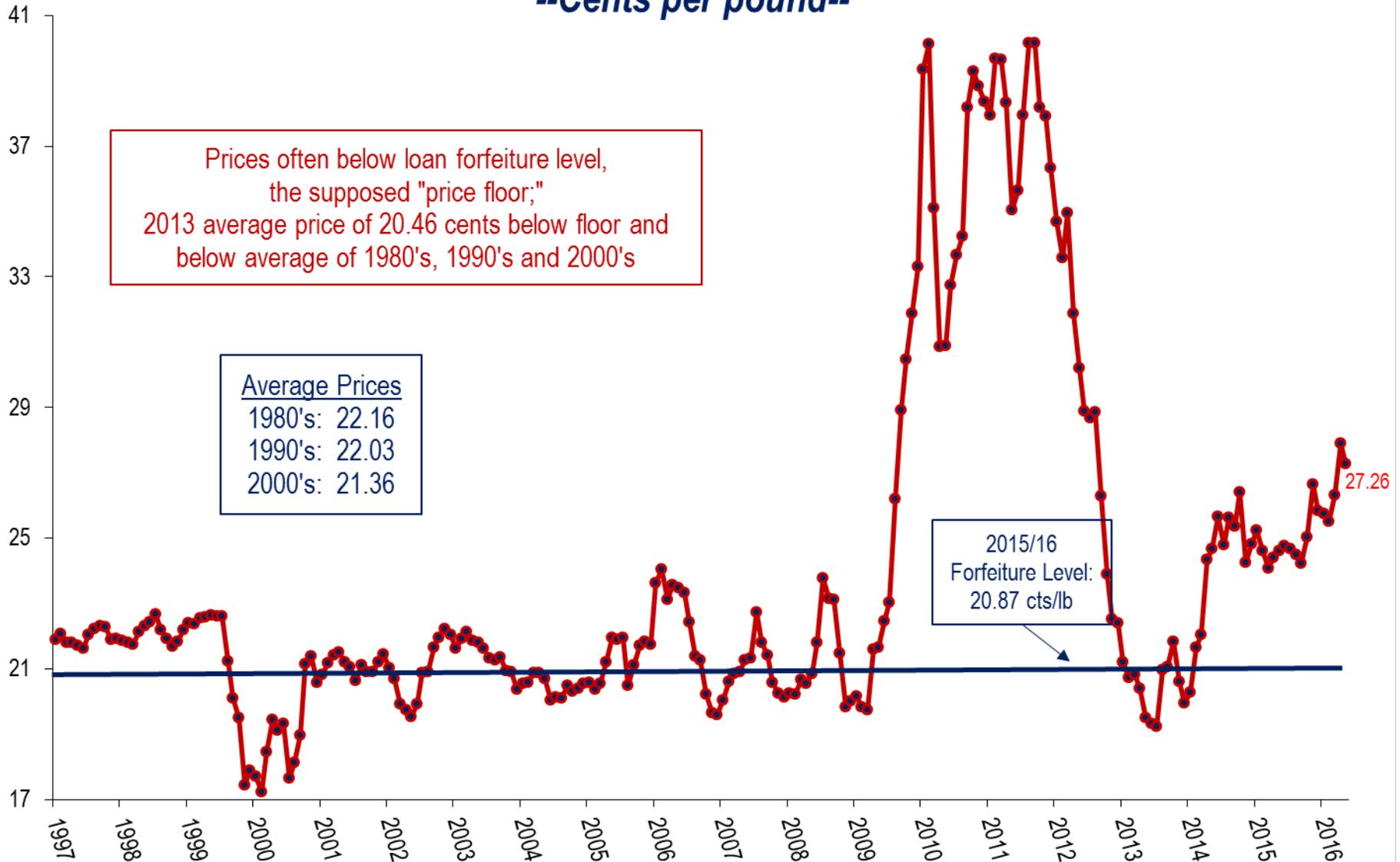
U.S.-and-Mexican-Government Suspension Agreements (SAs): Suspend U.S. Anti-Dumping and Countervailing Duties vs. Mexican Sugar

Key Provisions

Volume	Mexico may fulfill 100% of U.S. import needs above U.S. trade commitments (WTO + CAFTA + Colombia + Peru + Panama + TPP* = ~1.5 million metric tons).
Refined Limit	No more than 53% of imports from Mexico may be refined (polarity of 99.5% or greater).
Minimum Import Price	1. Refined sugar: 26.00 cents/pound, ex-mill Mexico; All other sugar: 22.25 cents/pound, ex-mill Mexico.
	2. No more than 15% discount to prevailing Mexican domestic price.
Duration	Indefinite. USITC sunset reviews every five years to determine whether Mexico remains a threat to subsidize and dump.

* Trans-Pacific Partnership (TPP) agreement not yet approved by U.S. Congress.

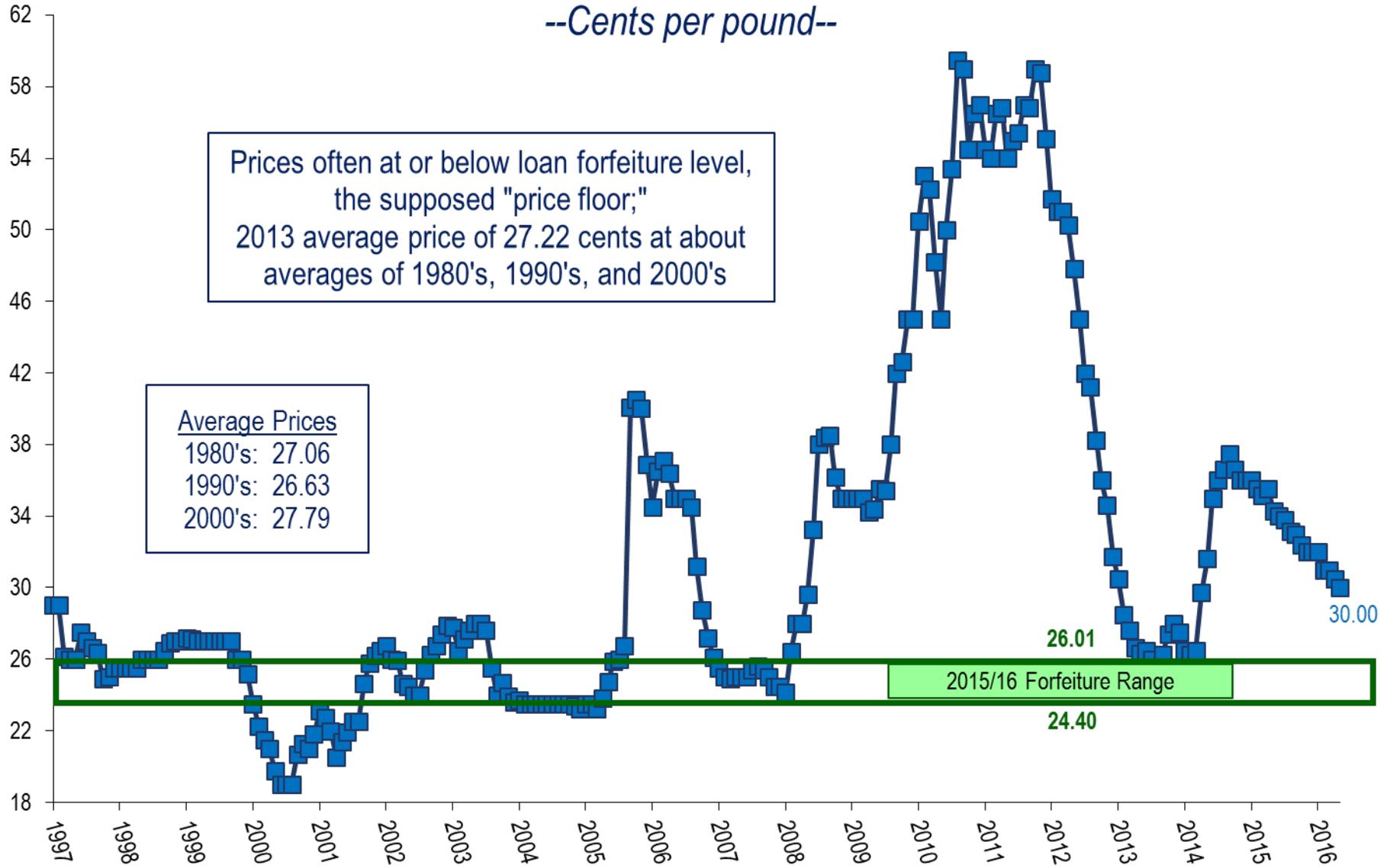
U.S. Raw Cane Sugar Prices, 1997-2016: --Cents per pound--



Source: USDA. Raw cane sugar, nearby #14 and #16 contracts, delivered New York. Monthly Average Price 1997-2016. FSA-calculated forfeiture range. 31-A

U.S. Wholesale Refined Beet Sugar Prices, 1997-2016

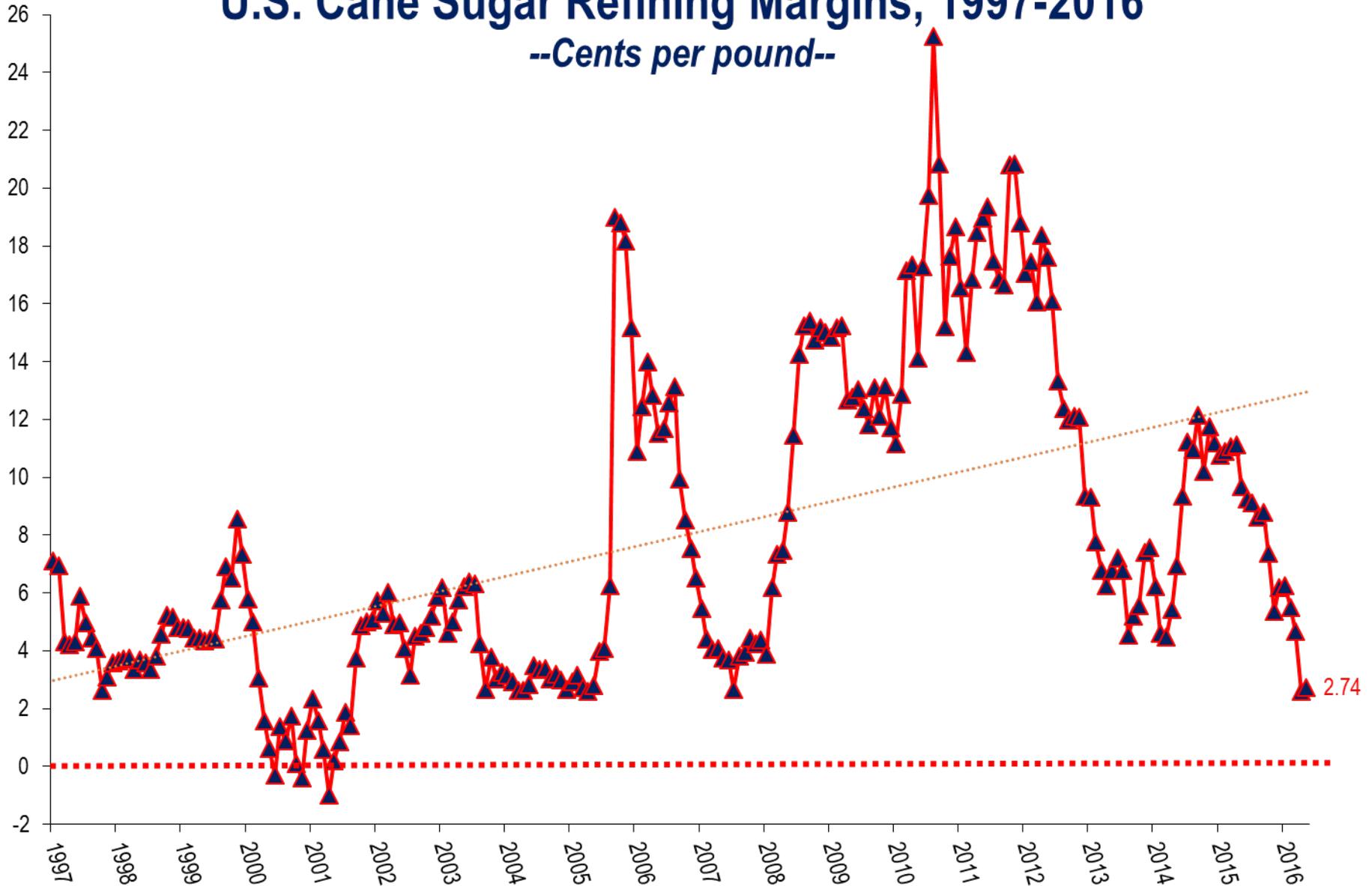
--Cents per pound--



Source: USDA. Wholesale refined beet sugar, Midwest markets. Monthly average prices 1997-2016. FSA-calculated forfeiture range.

