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Larger Sugar Carryover from 2015/16 Contributes to Higher Projected Supplies and Ending Stocks for U.S. in 2016/17

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U.S. sugar production in 2016/17 is projected to be 9.331 million short tons, raw value (STRV) in the November *World Agricultural Supply and Demand Estimates* (WASDE), a 96,000-STRV decline from the previous month's report. The lower quantity would still represent a fiscal year production record, however. Projected beet sugar production accounts for nearly all of the change, as it is reduced 97,000 STRV compared with the October projection; larger early-season beet sugar production in September means more production from the crop currently being harvested will be counted in the 2015/16 fiscal year. Projected cane sugar production is raised 1,000 STRV, as a 33,000-STRV increase in Florida is offset by a 32,000-STRV reduction in Louisiana; both adjustments are the result of sugarcane production forecasts provided by the National Agricultural Statistics Service (NASS) and processor reports on expected sucrose recovery rates. Ending stocks for 2016/17 are increased 135,000 STRV, the result of larger supplies—primarily due to larger carryin from 2015/16 and a 50,000-STRV reduction in deliveries for food and beverage use. The stocks-to-use ratio is projected at 15.6 percent.

U.S. sugar production in 2015/16 is estimated to be 8.989 million STRV, an 82,000-STRV increase from the previous month's estimate. This is primarily due to the 95,000-STRV increase in estimated beet sugar production, due to the relatively larger September production of the current crop. Estimated total use is reduced 110,000 STRV, based on available full-year reported data from the Farm Service Agency's (FSA) *Sweetener Market Data* (SMD). Domestic deliveries for food and beverage use are reported at 11.905 million STRV, 45,000 STRV less than the estimate in October. Likewise, reported ending stocks for the year are 2.055 million STRV, a 168,000-STRV increase from the previous month's estimate, resulting in a stocks-to-use ratio of 17.0 percent. Additionally, reported SMD deliveries and inventories data show that key distinctions observed between the cane sugar and beet sugar markets persisted through the duration of 2015/16.

Projected Mexico sugar production in 2016/17 remains unchanged from the previous projection at 6.300 million metric tons, actual value (MT). Projected total use is reduced by less than 1,000 MT compared with the October projection, as projected domestic deliveries are lowered 44,000 MT and exports are increased by 43,000 MT—mostly to countries outside of the United States. The projected stocks-to-consumption ratio is raised slightly from the previous month at 27.8 percent, as Mexico is anticipated to hold enough inventories to supply 22 percent of domestic consumption, as well as 30 percent of its 2016/17 expected exports to the United States.

Large September beet sugar output shifts production from 2016/17 to 2015/16

In the November USDA *World Agricultural Supply and Demand Estimates* (WASDE), U.S. total sugar supplies in 2016/17 are projected to be 14.077 million short tons, raw value (STRV), an 85,000-STRV increase from the October projection. Larger projected beginning stocks account for most of the increase of 168,000 STRV from the previous month to 2.055 million STRV. The current projection reflects actual inventories at the end of 2015/16 by cane and beet sugar processors as reported to the Farm Service Agency (FSA) in the November *Sweetener Market Data* (SMD).

Table 1 -- U.S. sugar: supply and use, by fiscal year (Oct./Sept.), November 2016.

Items	2014/15	2015/16 (estimate)	2016/17 (forecast)	2014/15	2015/16 (estimate)	2016/17 (forecast)
	1,000 Short tons, raw value			1,000 Metric tons, raw value		
Beginning stocks	1,810	1,815	2,055	1,642	1,647	1,864
Total production	8,656	8,989	9,331	7,853	8,155	8,465
Beet sugar	4,893	5,119	5,371	4,439	4,644	4,872
Cane sugar	3,763	3,870	3,960	3,414	3,511	3,593
Florida	1,981	2,173	2,142	1,797	1,971	1,943
Louisiana	1,513	1,428	1,644	1,372	1,296	1,491
Texas	123	116	135	112	106	122
Hawaii	146	152	40	132	138	36
Total imports	3,553	3,341	2,691	3,223	3,031	2,441
Tariff-rate quota imports	1,536	1,620	1,533	1,393	1,469	1,391
Other program imports	471	396	125	427	359	113
Non-program imports	1,546	1,325	1,033	1,403	1,202	937
Mexico	1,532	1,309	1,018	1,389	1,187	923
Total supply	14,019	14,145	14,077	12,718	12,832	12,771
Total exports	185	75	25	168	68	23
Miscellaneous	0	-58	0	0	-53	0
Deliveries for domestic use	12,019	12,075	12,155	10,903	10,954	11,027
Transfer to sugar-containing products for exports under re-export program	103	148	120	93	134	109
Transfer to polyhydric alcohol, feed, other alcohol	28	22	35	25	20	32
Commodity Credit Corporation (CCC) sale for ethanol, other	0	0	0	0	0	0
Deliveries for domestic food and beverage use	11,888	11,905	12,000	10,785	10,800	10,886
Total Use	12,204	12,091	12,180	11,071	10,969	11,050
Ending stocks	1,815	2,055	1,897	1,647	1,863	1,721
Private	1,815	2,055	1,897	1,647	1,863	1,721
Commodity Credit Corporation (CCC)	0	0	0	0	0	1
Stocks-to-use ratio	14.87	17.00	15.58	14.87	16.99	15.58

Source: U.S. Dept. of Agriculture, Economic Research Service, Sugar and Sweetener Outlook.

