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U.S. cash sugar: Beet prices adjusted slightly lower

Nearby refined beet sugar prices were lowered slightly to reflect recent trades that had been below the top side of the prior price range. A number of market participants attended the American Sugar Alliance's International Sweetener Symposium July 29-Aug. 3 in Coeur d'Alene, Idaho, where the renegotiation of the Dec. 19, 2014, Countervailing Duty Suspension Agreements was a major topic. Foreign trade in general also was a key topic at the Symposium, with a number of speakers expressing doubt that the Trans-Pacific Partnership would be passed before the end of the year and thus would languish for several months under a new administration. (*See Symposium stories on Pages 3 and 4.*)

Bulk refined beet sugar prices were adjusted slightly lower, while bulk cane sugar prices were unchanged. Sales of beet sugar have picked up the past few weeks as processors sought to reduce old-crop supply and limit carryover with the end of the marketing year less than two months away. Pricing of both beet and cane sugar for next year (2016-17) remained slightly above nearby levels.

Beet sugar prices were lowered 0.5c, to 28.5c to 29.5c a lb f.o.b. Midwest for delivery before Sept. 30. Most sales were around 29c a lb, but the 30c a lb level no longer appeared evident. Processors were becoming more comfortable with their unsold stocks, but most still appeared likely to carry material into the new crop year that begins Oct. 1.

Cane sugar prices were unchanged at 33c to 35c a lb f.o.b. plant, with the low end of the range available from refiners with domestic supply and the high end from those depending on raw imports.

Delivered West coast refined cane sugar was steady at 38c to 39c a lb and delivered refined beet sugar was steady at 34c to 35c a lb.

Sugar beet crop ratings were unchanged to up slightly from a week earlier but were mostly below year-ago levels except in Minnesota, U.S. Department of Agriculture state field offices said. Ratings as of July 31 were: Minnesota 87% good to excellent (85% a week earlier), 8% fair and 5% poor to very poor; North Dakota 64% good to excellent (62%), 29% fair and 7% poor to very poor; Michigan 69% good to excellent (69%), 25% fair and 6% poor to very poor; Idaho 96% good to excellent (95%) and 4% fair; Wyoming 86% good (86%) and 14% fair; and Colorado 86% good to excellent (84%), 12% fair and 2% poor.

Louisiana sugar cane ratings eased to 83% good to excellent (84% a week earlier and 66% a year ago), 15% fair and 2% poor to very poor. New crop cane planting was 2% completed, even with both last year and the 2011-15 average. (*See chart on Page 3.*)

New sales from Mexico were lacking as traders on both sides of the border awaited possible changes to the suspension agreements, which could adjust the raw/refined export mix, define which U.S. refiners can receive those exports and raise floor prices for export sugar in Mexico. Speakers at the International Sweetener Symposium this week noted the critical nature of the suspension agreement talks on both sugar and high-fructose corn syrup markets. While most expect new guidelines will be reached, some also expect it could be weeks to months before changes are implemented, and possibly not until after the start of the new marketing year.

Sugar futures: World raws show little change in week

World raw sugar futures were up about 0.05c to 0.10c a lb in the week ended Aug. 3, except for the nearby October contract, which posted the only loss. Currency fluctuations (strength in Brazil's real) provided some support during the week, prompting intermittent speculative buying and potentially slowing exports. Gains mainly were limited by continued favorable cane harvest weather in Brazil's key south central region, which especially pressured nearby values. Prices were down about 0.05c to nearly 2c a lb, except for a modest gain in May 2018, over the past five weeks. Values were up about 4.50c to 8.30c a lb from a year earlier. Speculators reduced their net long position in world raw sugar futures by 3,479 contracts to 260,990 contracts in the week ended July 26, according to Commodity Futures Trading Commission data. It was the fifth consecutive week that the net long position has declined.

Domestic raw sugar futures were about 0.10c to 0.30c a lb higher for the week, except for a slight loss in the January 2017 contract. There was moderate to large volume posted in individual contracts on some days, but overall trade remained light. Over the past five-week period values were down about 0.15c to up 0.25c a lb. Prices were up about 2.20c to 4.35c a lb from a year ago.

The nearby domestic/world raw futures spread ended at 9.48c a lb on Aug. 3, the widest since May 31, due to a jump in the domestic price.