U.S. Cane Sugar Refining Margins, 1997-2016

--Cents per pound--

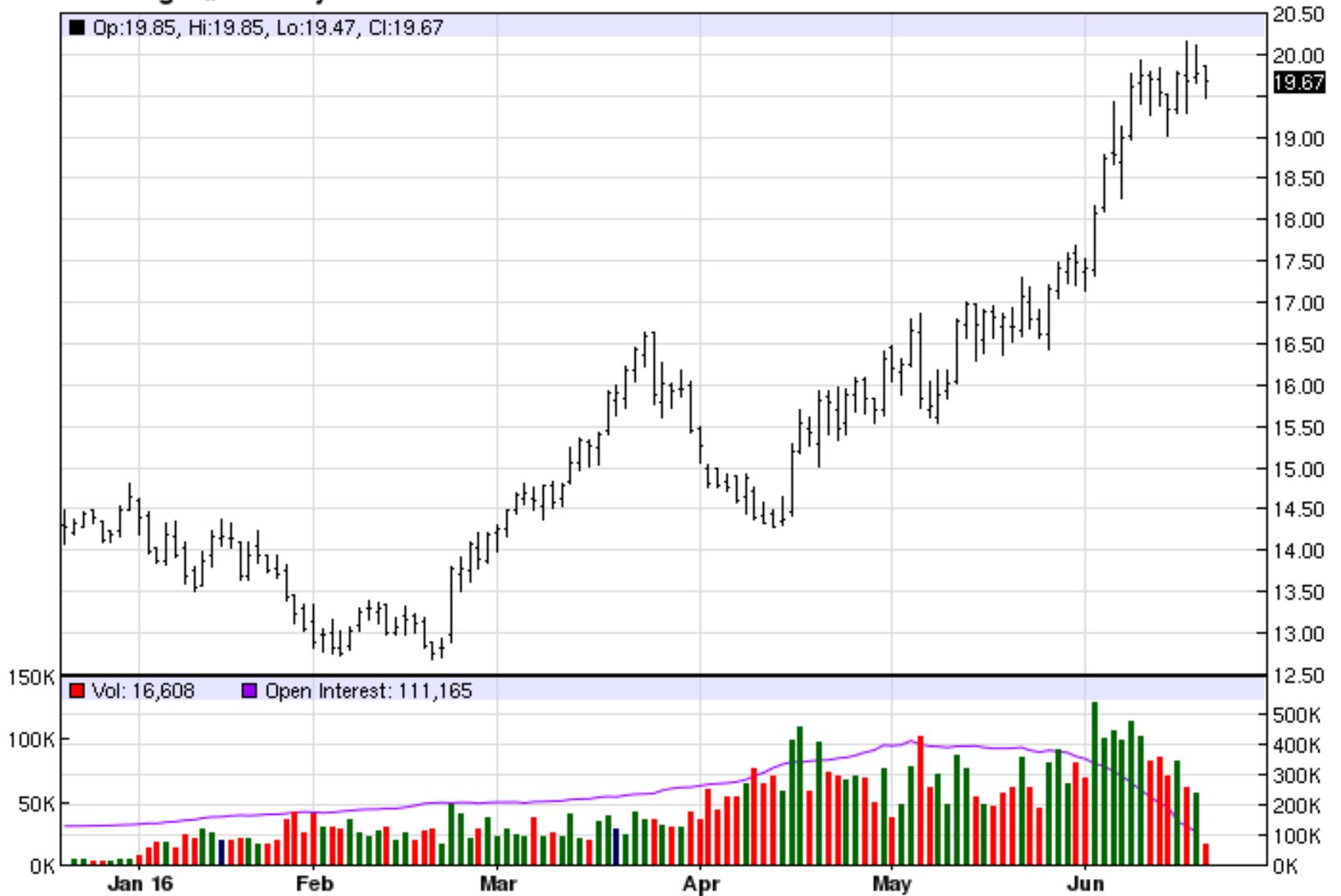


Source: USDA. Wholesale refined price (Midwest markets) less raw sugar price (#16 contract). Linear trendline.

SDU16 - Sugar #16 - Daily OHLC Chart



SBN16 - Sugar #11 - Daily OHLC Chart



U.S. Sugar Market and Policy Update

2. Defending U.S. sugar policy

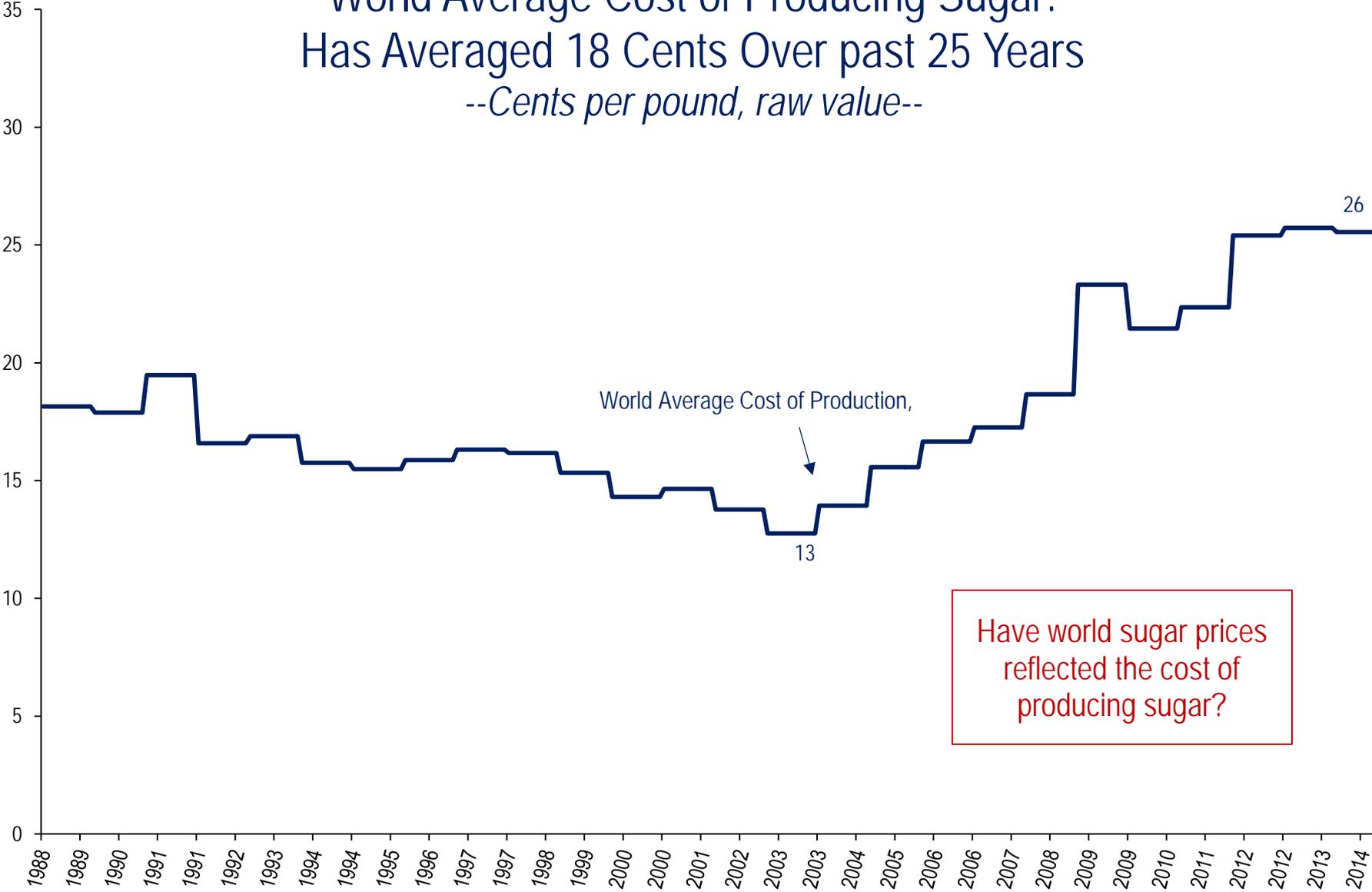
- Why we have a sugar policy
- How the sweetened-product manufacturers attack it
- How we defend the policy

U.S. Sugar Market and Policy Update

- Why we have a sugar policy
 - Foreign subsidies and the distorted nature of the world market
 - A world price that rarely reflects the cost of producing sugar
 - Actual domestic wholesale prices globally are well above average costs of production and world dump market prices
 - Foreign sugar subsidies: Pernicious and on the rise
 - Continue to distort the world market
 - Important to track and call attention to

World Average Cost of Producing Sugar: Has Averaged 18 Cents Over past 25 Years

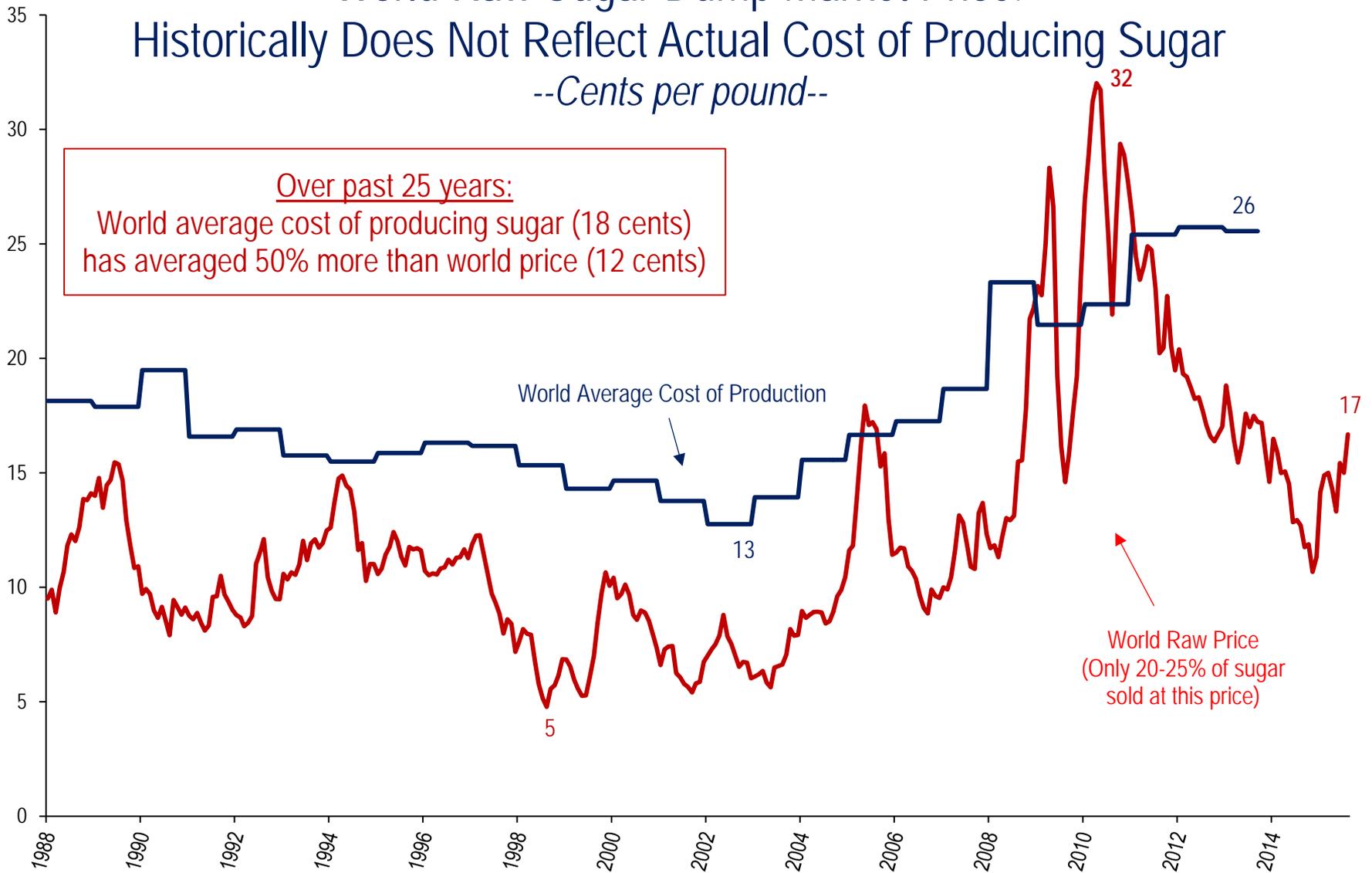
--Cents per pound, raw value--



Source: "Sugar Production Cost, Global Benchmarking Report," LMC International, Oxford, England, July 2014.

World Raw Sugar Dump Market Price: Historically Does Not Reflect Actual Cost of Producing Sugar

--Cents per pound--

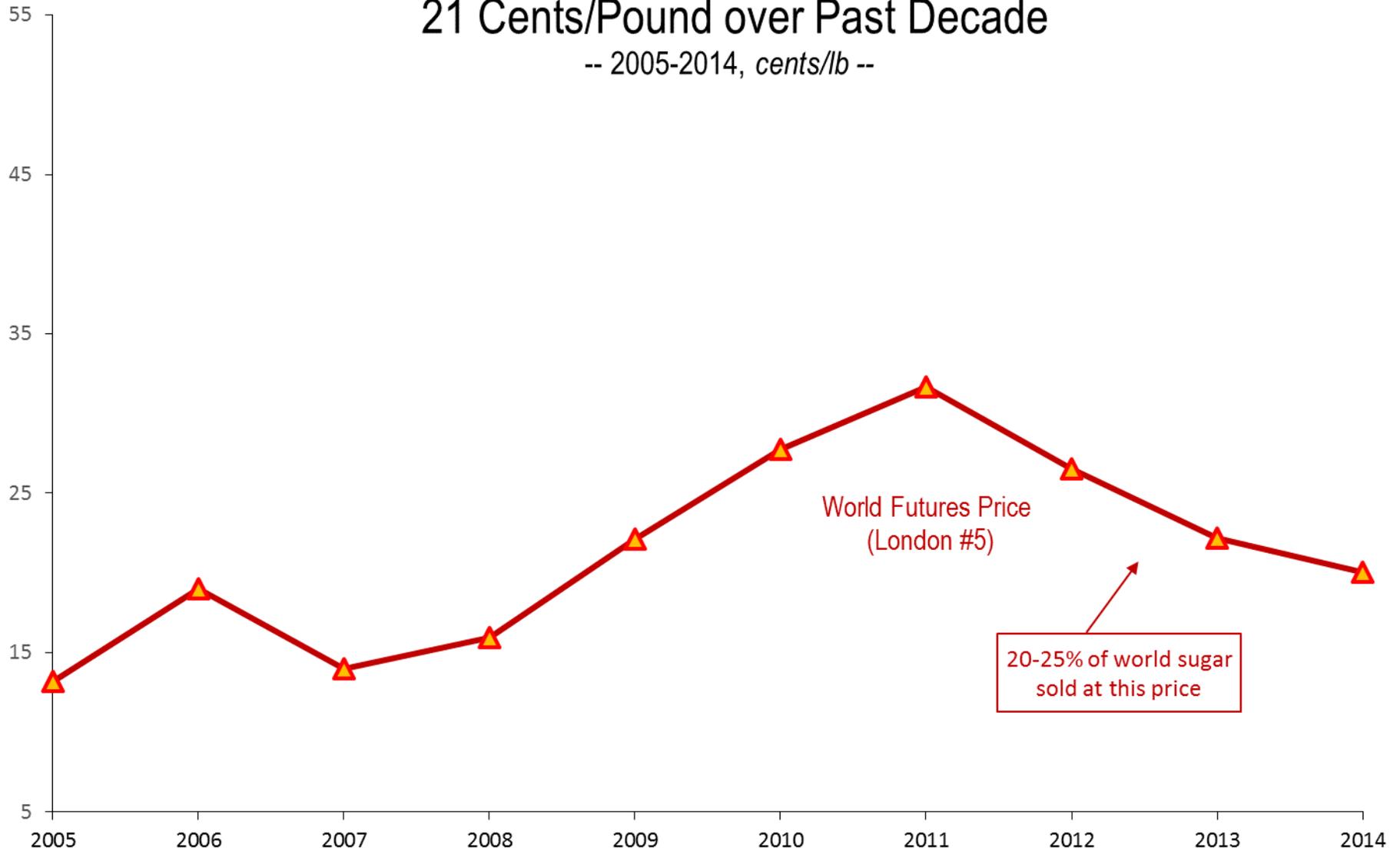


Sources: World Price: USDA, #11 raw contract, Caribbean ports. monthly average prices, 1970-2016.