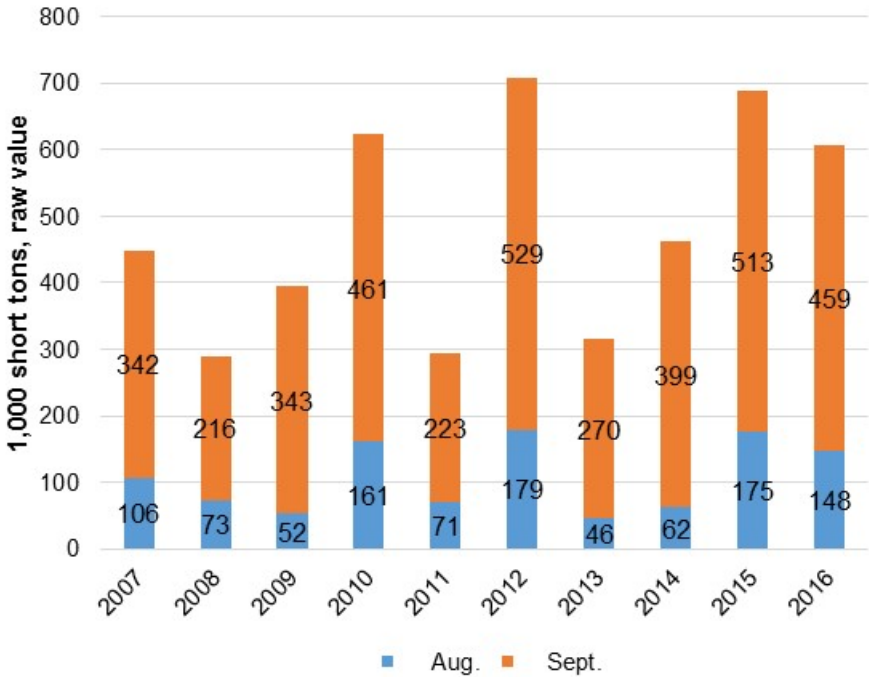
U.S. domestic sugar production is projected to be 9.331 million STRV, a 96,000-STRV decline from the previous month's projection. The total, however, represents a 3.7 percent increase from current 2015/16 estimates and would be a fiscal year production record, if realized.

Beet sugar production for 2016/17 is projected to total 5.371 million STRV, reduced 97,000 STRV compared with the previous month's projection. The National Agricultural Statistics Service (NASS) raised its sugarbeet production forecast in the November *Crop Production* report. Although its harvested area forecast is reduced by 13,000 acres to 1.126 million acres, national yield forecasts are increased to 32.5 tons per acre, including raised yield forecasts in the top three sugarbeet-producing States: Minnesota, Idaho, and North Dakota. National sugarbeet production increased from 36.3 million short tons in the October report to 36.6 million in the November forecast.

The beet sugar production projection assumes that this winter’s sugarbeet shrink—the volume of sugarbeets lost during storage and piling through the winter slicing campaign—and the recovery rate remain in line with historical averages. These variables can be influenced by weather conditions, such as in 2015/16 when several regions experienced relatively warm temperatures during autumn and early winter that led to spoilage and reduced sucrose content of sliced sugarbeets. However, current projections assume normal winter weather conditions, meaning shrink rates are expected to improve relative to the previous year.

Furthermore, fiscal year production is adjusted to take into account early-season beet sugar production. Early spring planting in 2016 and favorable summer growing conditions allowed for a large volume of sugarbeets to be harvested and processed into beet sugar prior to the beginning of the 2016/17 fiscal year. August and September beet sugar production totaled 606,000 STRV. That is lower than the previous year’s total of 688,000 STRV, but above long-run averages. It is relatively unusual that planting and growing conditions, such as occurred in 2014/15 and 2015/16, allow early season production to be relatively high for 2 consecutive years. The fiscal year beet sugar production projection is arrived at after adjusting for early-season production for the current crop and assuming average early-season production for the crop that will be planted in the spring of 2017.

Figure 1
Early-season beet sugar production, crop year, 2007 to 2016



Source: U.S. Department of Agriculture, Farm Service Agency.

Beet sugar production for 2015/16 is estimated to be 5.119 million STRV, a 95,000-STRV increase from the October estimate. November marks the first month where full-year 2015/16 production data is reported in the SMD. As noted above, early-season production for the current crop resulted in a higher than average August and September production, which is accounted for in the 2015/16 fiscal year.

Cane sugar production for 2016/17 is projected to be 3.960 million STRV, which is 1,000 STRV higher than the previous report. Projected production in Florida is increased 33,000 STRV to 2.142 million STRV based on slightly

higher sugarcane yields in the State forecast by NASS. This is nearly offset by a 32,000-STRV decline in projected Louisiana production, totaling 1.644 million STRV due to a reduction in yield forecasts. Cane sugar production in Texas and Hawaii remains unchanged from the previous month at 135,000 and 40,000 STRV, respectively.

Cane sugar production in 2015/16 is estimated at 3.870 million STRV, a 13,000-STRV decline from the October report. Production in Louisiana is reduced 10,000 STRV compared with the previous report to 1.428 million STRV, based on final reported figures of September production of the current crop in the SMD, which is accounted for in the 2015/16 fiscal year. Production in Hawaii is estimated at 152,000 STRV, a 3,000 STRV decline, based on initial full-year 2015/16 production reporting by processors to SMD. Production in Florida remains unchanged at 3.870 million STRV, as it does in Texas at 116,000 STRV.