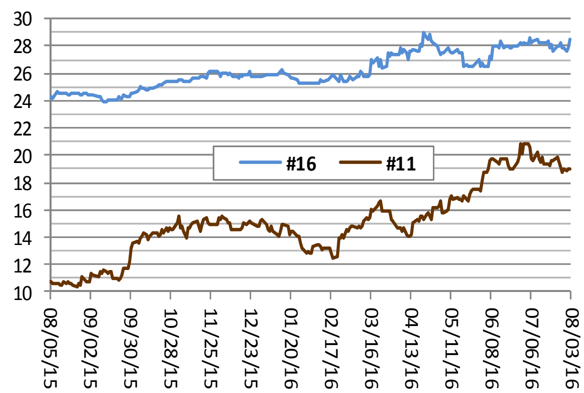
U.S. bulk refined beet and cane sugar prices

F.o.b. plant, cents per lb.	Nearby Aug. 3	- Change from - 1 week	1 year
Midwest beet	28.50-29.50	- 0.50	- 5.00
Pacific beet#	34.00-35.00	- -	- 5.00
Pacific cane#	38.00-39.00	- -	NA
Northeast Cane*	33.00-35.00	- -	- 1.50

** Spot raw +7%, +2.7c with 2% cash discount. # Delivered.*

U.S. #16 and #11 raw sugar futures

Nearby, cents per lb.



#16 Domestic raw sugar futures

Cents per lb.	Aug. 3	- Change from - 1 week	5 weeks	1 year
September	28.52	0.28	0.27	4.37
November	28.01	0.09	-0.11	3.51
January 2017	26.96	-0.02	-0.14	2.34
March	26.93	0.08	-0.07	2.28
May	26.88	0.10	-0.17	2.08
July	26.98	0.13	0.25	2.13
September	26.95	0.10	0.22	2.10

#11 World raw sugar futures

Cents per lb.	Aug. 3	- Change from - 1 week	5 weeks	1 year
October	19.04	-0.06	-1.97	8.28
March 2017	19.45	0.06	-1.57	7.44
May	18.88	0.12	-0.96	6.76
July	18.38	0.10	-0.57	6.19
October	18.14	0.11	-0.29	5.72
March 2018	18.03	0.09	-0.07	5.05
May	17.64	0.07	0.08	4.54

The Sosland **SweetenerReport** is published 50 weeks a year on Wednesdays with access to daily updates on SweetenerReport.com. The in-depth market coverage, including U.S., Mexico and other relevant international regions, is available for $50 a month, or $500 a year. Questions?
Email rsterk@sosland.com

Mexico sweeteners

Mexico again was in the “hot seat” at the International Sweetener Symposium July 29-Aug. 3 in Coeur d’Alene, Idaho, over exports of sugar to the United States. The Symposium is sponsored by the American Sugar Alliance, which represents U.S. beet and cane producers who successfully brought dumping charges against Mexico in 2014 that resulted in heavy duties on imports of sugar from Mexico, which subsequently were suspended under a Dec. 19, 2014, agreement that put quotas and other restrictions on exports of Mexican sugar to the United States.

That suspension agreement currently is being renegotiated to close what some see as a “loophole” that allowed Mexico to ship larger-than-expected amounts of raw sugar to U.S. melters for direct consumption and bypass certain U.S. cane refiners who depend on raw cane imports. The situation has contributed to tight supplies of refined cane sugar in some parts of the United States.

Many in the United States see Mexico at a weaker bargaining stance because it lost the initial dumping case, and because it has excess sugar to sell and the U.S. market is a much better alternative (i.e. higher prices) than is the world market. While most at the Symposium expected the United States will be successful in adjusting the terms of the agreement, some said it could be weeks or even months, and after the start of the new marketing year Oct. 1 before changes may be implemented.

International markets

BRAZIL — Unica said sugar production in Brazil’s key south central region during the first two weeks of July totaled 2.83 million tonnes, up 1% from the last half of June and up 95% from the same period last year. Sugar cane crush for the two weeks totaled 46.739 million tonnes, down 2% from the last half of June but up 59% from a year earlier. Ethanol production was 1.912 billion liters, up 37% from the first half of July 2015. Sugar production for the season to date totaled 13.806 million tonnes, up 30% from the same period last year. Cane crush for the season was 261.397 million tonnes, up 16%. Season-to-date ethanol production was 10.759 billion liters, up 10% from a year ago. The sugar/ethanol mix of cane crushed in the latest two weeks was 48%/52% compared with 39%/61% a year ago. The season-to-date mix was 44%/56% compared with 40%/60% a year earlier.