Cost of Production: "Sugar Production Cost, Global Benchmarking Report," LMC International, Oxford, England, July 2014.

World Dump-Market Prices for Refined Sugar Averaged 21 Cents/Pound over Past Decade

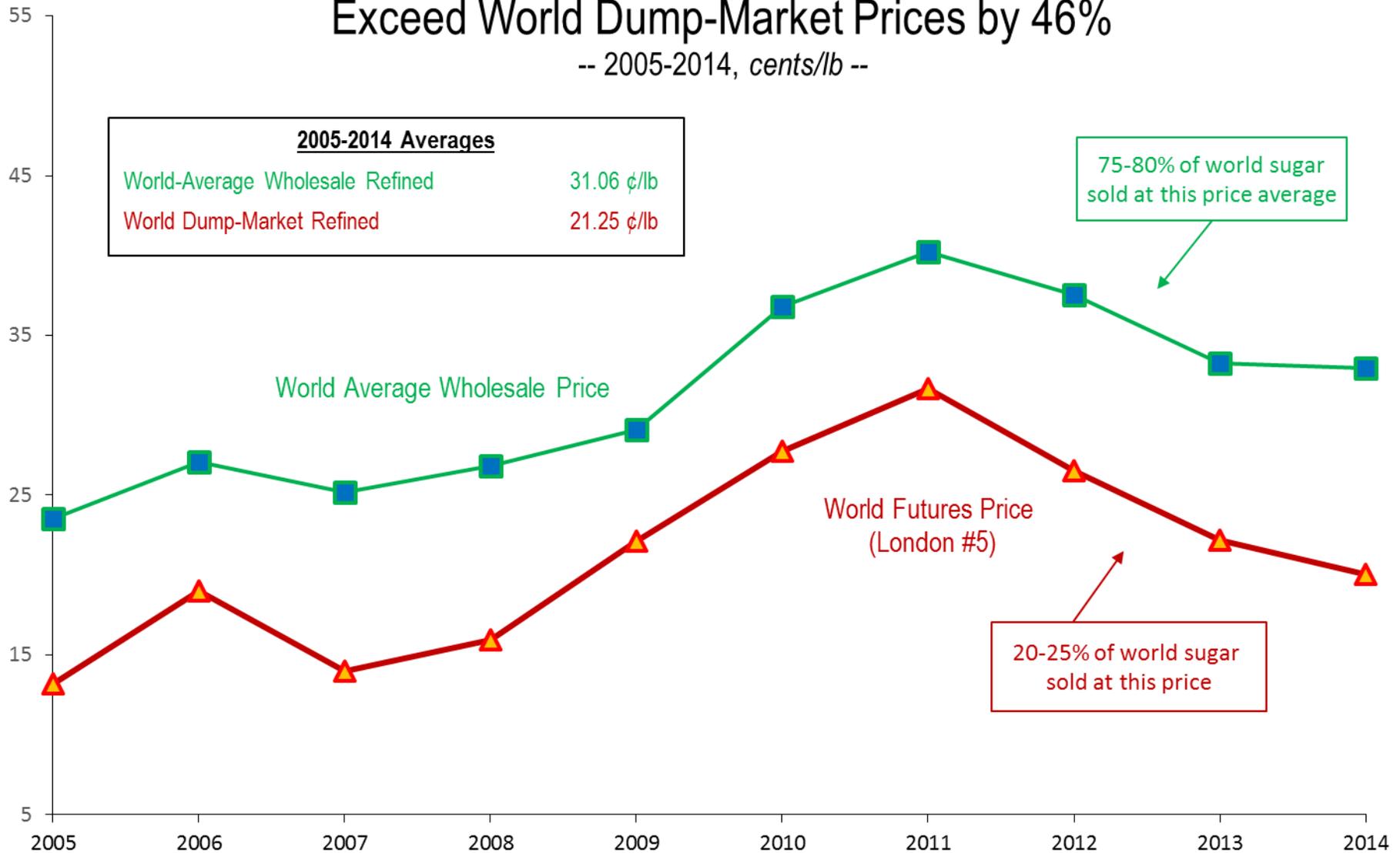
-- 2005-2014, cents/lb --



Source: USDA.

World Average Actual Refined Wholesale Sugar Prices Exceed World Dump-Market Prices by 46%

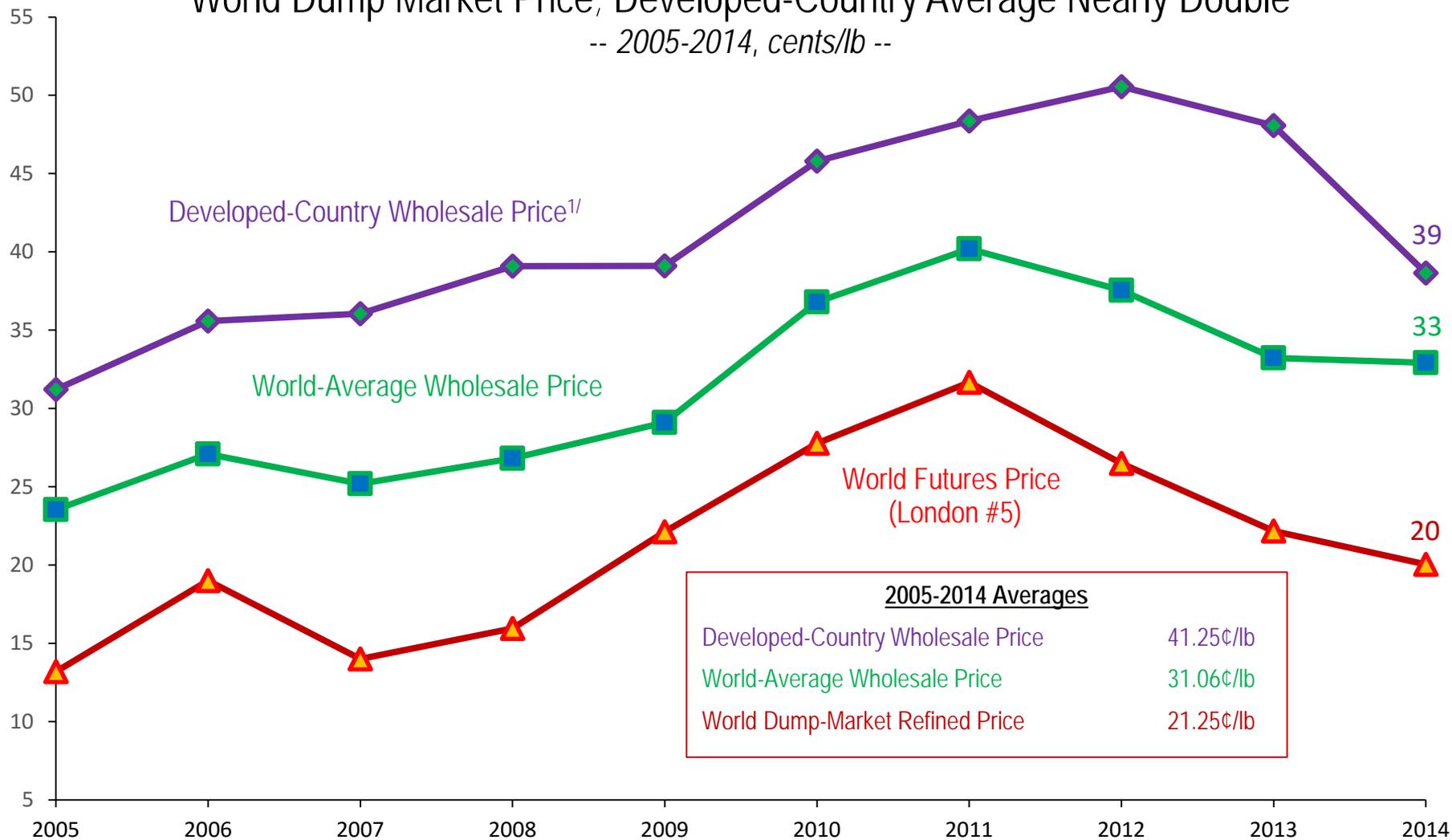
-- 2005-2014, cents/lb --



Source: International Sugar Organization (ISO), "Domestic Sugar Prices - a Survey", MECAS(15)06, May 2015. A survey of 78 countries, representing 79% of world sugar consumption; 2014 preliminary.

World Average Wholesale Refined Sugar Price Nearly 50% Higher than World Dump Market Price; Developed-Country Average Nearly Double

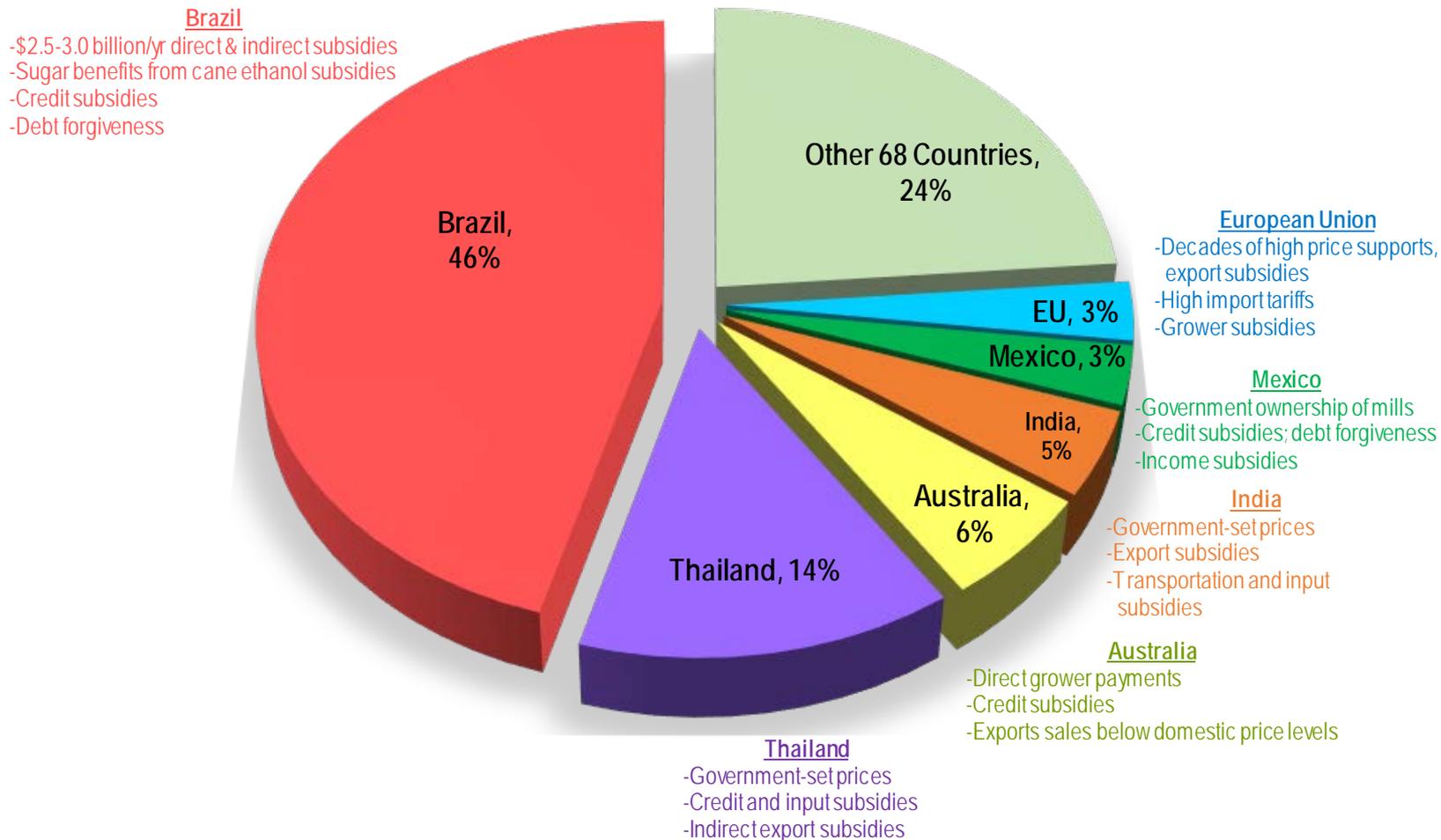
-- 2005-2014, cents/lb --



Source: International Sugar Organization (ISO), "Domestic Sugar Prices - a Survey", MECAS(15)06, May 2015. A survey of 78 countries, representing 79% of world sugar consumption; 2014 preliminary. U.S. 10-year average: 37 cents; September 2015 price: 33 cents.
 1/ EU-28 and other OECD countries in ISO survey.

World's Largest Sugar Exporters: All Subsidize*

-- Shares of Global Exports, 2011/12-15/16 Average --



Data source: USDA/FAS, November 2015. 2015/16 = forecast.

* Subsidies -- Sourced from FAS attache reports, press reports, country studies. Does *not* include currency devaluations.