Changes to sugar imports in 2015/16 and 2016/17 based on U.S. Customs reporting of entries

U.S. sugar imports in 2015/16 are estimated to be 3.341 million STRV, a 23,000-STRV decline from the previous month. Imports under quota programs are reduced 1,000 STRV to 1.620 million STRV based on an estimated shortfall in the Canadian allocation of the refined sugar TRQ. Imports from Mexico are estimated to be 1.309 million STRV, a 23,000-STRV decline from the previous month. A shipment of sugar from Mexico to the United States was reported in the late summer as scheduled to arrive near the end of 2015/16, with sugar that would reportedly qualify for the polarity specifications of the additional sugar provided by the U.S. Department of Commerce (USDOC) for the 2015/16 Export Limit in May 2016. The lowered estimate for Mexican imports reflects a lower than previously expected amount that entered the country in that shipment, as well as a reduction by about 12,000 STRV of sugar that entered the United States under a 2015/16 Export License but that was not registered by U.S. Customs until the first week of October and thus was categorized as occurring during the 2016/17 fiscal year.

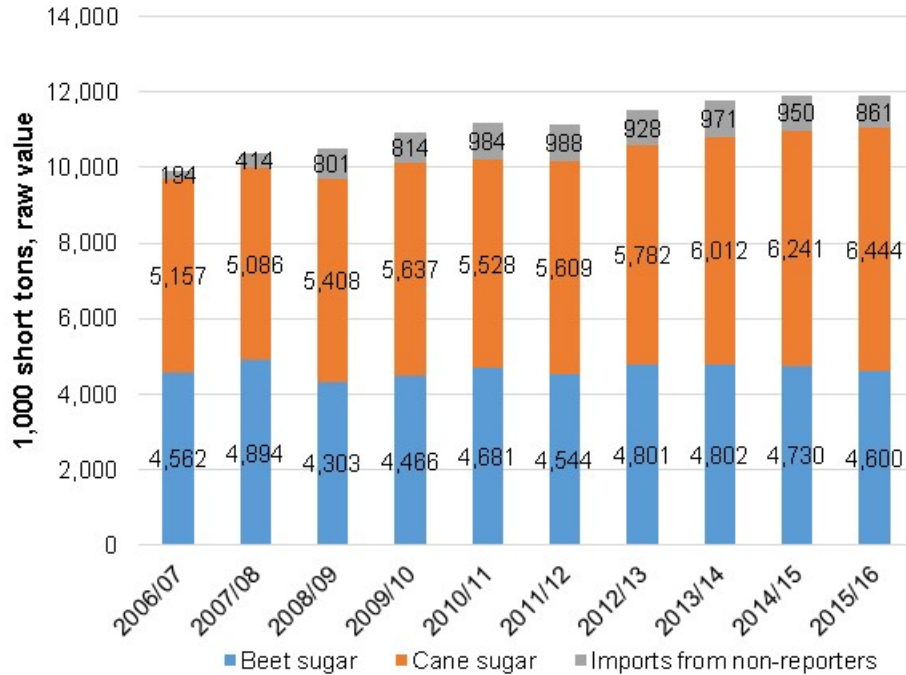
Sugar imports in 2016/17 are projected to total 2.691 million STRV, a 12,000-STRV increase from the October projection. Imports under quota programs remain unchanged at 1.533 million STRV. Imports from Mexico are projected to total 1.018 million STRV, a 12,000-STRV increase from the previous month. Current projections reflect the terms of the suspension agreements signed between the USDOC and the Government of Mexico in December 2014, calculating the U.S. Needs from the September WASDE report. As mentioned above, 2016/17 imports from Mexico now include the 12,000 STRV that entered in the beginning of October under a 2015/16 Export License.

Food and beverage deliveries estimates increase slightly in 2015/16, 2016/17 projections reduced

Projected domestic sugar deliveries for food and beverage use in 2016/17 are 12.000 million STRV, a 50,000-STRV reduction from the October report. Domestic deliveries for other uses remains unchanged from the previous projection at 155,000 STRV. Total use is projected to total 12.180 million STRV, also a 50,000-STRV reduction from the previous month.

Total U.S. sugar use for 2015/16 is estimated to be 12.090 million STRV, a 110,000-STRV decline from the previous month. Domestic deliveries are estimated at 12.075 million STRV, including 11.905 million STRV for food and beverage use, a 50,000- and 45,000-STRV monthly reduction, respectively. Complete 2015/16 sugar deliveries were reported by the SMD in November. Total sugar deliveries for human consumption totaled 11.905 million STRV, a slight 0.1-percent decline from 2014/15. This marks the first yearly decline since 2011/12. Cane deliveries for human consumption increased 3.8 percent compared with the previous year, marking the fifth-consecutive year of increases and continuing a longer trend of growth since 2007/08 when sweetener trade with Mexico was liberalized under the provisions of NAFTA.