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ASA-Commissioned Studies on Foreign Sugar Subsidies

Year	Author	Study	Key Finding
2003, 2008	LMC International	<i>"A Review of Sugar Policies in Selected Countries"</i>	Documented extensive transparent and non-transparent (indirect) subsidies in 14 countries (2003) and 11 countries (2008).
2013	Patrick Chatenay, ProSunergy Ltd	<i>"Government Support and the Brazilian Sugar Industry"</i>	Found direct and indirect subsidies valued at \$2.5 billion per year.
2015	Antoine Meriot, Sugar Expertise LLC	<i>"Thailand's sugar policy: Government drives production and export expansion"</i>	Found direct and indirect subsidies valued at "at least \$1.3 billion per year."
2015	Patrick Chatenay, ProSunergy Ltd	<i>"European Union Sugar Industry Support"</i>	Found that, even after "reform" of the EU sugar regime in 2017, EU producers will still receive \$665 million per year in coupled and decoupled payments.
2016	Antoine Meriot, Sugar Expertise LLC	<i>"Indian sugar policy: Government role in production expansion, and transition from importer to exporter"</i>	Found direct and indirect subsidies valued at \$1.7 billion per year.

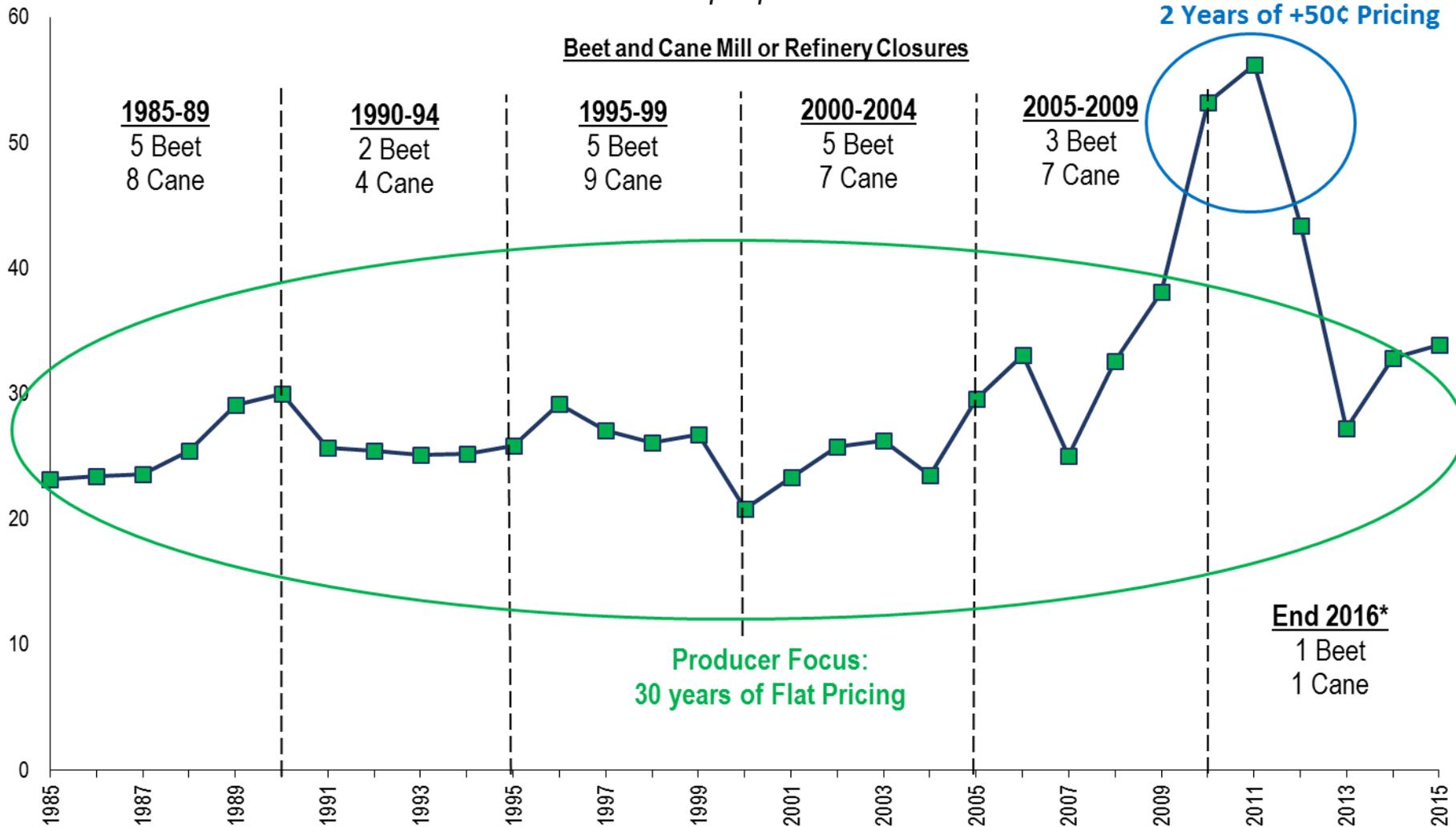
U.S. Sugar Market and Policy Update

2. Defending U.S. sugar policy

- **How/why the sweetened-product manufacturers attack it**
 - Users' focus on 2010-11 period of reasonable prices – high enough to cover costs of production and re-invest
 - Users' focus on comparisons to world market price
 - Users' illusion they could buy unlimited supplies, reliable, high-quality, no price increase
 - Users' fantasy – their argument to Congress – that they would pass all their savings on cheaper sugar along to consumers
 - Users' fantasy – their argument to Congress – that high sugar prices are costing them jobs

Wholesale Refined Sugar Prices and Sugar Company Closures: Flat prices for three decades = 57 closures from 1985 to 2016

--Cents per pound--

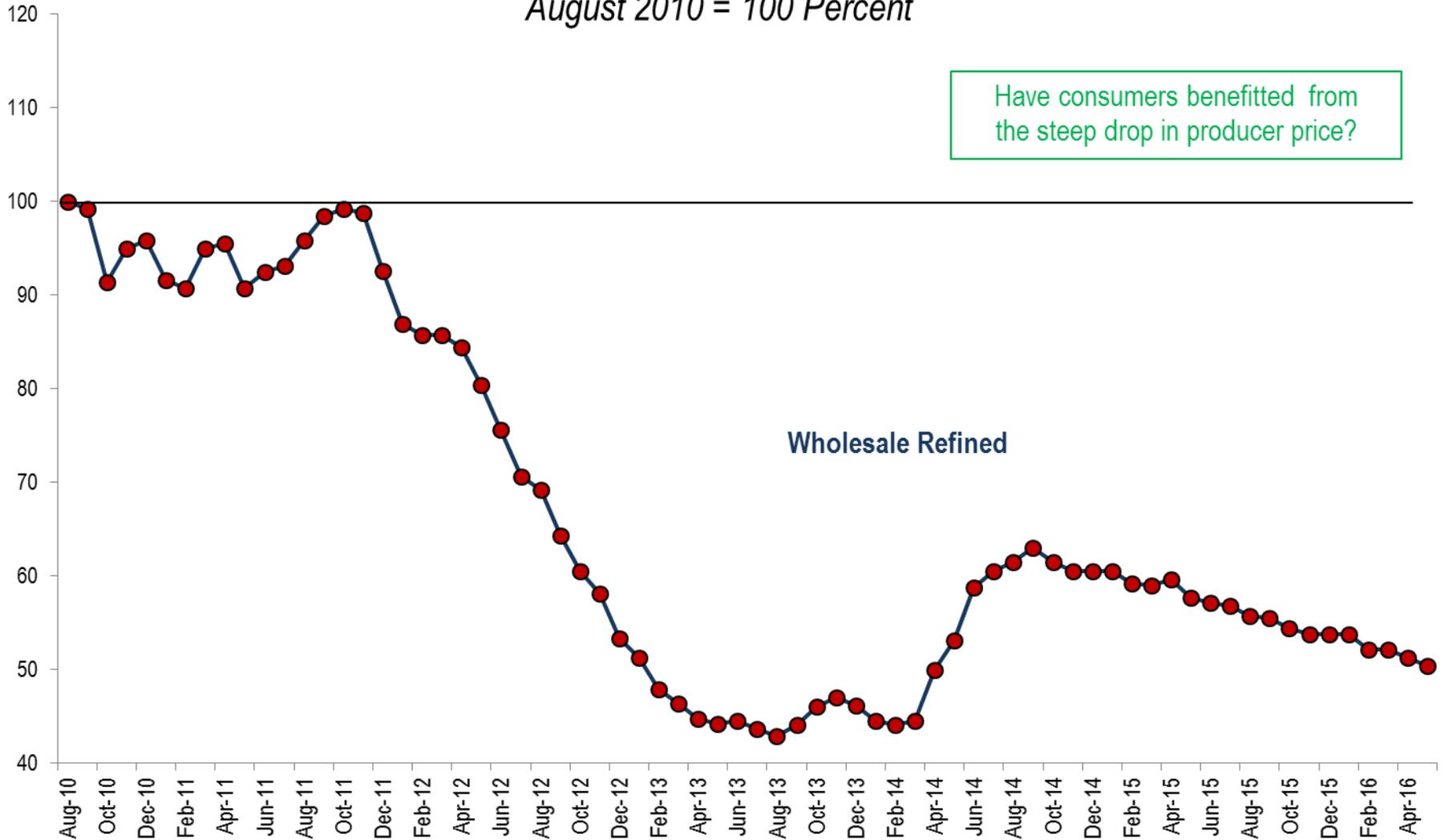


Source: USDA, annual average wholesale refined sugar prices, Midwest markets, 1985-2015. More operations would have closed had farmers not organized cooperatively to purchase independent beet and cane processing and refining facilities. User access to domestic sugar would have suffered more.

*A sugar beet factory in Wyoming and the last of the sugar cane plantations in Hawaii will close at the end of 2016.

Price Change Since 2010: Producers' Wholesale Refined Sugar Price Down 41%

August 2010 = 100 Percent



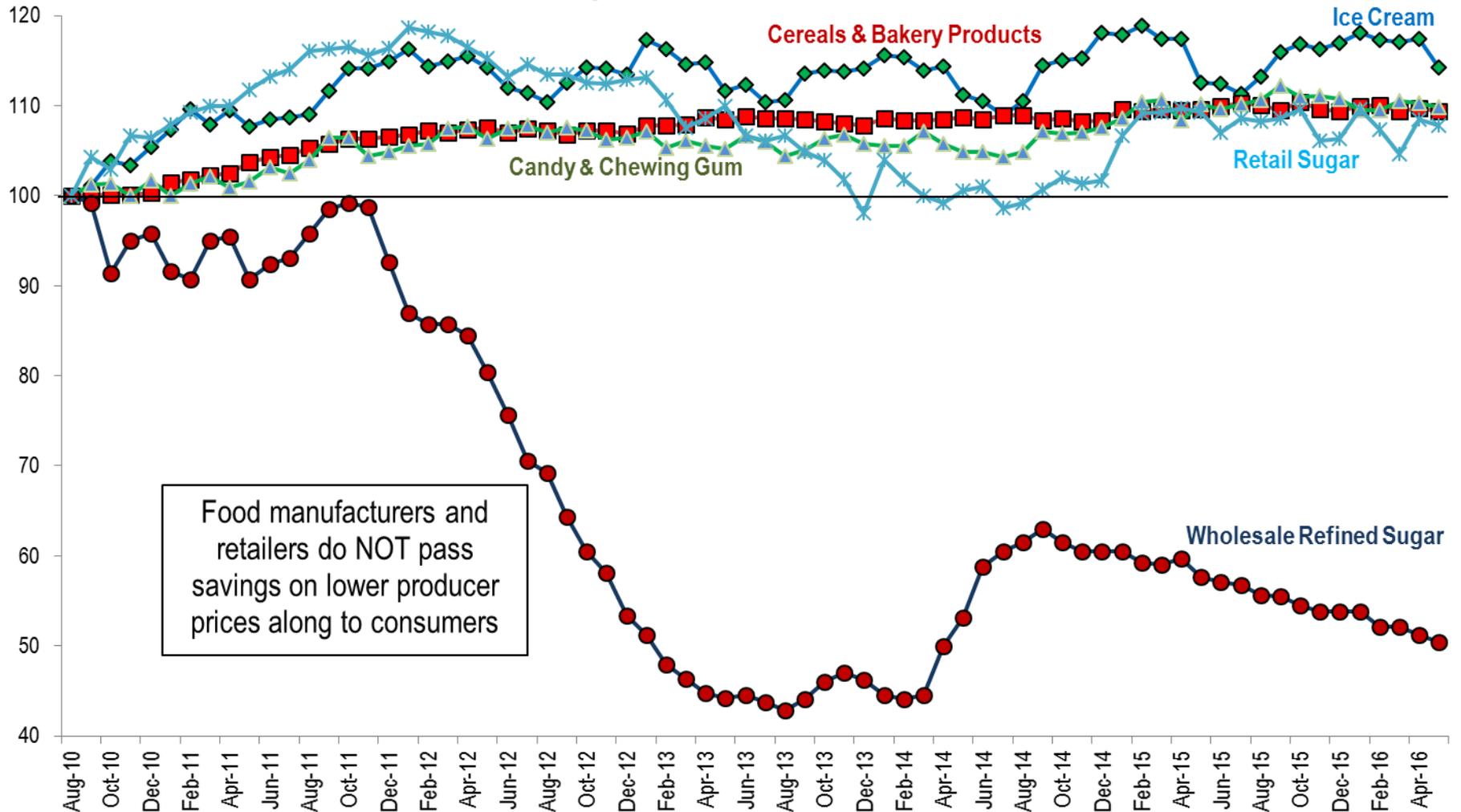
Have consumers benefitted from the steep drop in producer price?

Wholesale Refined

Source: Wholesale sugar - USDA. Retail products - Bureau of Labor Statistics. Monthly average prices through May 2016.

U.S. Price Changes Since 2010: Wholesale Sugar Down 50% but Retail Sugar & Sweetened Product Prices Up

August 2010 = 100 Percent

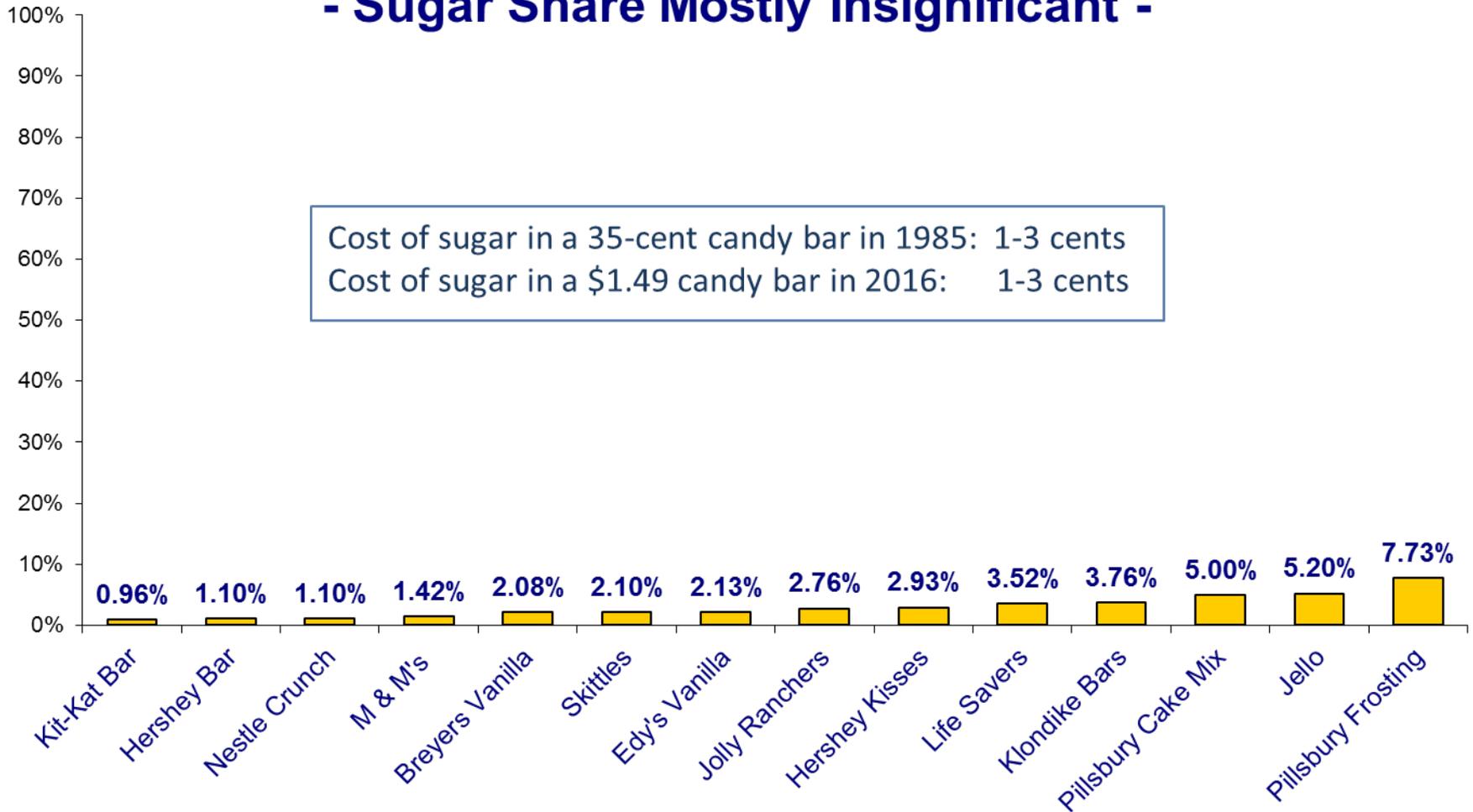


Food manufacturers and retailers do NOT pass savings on lower producer prices along to consumers

Source: Wholesale sugar - USDA. Retail products - Bureau of Labor Statistics. Monthly average prices through May 2016.

Sugar Cost as % of Retail Product Price*

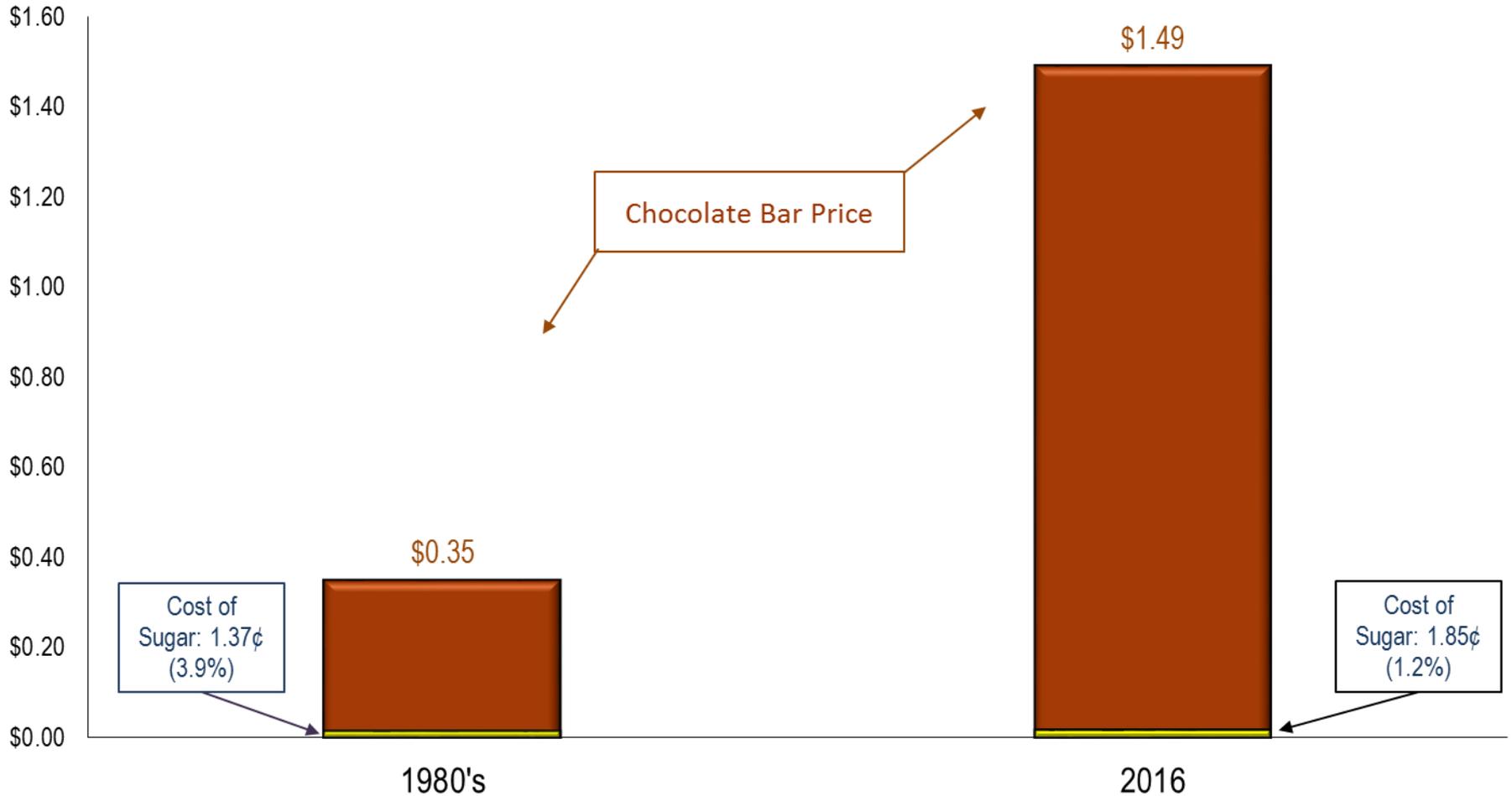
- Sugar Share Mostly Insignificant -



Source: American Sugar Alliance survey of retail products, Safeway store, Washington, DC, June 2016.

*Sugar content computed from nutrition label. Assumes USDA-reported 2016 Jan-May average wholesale refined sugar price of 30.90 cents per pound. Some products contain sugar, HFCS, and other caloric sweeteners ("sugars"), but all are included under sugar's cost.

From 1980's to 2016:
Price of a chocolate bar has risen from 35¢ to \$1.49;
Cost of sugar in that bar has remained less than 2¢



Sources. Sugar prices: USDA, wholesale refined sugar, Midwest markets; 1980's = 1980-89 average; 2016 = Jan - May average.
Hershey bar prices: Hershey bar index <http://www.foodtimeline.org/foodfaq5.html> Based on 44-gram bar with 23 grams of sugar.

Cumulative Percentage Change in Employment in Food Manufacturing Industry (2009-2014): SCP Jobs Up, Non-SCP Jobs Same

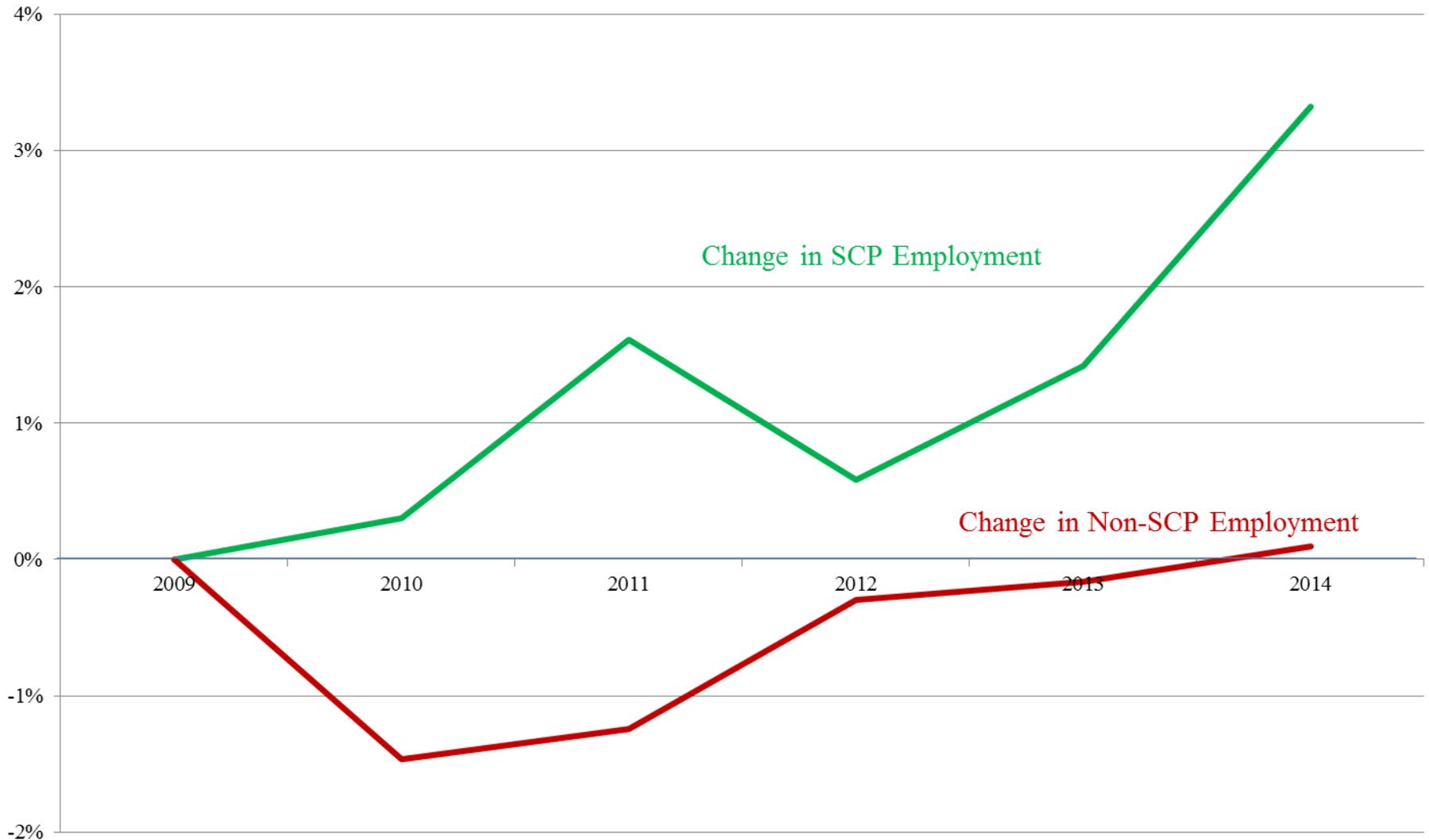


Chart Source: "Economic Effects of U.S. Sugar Policy," Alexander Triantis, University of Maryland, April 2016.

Data Source: BLS data for NAICS 311; industries are sorted into sugar-containing-product (SCP) and non-SCP based on Materials Consumed from 2012 Economic Census.