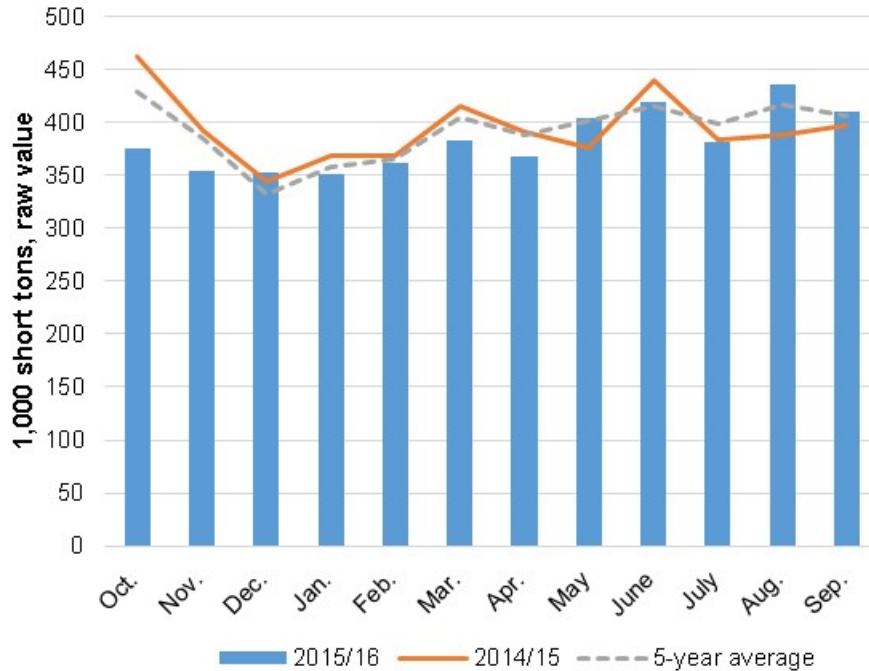
Figure 2
Total sugar deliveries for human consumption, fiscal year, 2006/07 to 2015/16



Source: U.S. Department of Agriculture, Farm Service Agency.

Beet sugar deliveries for human consumption totaled 4.600 million STRV in 2015/16, a 2.8-percent decline from the previous year. Beet sugar deliveries started the fiscal year off slowly, with sharply lower deliveries in October and November 2015 compared with the previous year and recent averages. Subsequent months' deliveries were more in line with historical performances, but the pace remained behind the previous year for the duration of the fiscal year. Beet sugar deliveries declined for the third consecutive year. However, beet sugar deliveries have maintained a fairly flat trend over the past decade and have remained in a fairly narrow range around the 10-year average of 4.638 million STRV.

Figure 3
Beet sugar deliveries for human consumption, monthly, 2007/08 to 2015/16



Source: U.S. Department of Agriculture, Farm Service Agency.

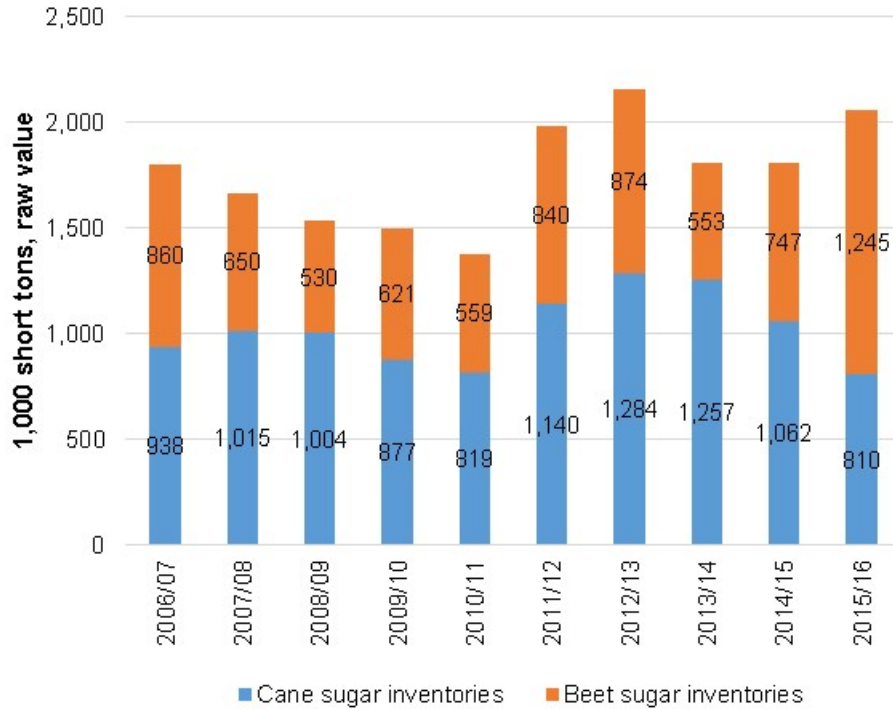
Ending stocks for both 2015/16 and 2016/17 increase from previous month’s forecasts

Ending stocks are projected to total 1.897 million STRV, a 135,000-STRV increase from the previous month due to higher projected supplies and a decline in total use. The stocks-to-use ratio is projected to be 15.6 percent, up from the previous month’s projection of 14.4 percent.

Ending stocks in 2015/16 are estimated at 2.055 million STRV, a 168,000-STRV increase from the previous month, based on SMD. The stocks-to-use ratio estimate rose from 15.5 percent in October to 17.0 percent in the current month.

Inventories reported on September 30, 2016, by entities reporting to the SMD—which make up ending stocks for the 2015/16 fiscal year—show that while total inventories are increasing, trends between cane sugar and beet sugar inventories continue to diverge. Beet sugar inventories at the end of 2015/16 totaled 1.245 million STRV, a 66.7-percent increase from the previous year. This marks the third consecutive year where year-end inventories of beet sugar have grown. The growth has been fairly rapid, as 2013/14 inventories of 553,000 STRV were relatively small—the second-lowest level over the past 20 years. The 2015/16 level is the highest recorded stock level since 1990 and is significantly larger than the next highest level of 874,000 STRV reached in 2012/13.

Figure 4
Sugar inventories, September 30, by distributor, fiscal year, 2007 to 2016



Source: U.S. Department of Agriculture, Farm Service Agency.

Final 2015/16 sugar inventories held by domestic cane processors and refiners totaled 810,000 STRV, which is a 23.7-percent decline from the previous year and the lowest total since 2003/04. Cane sugar ending stocks have been steadily falling since 2012/13, a year in which there was relatively large domestic cane sugar production. Domestic cane sugar production has steadily increased since 2013/14, but declining imports have resulted in cane sugar supplies that are not keeping pace with the growth in deliveries since 2008/09.

Special Section: Market fundamentals for beet sugar and cane sugar markets present differing outlooks compared with the aggregate U.S. sugar market.

The projected supply and use for total sugar in 2016/17 appears to be in line with historical trends and market performances. Evaluating the market on the basis of beet sugar and cane sugar, however, demonstrates key distinctions developing between the two segments of the market. The differences and diverging trends that have taken shape during 2015/16 could persist through the 2016/17 fiscal year. Based on SMD data, the 2014/15 supply and use balances for both beet processors and cane processors and refiners were relatively similar, with stocks-to-use ratios between 14 and 16 percent. In 2015/16, however, cane processors' and refiners' inventories relative to domestic cane sugar deliveries fell to 10.9 percent, while beet sugar processors' inventories jumped to 26.9 percent of total beet sugar use.

Table 2: Beet and cane sugar supply and use, by fiscal year (Oct./Sept.), November 2016.

	Beet sugar			Cane sugar			Total sugar		
	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
	<i>1,000 short tons, raw value</i>								
Beginning stocks	553	747	1,245	1,257	1,062	810	1,810	1,809	2,055
Domestic production	4,893	5,119	5,371	3,763	3,870	3,960	8,656	8,989	9,331
Imports 1/	11	10	11	3,542	3,330	2,680	3,553	3,341	2,691
Total supply	5,458	5,877	6,628	8,561	8,262	7,450	14,019	14,138	14,077
Domestic deliveries for consumption 2/	4,802	4,730	4,768	7,191	7,305	7,364	11,888	11,905	12,000
Other deliveries 2/	20	47	43	110	123	112	131	170	155
Exports 2/	1	2	1	184	72	24	185	74	25
Misc.	-113	-148	0	15	-48	0	7	-65	0
Total use	4,711	4,631	4,812	7,500	7,452	7,500	12,210	12,083	12,180
Ending stocks	747	1,245	1,816	1,062	810	-50	1,809	2,055	1,897
Stocks-to-use ratio	15.86%	26.89%	37.73%	14.15%	10.87%	-0.67%	14.81%	17.01%	15.58%

1/ Nearly all imports are counted as cane sugar, except Canada refined imports. It is possible that additional refined sugar imports may be from sugarbeet crops, although this proportion is likely minor. 2/ Beet and cane sugar use for 2016/17 assume same proportion as 2015/16.

Note: Shaded fields represent hypothetical market scenarios based on assumption of 2015/16 proportions carried over into 2016/17 projections and are not official USDA projections.

Source: U.S. Dept. of Agriculture, Farm Service Agency; Foreign Agricultural Service; Economic Research Service.

As noted earlier, cane sugar deliveries for food and beverage use grew 3.8 percent in 2015/16 compared with the prior year, continuing a trend that the U.S. sugar market has witnessed since 2007/08. Total supplies of cane sugar declined in 2015/16, however, despite larger domestic production and policy actions taken by the USDA and the USDOC to increase imports through the raw sugar TRQ and Export Limit with Mexico, respectively. Conversely, supplies of beet sugar increased, generated mainly by large sugarbeet crops in 2015 and 2016, mainly due to favorable weather that enhanced yields. Despite the availability of beet sugar supplies, there has not yet been a substantial response of deliveries from food and beverage sugar users. Beet sugar deliveries declined in 2015/16 and in general have remained relatively flat over the past 10 years. The result has been a very large increase in the amount of beet sugar held in inventories relative to market use. Ultimately, the 2015/16 sugar market witnessed a decoupling of the fundamentals of the cane sugar and beet sugar markets that is not evident by simply looking at the total U.S. sugar supply and use table.

Looking toward 2016/17, WASDE projections indicate that many of the same trends in market fundamentals are continuing. Domestic production of both beet and cane sugar is projected to increase again to 2016/17, which would be a fiscal year record, if realized. However, total supplies will be constrained by declining imports, as current policies provide upper limits on the amount sugar that can enter the United States without a duty, either through the setting of quotas administered by the USDA or the Export Limit on sugar from Mexico administered by the USDOC. Domestic deliveries for food and beverage use are also expected to increase at a modest pace, although the comparatively smaller deliveries for other domestic use and exports are projected to decline.