Cumulative Percentage Change in Employment in Food Manufacturing Industry (2004-2014): SCP Jobs Up, Non-SCP Jobs Down

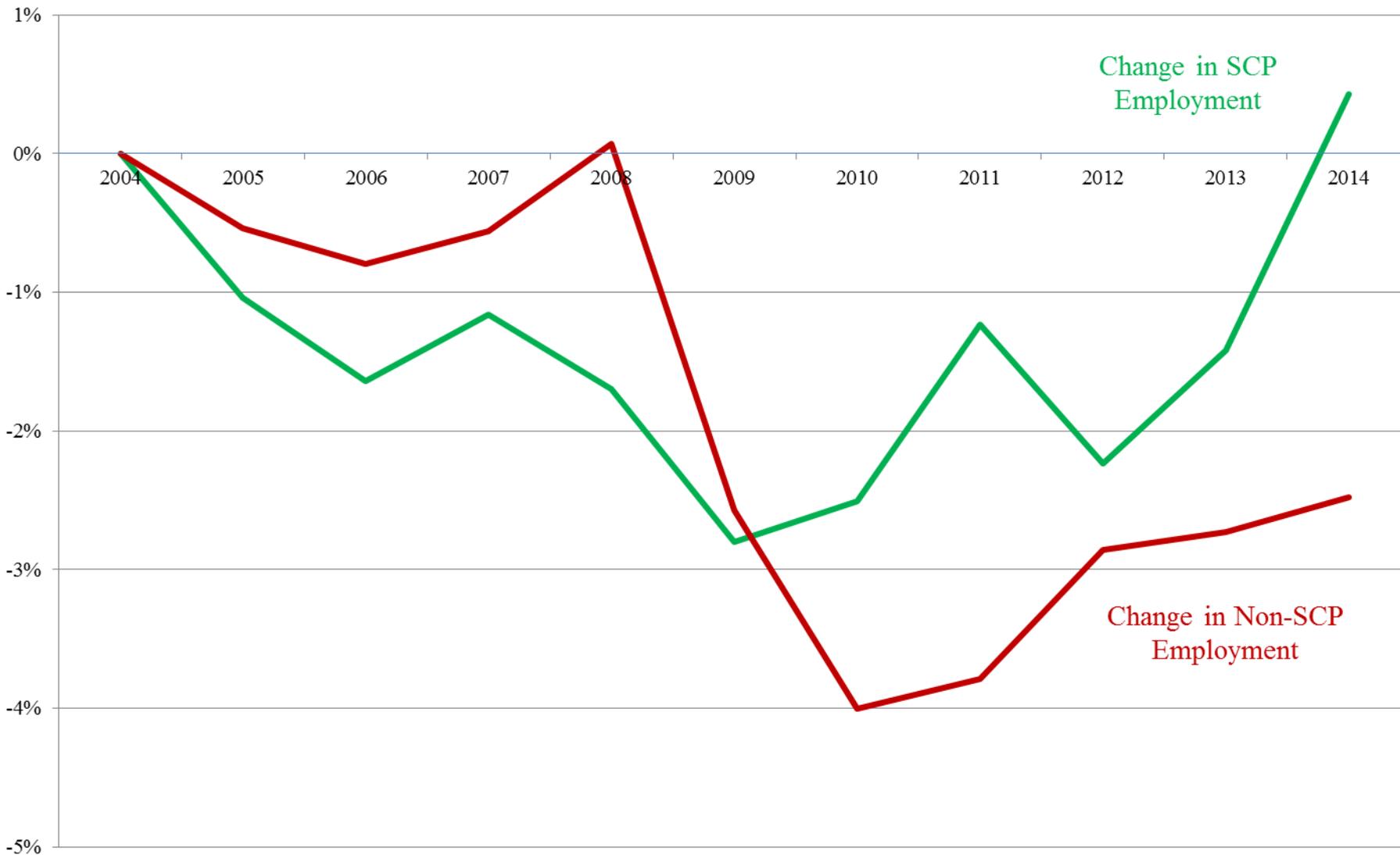


Chart Source: "Economic Effects of U.S. Sugar Policy," Alexander Triantis, University of Maryland, April 2016.

Data Source: BLS data for NAICS 311; industries are sorted into sugar-containing-product (SCP) and non-SCP based on Materials Consumed from 2012 Economic Census.

Annual Percentage Changes in U.S. Refined Sugar Price and SCP Industries Employment: No Relationship between Sugar Price and SCP Jobs

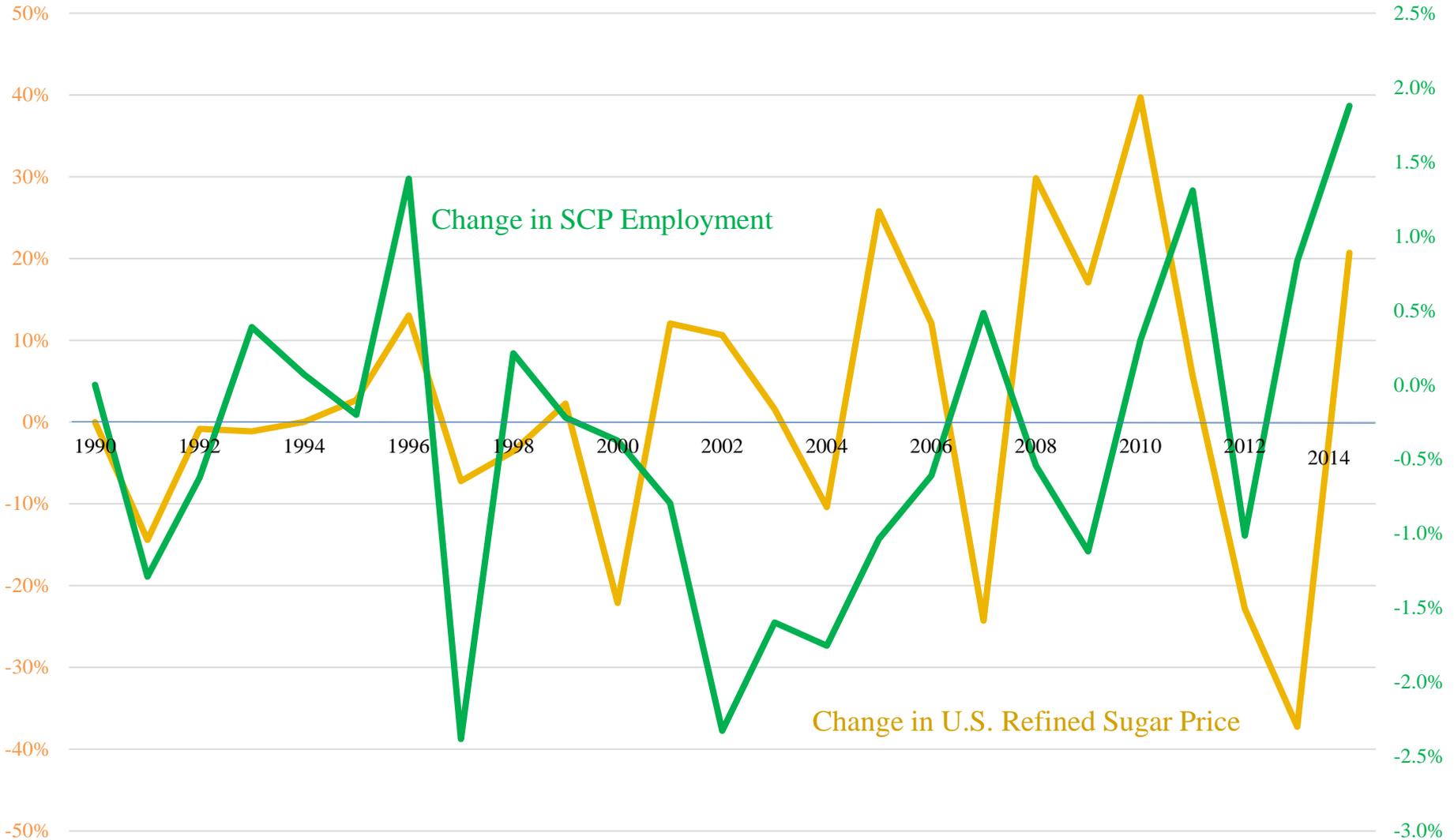


Chart Source: "Economic Effects of U.S. Sugar Policy," Alexander Triantis, University of Maryland, April 2016.

Data Sources: BLS QCEW; USDA ERS Sugar and Sweetener Table 5. SCP = sugar-containing product.

Annual Percentage Change in U.S. vs. World Refined Sugar Price Differential and Annual Percentage Change in SCP Industries Employment: No Relationship between U.S.-World Sugar Price Differential and SCP Jobs

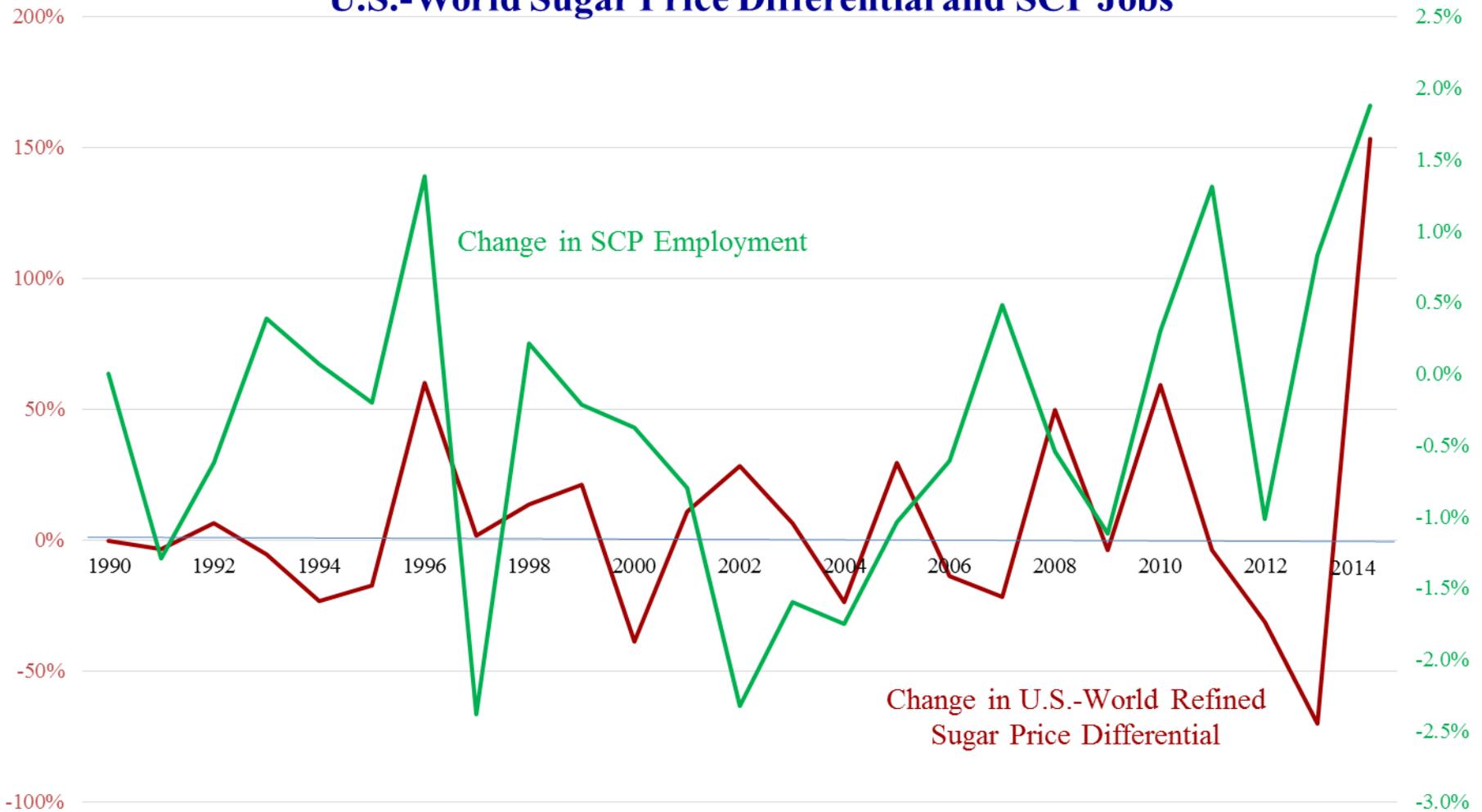
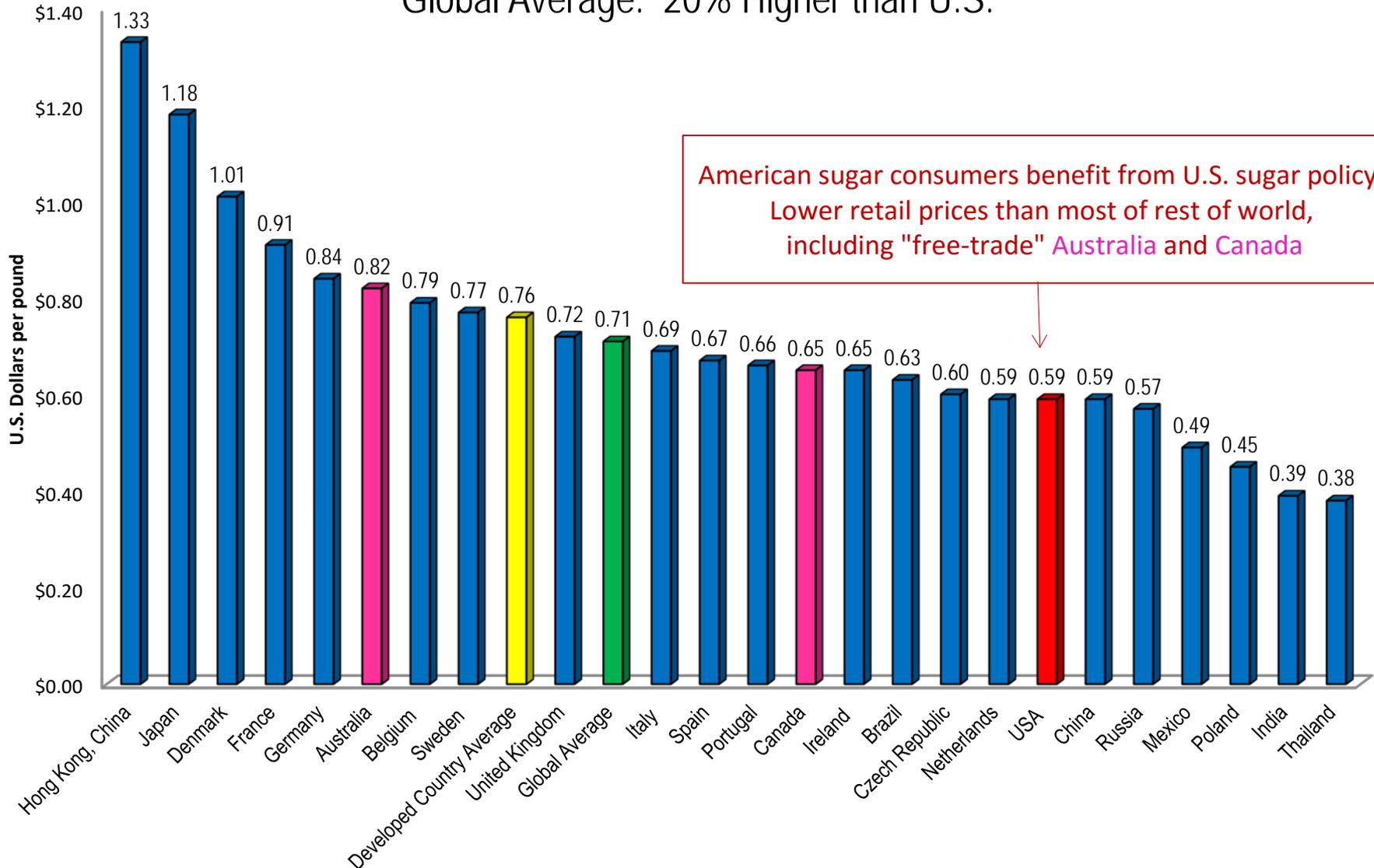


Chart Source: "Economic Effects of U.S. Sugar Policy," Alexander Triantis, University of Maryland, April 2016.
 Data Sources: BLS QCEW; USDA ERS Sugar and Sweetener Tables 2 and 5. SCP = sugar-containing product.