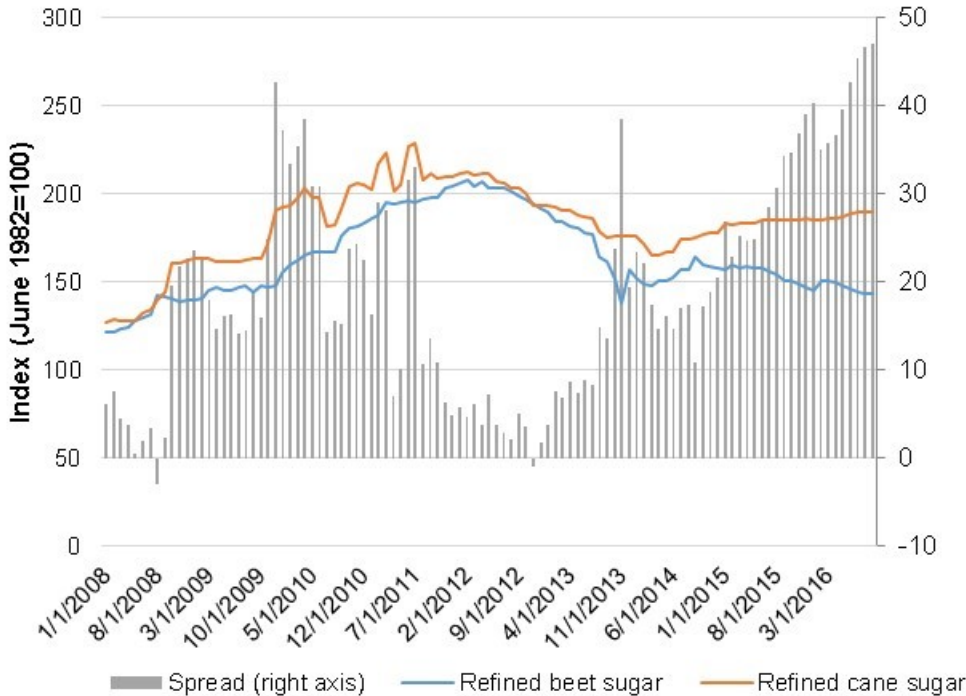
There are no official USDA projections for cane sugar deliveries versus beet sugar deliveries. However, under a hypothetical market scenario where 2016/17 deliveries were in the same proportion as in 2015/16, the divergence in

ending inventories for beet and cane sugar processors would be further exacerbated. Under this scenario, beet sugar inventories would grow further to 37.7 percent of total beet sugar use, while cane sugar supplies would be completely exhausted, obviously not a feasible outcome. Either sugar users would have to adjust their purchases so that a larger proportion of sugar deliveries are beet sugar or a policy mechanism would have to be utilized to increase the amount of cane sugar supplies—allowing large beet sugar inventories to remain. While the scenario imposes a very rigid assumption of deliveries, it illustrates that if the decoupling of the two segments continues, unsustainable outcomes are likely, with one segment of the U.S. sugar market experiencing extreme tightness while the other faces increasing likelihood of processors forfeiting physical sugar under the sugar loan administered by USDA—all while total sugar ending stocks remain within historical ranges.

The division in the supply and uses of beet sugar and cane sugar markets is also reflected in market prices. Quoted refined beet sugar wholesale prices in 2015/16 averaged 30.55 cents per pound, compared with comparable cane sugar prices of 32.91 cents per pound—a spread of 2.35 cents. The same spread for 2014/15 was just 0.23 cents. Prices in 2015/16 represented the largest spread since 2006/07, a year in which domestic cane sugar markets were still feeling the effects of the hurricanes in 2005 that heavily damaged sugarcane-producing regions in Louisiana and refining capacities.

Producer Price Indices (PPI) for refined cane sugar and refined beet sugar published by the Department of Labor also illustrate the growing spread between the two products. The PPI is a useful indicator in that it reflects actual costs and prices of sugar as it is transacted. This is in contrast to the quoted wholesale prices that reflect offered prices for the current spot market. While the wholesale prices are useful indicators of market performance, most sugar is not marketed at the spot price, but rather at prices that are established through contracts with terms that are not publically available.

Figure 5
Cane and beet sugar Producer Price Index (PPI), monthly, 2008 to 2016



Source: U.S. Department of Labor, Bureau of Labor Statistics.

Cane sugar price indices have been trending upward since 2013/14, while beet sugar indices have trended lower since the beginning of the 2014/15 fiscal year. As a result, the size of the spread between the two series has been unprecedented. Furthermore, the growing gap between the two price series has consistently been increasing, unlike other periods when large gaps were temporary. Previous large spreads were typically spurred by short-term market events, and market forces would act within a few months to narrow the differences; the current pattern of sustained, increasing differences between cane sugar and beet sugar prices is unique in recent history. This new pattern has also coincided with several significant developments in the U.S. sweetener market: implementation of the provisions of the NAFTA for U.S.-Mexico sweetener markets; the anti-dumping (AD) and countervailing duty investigations (CVD) against sugar from Mexico by the USDOC and U.S. International Trade Commission (USITC); the agreements suspending these investigations, as well as subsequent moves to alter or renegotiate these agreements; purported consumer preferences toward GMO ingredients and food manufacturers' labeling requirements for their food products; and this year's law establishing a national labeling standard to be administered by USDA's Agricultural Marketing Service (AMS). Currently, it is difficult to attribute the impact of each factor contributing to the growing spread. Ultimately, several significant new trends in the U.S. cane sugar and beet sugar markets, that may have begun earlier but that solidified during the past year, will have important implications for both the U.S. sugar market and the management of the U.S. sugar program.

Official reporting of Mexico 2015/16 sugar market reduces domestic consumption but tightens ending stocks

Mexico total supplies for 2015/16 are estimated at 6.998 million metric tons, actual value (MT), unchanged from the previous month. Production in 2015/16 is estimated at 6.117 million MT, also unchanged from the previous month, and reflects the totals reported by Mexico's *Comité Nacional para el Desarrollo Sustentable de la Caña de Azúcar* (Conadesuca) for the 2015/16 harvest season. Imports remain unchanged from the previous month at 70,000 MT.

Table 3 -- Mexico sugar supply and use, 2014/15 - 2015/16 and projected 2016/17, November 2016

Items	2014/15	2015/16 (estimate)	2016/17 (forecast)
	1,000 metric tons, actual weight		
Beginning stocks	831	811	1,037
Production	5,985	6,117	6,300
Imports	128	70	10
Imports for consumption	8	17	10
Imports for sugar-containing product exports (IMMEX) 1/	121	53	0
Total supply	6,944	6,998	7,347
Disappearance			
Human consumption	4,408	4,387	4,454
For sugar-containing product exports (IMMEX)	337	330	330
Statistical adjustment	-54	37	
Total	4,691	4,754	4,784
Exports	1,442	1,207	1,325
Exports to the United States & Puerto Rico	1,311	1,120	871
Exports to other countries	131	86	454
Total use	6,134	5,961	6,109
Ending stocks	811	1,037	1,238
	1,000 metric tons, raw value		
Beginning stocks	881	859	1,099
Production	6,344	6,484	6,678
Imports	136	74	11
Imports for consumption	8	18	11
Imports for sugar-containing product exports (IMMEX)	128	57	0
Total supply	7,361	7,418	7,788
Disappearance			
Human consumption	4,673	4,650	4,721
For sugar-containing product exports (IMMEX)	357	350	350
Statistical adjustment	-57	39	0
Total	4,973	5,039	5,071
Exports	1,529	1,279	1,404
Exports to the United States & Puerto Rico	1,389	1,187	923
Exports to other countries	139	92	481
Total use	6,502	6,318	6,476
Ending stocks	859	1,099	1,312
Stocks-to-human consumption (percent)	18.4	23.6	27.8
Stocks-to-use (percent)	13.2	17.4	20.3
High fructose corn syrup (HFCS) consumption (dry weight)	1,444	1,482	1,482

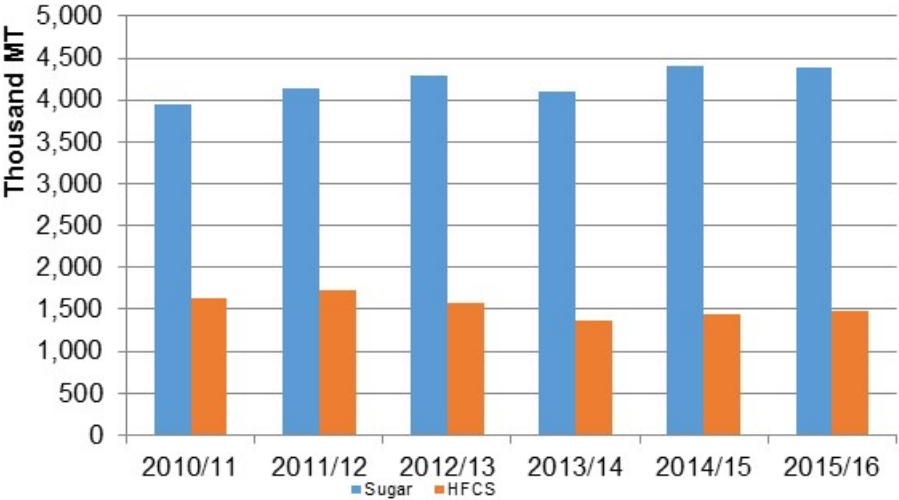
1/ IMMEX = Industria Manufacturera, Maquiladora y de Servicios de Exportación.

Source: USDA, *World Agricultural Supply and Demand Estimates* and Economic Research Service, Sugar and Sweeteners Outlook; Conadesuca.

Domestic deliveries are estimated to be 4.754 million MT, a 7,000-MT decline from the October estimate. The decline is due to fewer estimated deliveries for human consumption, estimated at 4.387 million MT in the November WASDE. Conadesuca released its first full-year deliveries data for the 2015/16 fiscal year, which is incorporated

into the latest estimate. Sugar deliveries in 2015/16 were 0.5 percent lower than the previous year. However, the amount still falls in line with an upward trend in sugar deliveries since 2010/11. Taking into account high-fructose corn syrup (HFCS) deliveries, which are estimated at 1.482 million MT for 2015/16, total sweetener deliveries increased a slight 0.3 percent compared with 2014/15.

Figure 6
Mexican sweetener consumption October to September



Source: Conadesuca.