Developed-Country Average Retail Sugar Price: 29% Higher than U.S.; Global Average: 20% Higher than U.S.



American sugar consumers benefit from U.S. sugar policy:
Lower retail prices than most of rest of world,
including "free-trade" Australia and Canada

Source: SIS International Research, "Global Retail Sugar Prices," July 2015, from Euromonitor, International Monetary Fund; 2014 prices. Surveyed countries represent 67% of global sugar consumption. Developed countries include OECD member countries and Hong Kong.

U.S. Sugar Market and Policy Update

3. Key industry challenges

- **Trade policy: Vigilance on upcoming agreements**
- **Trans-Pacific Partnership: Completed but not yet passed**
 - Minimal concessions; will come out of Mexican access to U.S. market
 - Passage in question
- **U.S. & European Union: Transatlantic Trade and Investment Partnership (TTIP)**
 - Both U.S. and EU are net importers of sugar
 - Both sugar industries have requested sugar *not* be included in the TTIP
- **Doha Round of WTO**
 - Only pathway to address all global sugar subsidies
 - Way to achieve “zero-for-zero” approach
 - But negotiations stalled

Trans-Pacific Partnership (TPP): U.S. Sugar-Import Concessions¹

-- Metric tons, raw value --

Country	Guaranteed Access				Potential Additional Access
	WTO	TPP	Total	Increase	
Australia	87,042	65,000	152,042	75%	23% of additional raw TRQ needs
Canada ²	10,300	9,600	19,900	93%	20% of additional refined TRQ needs
Vietnam	-	1,500	1,500	-	
Malaysia	-	500	500	-	
Japan	-	100	100	-	
Total	97,342	76,700	174,042	79%	

¹ TPP negotiated, but not yet approved by U.S. Congress. All TPP access duty-free. For the six other countries in the negotiations -- Brunei, Chile, Mexico, New Zealand, Singapore and Peru -- access to the U.S. sugar market was not a priority.

² Canada also granted TPP access for 9,600 tons of sugar-containing products.

Zero-for-Zero

The U.S. sugar industry supports the Congressional resolution introduced by Rep. Ted Yoho, R-FL:

When foreign countries eliminate their sugar subsidies, we will eliminate U.S. sugar policy

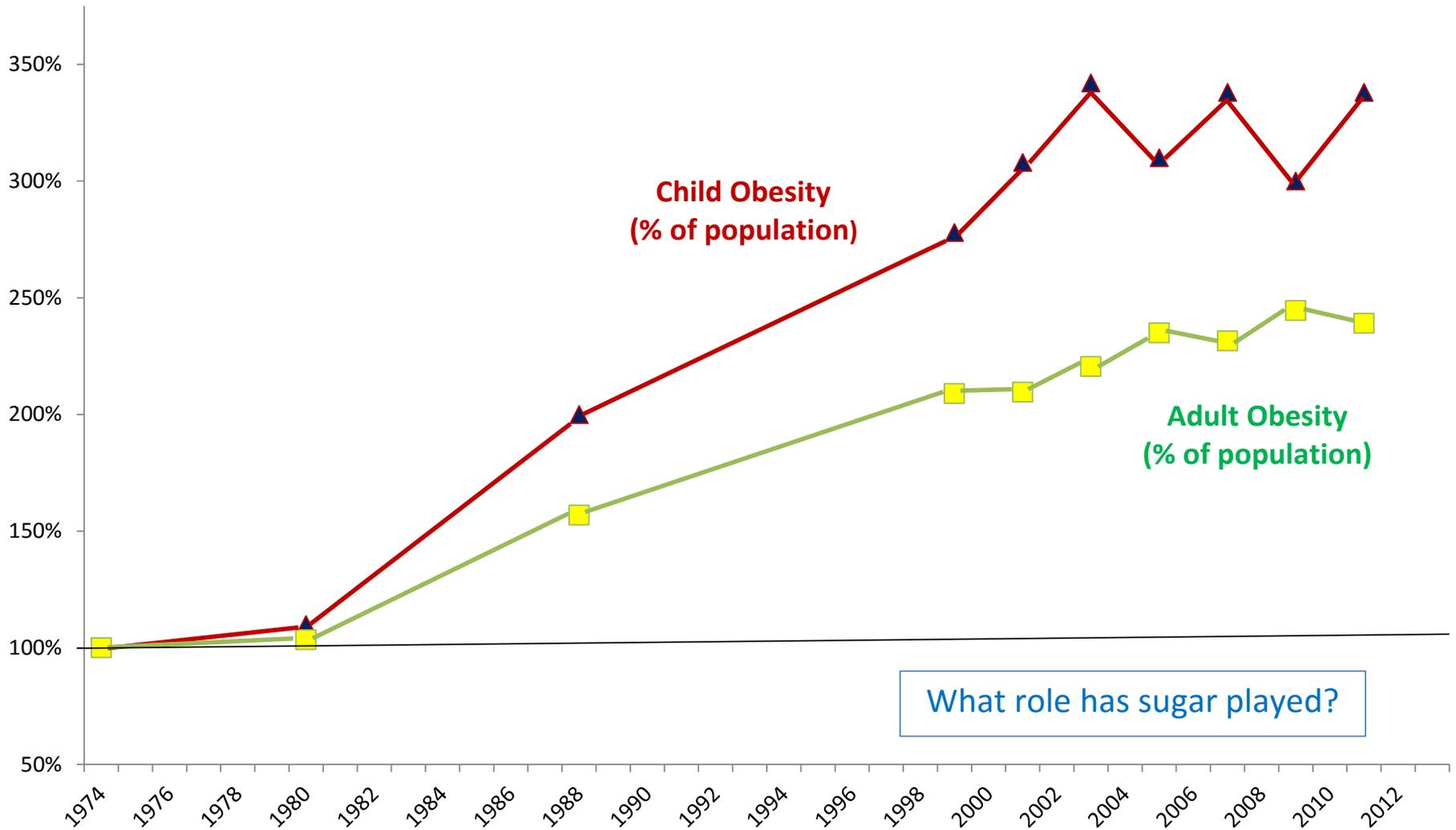
- To modify or surrender U.S. sugar policy with no concessions by foreign countries would amount to unilateral disarmament and transfer of American jobs to countries that subsidize

U.S. Sugar Market and Policy Update

3. Key industry challenges

- Defending sugar and sweetened-product consumption
- Address the misconception that sugar, and rising sugar consumption, are responsible for obesity and other health concerns

Since 1974: U.S. Child Obesity Has Tripled, Adult Obesity Has More than Doubled (1974=100%)



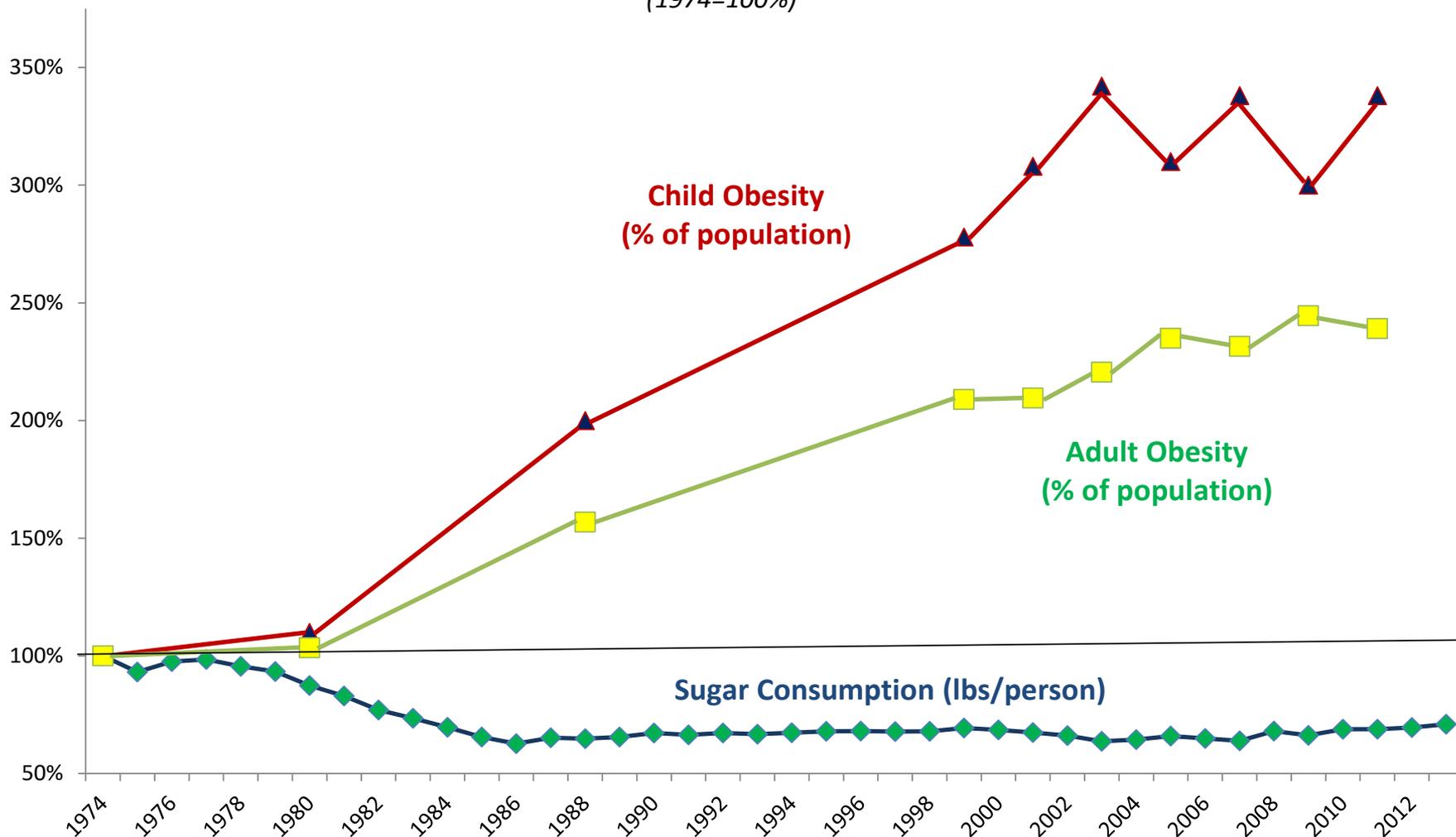
Source: Caloric Sweetener (Sugar + High Fructose Corn Syrup) Data -- Economic Research Service/USDA: <http://www.ers.usda.gov/Briefing/sugar/data.htm>

Obesity Data -- Centers for Disease Control and Prevention/HHS.

Note: Official obesity data available only for years shown.

Since 1974: U.S. Child Obesity Has Tripled, Adult Obesity Has More than Doubled; U.S. Per Capita Sugar Consumption Has Fallen by more than a Fourth

(1974=100%)