Deliveries to the IMMEX program are estimated to total 330,000 MT, unchanged from the previous month. Conadesuca reported that deliveries to IMMEX by domestic processors totaled 306,000 MT in 2015/16. Bolstered by large monthly totals in the latter half of the fiscal year, these deliveries represent a 76.5-percent increase from the 2014/15 total. Conadesuca’s total does not include imported sugar delivered to the IMMEX program, however. Typically, a significant amount of U.S. sugar exports entered Mexico for IMMEX deliveries. Changes to Mexican regulations that went into effect in February 2016, however, no longer allowed U.S. sugar that benefited from the U.S. re-export program to qualify for tariff preferences under the Mexican IMMEX program. This change in the regulation is believed to be responsible for the large increase in domestically sourced sugar, as well as for the decline in U.S. exports in the second half of 2015/16. Additional data are needed to know the full extent of the changes, and, ultimately, the final accounting for total deliveries to the IMMEX program for 2015/16.

Total domestic deliveries for 2015/16 also incorporate a 37,000-MT Miscellaneous category. As the balance table for the November estimate incorporates reported full-year totals for supplies, domestic deliveries, and stocks from Conadesuca and exports to the United States reported by U.S. Customs, the Miscellaneous component balances the Mexican sugar market estimates.

Total Mexico sugar exports for 2015/16 are estimated to total 1.207 million MT, a 17,000-MT increase from the previous month. Exports to the United States are estimated to be 1.120 million MT, a 20,000-MT decrease based on the data published by the Foreign Agricultural Service on reported shipment entries from U.S. Customs. Exports to other countries are estimated at 86,000 MT, a 36,000-MT increase from the October estimate, based on Conadesuca’s total published in October 2016 indicating that 45,000 MT were exported to other countries in the month of September.

Ending stocks for 2015/16 are estimated to total 1.037 million MT, a 10,000-MT decline from the October estimate. This estimate reflects Conadesuca’s full-year ending stock figure, published in October. The resulting stocks-to-consumption ratio for the year is 23.6 percent, unchanged from the previous month.

Projected Mexican exports to other countries in 2015/16 raised as deliveries for human consumption reduced

Projected sugar production for Mexico in 2016/17 is 6.300 million MT, unchanged from the previous month's projection. Conadesuca did not release any official forecasts for its 2016/17 sugarcane crop prior to the release of the November WASDE. The current projection is based on reports from the FAS post in Mexico City, which notes that much of the sugarcane-producing regions in the country had favorable weather over the summer.

Sugar imports in 2016/17 are projected to total 10,000 MT, also unchanged from the previous month. All imports are projected to be for human consumption, as the changes to IMMEX regulation that went into effect in February 2016 are expected to eliminate the traditional export opportunities from foreign suppliers of sugar to the program. As a result, total supplies are projected to total 7.347 million MT, a 13,000-MT decline from the October projection due to lower projected beginning stocks.

Domestic deliveries for 2016/17 are projected to be 4.784 million MT, a 44,000-MT decrease from the previous month's projection. Deliveries for human consumption are reduced 44,000 MT to 4.454 million MT, reflecting the updated data for 2015/16 published by Conadesuca. As with previous projections, total sweetener consumption (sugar and HFCS) is expected to remain constant on a per capita basis at 47.65 kg. Total HFCS deliveries are projected to total 1.482 million MT, a 32,000-MT increase from the previous month's projection and equal to the current 2015/16 estimate. The remaining sweetener consumption is projected to come from sugar deliveries. The current projection implies that sugar deliveries total 35.75 kg per person, compared with the 2015/16 estimate of 35.62 kg per person.

Domestic deliveries to the IMMEX program are projected to be 330,000 MT, unchanged compared with both the previous month's projection and the current 2015/16 estimate. As noted, alterations to regulations in the IMMEX program have changed the sourcing structure from its historical portfolio of domestic and imported sugar sources. In 2016/17, although no changes are projected to the total amount of deliveries compared with 2015/16, the IMMEX program is projected to use only Mexican-produced sugar for the program.

Mexico sugar exports in 2016/17 are projected to total 1.325 million MT, a 44,000-MT increase compared with the previous month's projection. Exports to the United States are projected to total 871,000 MT, an 11,000-MT increase from the October projection. Shipments to the United States reflect the U.S. Needs calculation based on the September WASDE projections, in accordance with the suspension agreements, as well as the 11,000 MT that entered into the United States under the 2015/16 Export Limit License period but was recorded by U.S. Customs as entering the country subsequent to October 1 and the beginning of the 2016/17 fiscal year.

Exports to other countries are projected to total 454,000 MT, a 33,000-MT increase from the October projection and a substantial increase from the current 2015/16 estimate. The current methodology for projecting exports to other countries assumes that Mexico's ending stocks are sufficient to satisfy 22 percent of domestic human consumption, as well as 30 percent of U.S. Needs, in line with the current suspension agreement's terms for shipping patterns. Additional supplies beyond that are projected to be exported in order to make sure inventories do not become burdensome for domestic prices.

Projected ending stocks for 2016/17 are 1.238 million MT, as noted, based on the proportions of deliveries for human consumption and shipments to the United States that would be needed to be held to keep the Mexican market adequately supplied for 2017/18. This is a 12,000-MT decrease compared with the previous month's projection. The stocks-to-consumption ratio remains unchanged, however, at 27.8 percent.

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Sugar and Sweeteners Outlook <http://www.ers.usda.gov/Publications/SSS/WASDE> <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documented=1194>
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