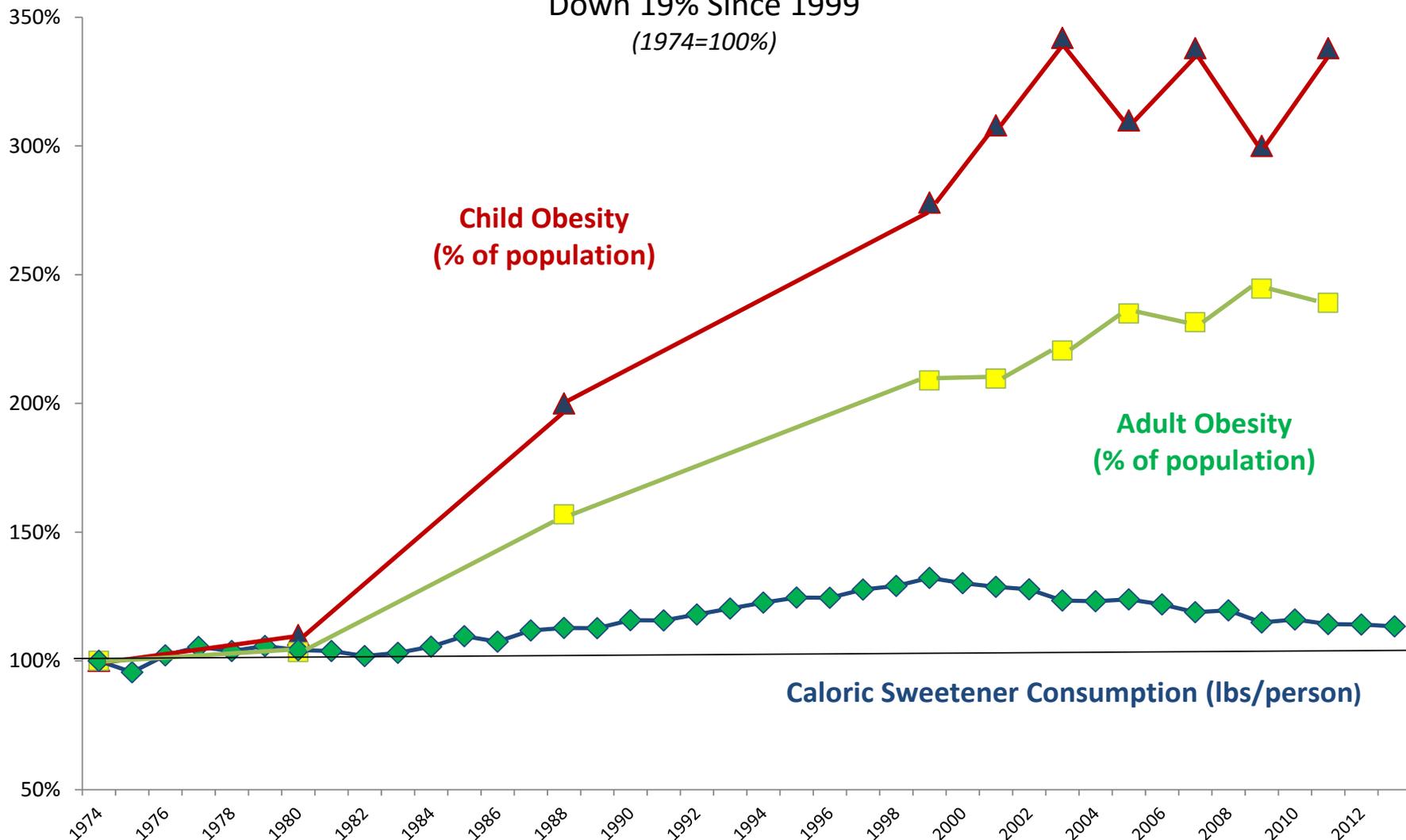


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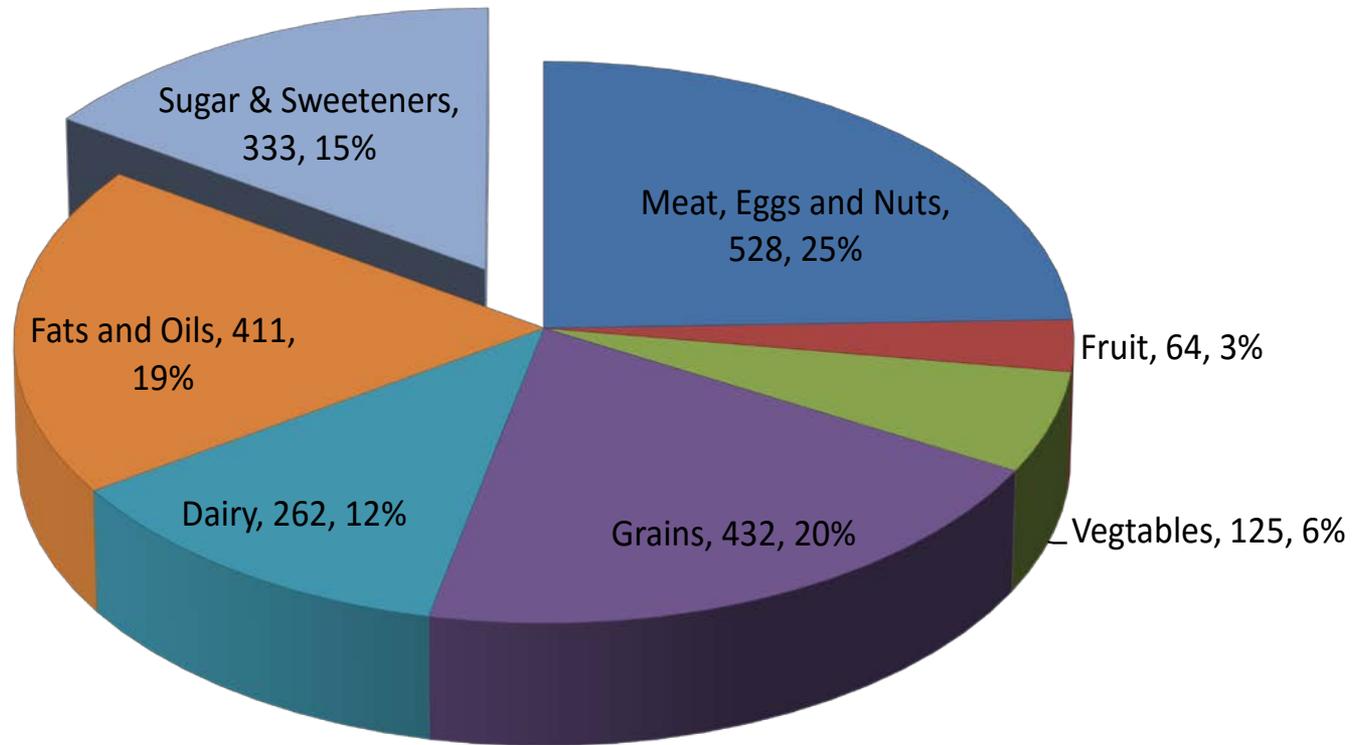
Note: Official obesity data available only for years shown.

Since 1974: U.S. Child Obesity has Tripled, Adult Obesity more than Doubled;
 U.S. Per Capita Caloric Sweetener Consumption up Only Slightly,
 Down 19% Since 1999
 (1974=100%)



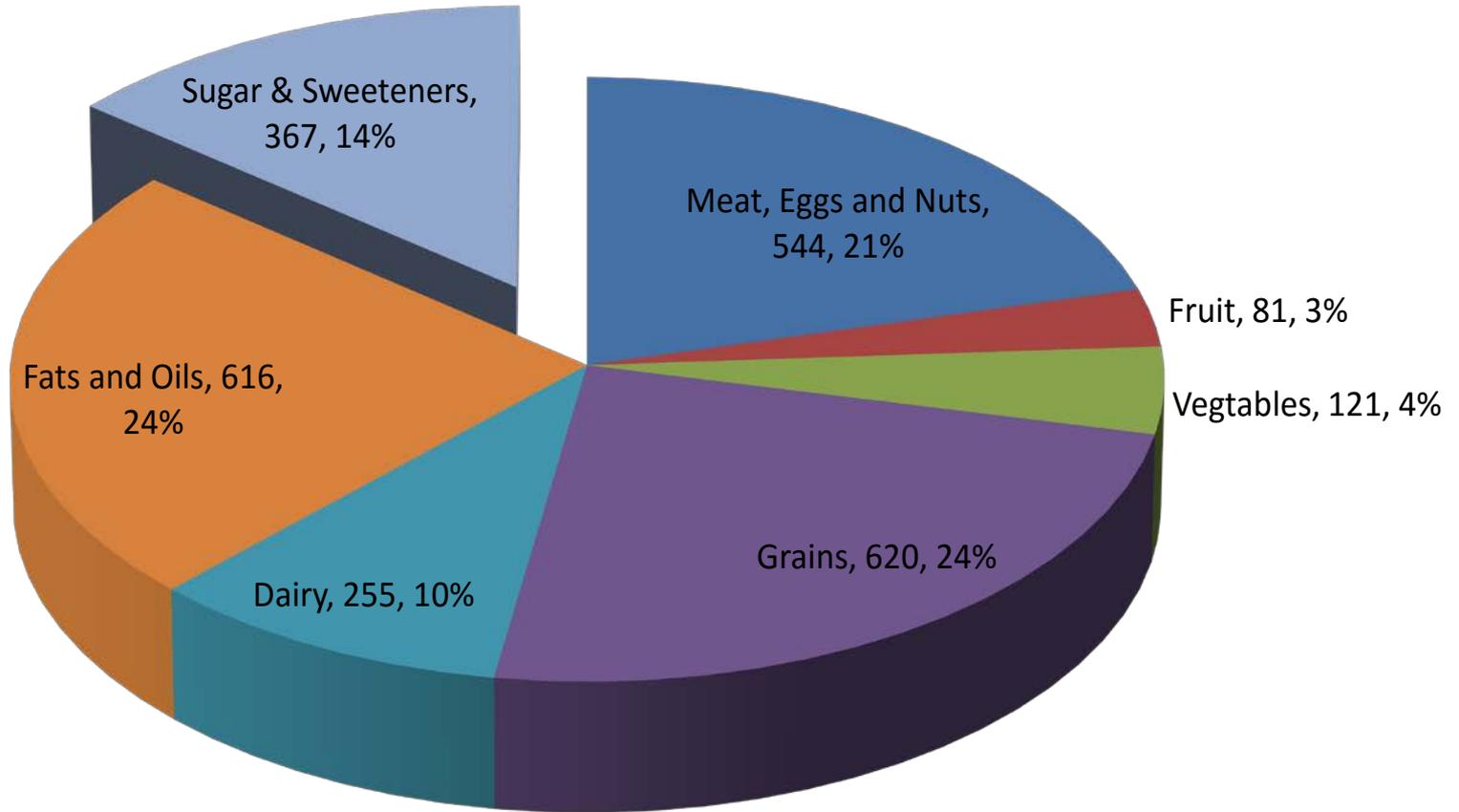
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 Obesity Data -- Centers for Disease Control and Prevention/HHS.
 Note: Official obesity data available only for years shown.

**1970 U.S. Per Capita Daily Caloric Consumption;
Sugar & Sweeteners' Share 15%**



1970: Total calories: 2,155

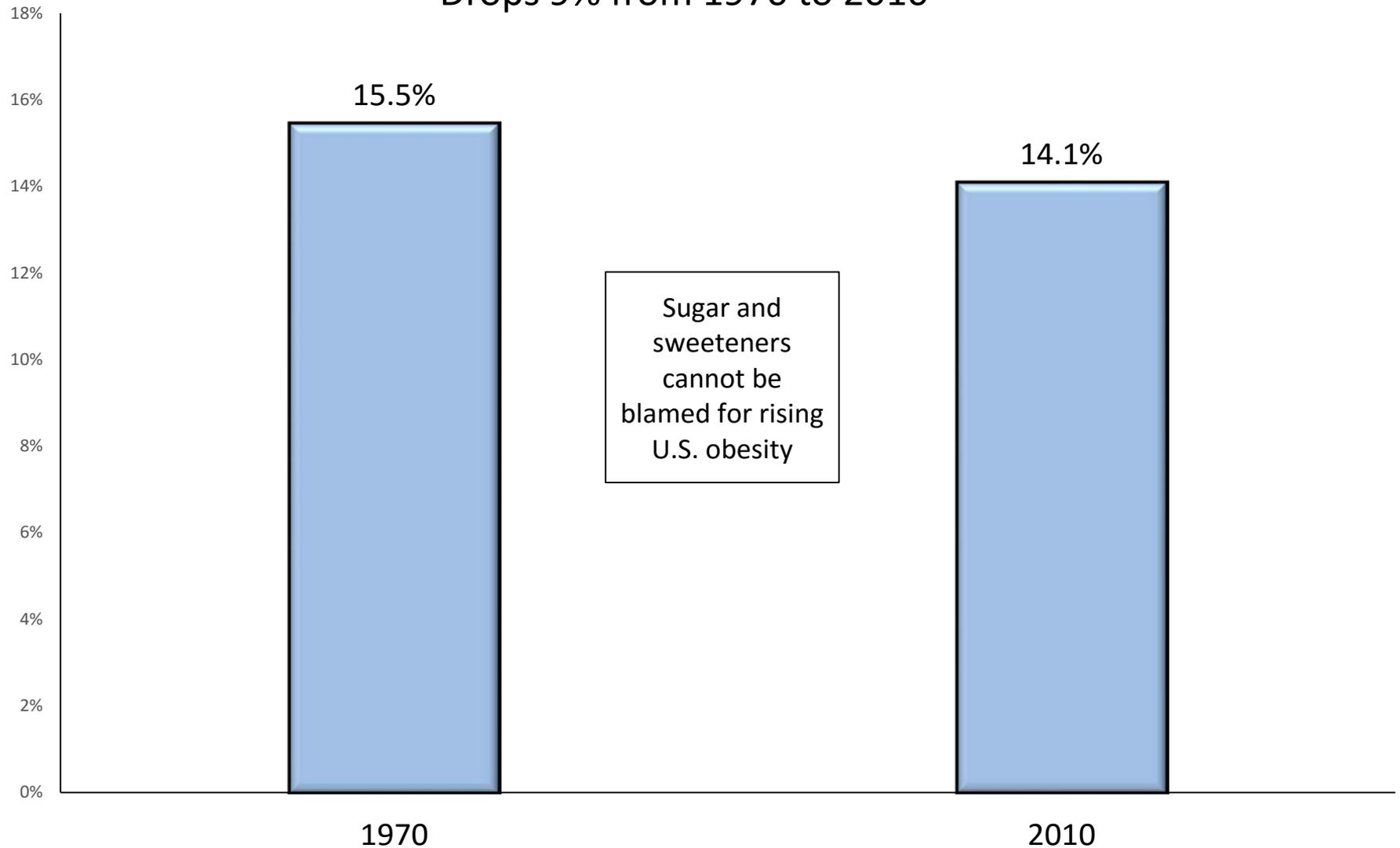
2010 U.S. Per Capita Caloric Consumption Up 21% from 1970; Sugar & Sweeteners' Share Drops to 14%



2010: Total calories: 2,604

Source: USDA/ERS; <http://www.ers.usda.gov/data-products/food-availability-%28per-capita%29-data-system.aspx>

Sugar and Sweeteners' Share of U.S. Caloric Consumption Drops 9% from 1970 to 2010



Source: USDA/ERS; <http://www.ers.usda.gov/data-products/food-availability-%28per-capita%29-data-system.aspx>

U.S. Sugar Market and Policy Update

Conclusions

1. Market. The U.S. sugar market has stabilized after nearly being destroyed by subsidized, dumped Mexican sugar in 2013
 - Problems remain, but optimism that suspension agreements with Mexico can be altered to ensure cane refiner throughput, reduce Mexican dumping
 - Rising world prices could take U.S. prices higher
2. Policy. Always threatened, but strong arguments to defend; talented, dedicated team in Washington D.C.
3. Challenges. Trade policy challenges appear to be under control; must defend sugar consumption



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www.sugaralliance.org