Brazil’s Trade Ministry said July raw sugar exports were 2,452,004 tonnes, up 5% from June and up 26% from July 2015.

INDIA — Reuters reported a tweet from a government spokesman indicating India would extend incentives for sugar production to achieve its export target for sugar and ethanol supply.

The **International Sugar Organization** composite sugar price on Aug. 3 was 19.14c a lb, down 0.30c from July 26. The **Kingsman** raw sugar price on Aug. 3 was 18.62c a lb f.o.b. Brazilian ports, down 1.13c from July 26.

Compiled from newswires, web sites and private sources.

Top industry news

McDonald’s to pull HFCS from buns

In a move to target “health-conscious” consumers, McDonald’s Corp. said it would switch to sugar from high-fructose corn syrup in its buns beginning this month. The company also has begun using antibiotic-free chicken and plans to eliminate preservatives in some products and switch to cage-free eggs among other moves in a major menu revamping toward healthier and more natural and less processed foods.

A.S.R. Group sees large 2015-16 deficit

A.S.R. Group, the world’s largest cane refiner, forecast a 2015-16 global sugar deficit of 9.9 million tonnes, near the high end of forecasts ranging from 4 million to 11.4 million tonnes from 14 analysts, according to a Reuters’ report. A.S.R. Group forecast a 2016-17 global deficit of 6.2 million tonnes, which was within a range of 4.3 million to 7.8 million tonnes for next year.

President signs G.M.O. labeling bill into law

President Barack Obama on July 29 signed S. 754, which directs the Secretary of Agriculture to establish a national mandatory bioengineered food disclosure standard. The law nullifies the mandatory Vermont G.M.O. labeling law that took effect July 1. It requires food manufacturers to disclose bioengineered ingredients in one of three ways: text on the package; a symbol on the package; or a link to a web site (a quick response code or similar technology). The measure had broad support within the food industry.

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Corn Sweeteners: First indication for 2017 has corn syrup, 55% HFCS and dextrose up $2.50 a cwt from 2016

As indicated in its July 12 letter on “general market conditions,” Cargill issued 2017 corn sweetener pricing guidance in early August with an Aug. 1 letter to currently contracted customers. Regular corn syrup, 55% high-fructose corn syrup and liquid dextrose were priced at a minimum $2.50 a cwt above 2016 contracted levels, and 42% HFCS was priced at a minimum $1.50 above 2016 levels. The letter said 2017 volume will be limited to 2016 levels. The pricing remains valid through the close of business Aug. 19.

There were no indications that other corn refiners had yet issued pricing guidance for 2017, and none had sent a “lead-in” letter as Cargill had done, but the trend in recent years has been for most other refiners to issue pricing shortly after and in line with the initial pricing letter. Sources expected pricing from at least some other refiners late this week or early next week.

Trade sources indicated buyers may have little choice but to accept the $2.50 price increases for 55% HFCS (although the bulk of the 55% HFCS market is priced through tolling agreements), regular corn syrup and dextrose, but they suggested there could be some pushback on the increase for 42% HFCS. There has been less tightness in the 42% HFCS market the past couple of years.

Some trade sources also noted the 2017 price increases, on top of large increases last year, would move corn sweetener closer to weak beet sugar values, which could encourage more switching from HFCS to beet sugar. Last year prices for 2016 mostly were raised $4.50 a cwt from 2015 on regular corn syrup and 55% HFCS, $3.50 a cwt on 42% HFCS and about $2 a cwt on dextrose.

Current corn sweetener markets remained quiet. Shipments were said to be on time with no evidence of product shortages.

Corn futures were down about 10c a bu from a week earlier and down about 50c a bu from a year ago on good prospects for a record-large 2016 crop. The corn crop in the 18 major states was rated 76% good to excellent as of July 31, unchanged from a week earlier and up from 70% a year ago. The first survey-based corn crop production forecast for 2016 will be released by the U.S.D.A. on Aug. 12.

	HFCS 42% spot price[1]		42% HFCS list price[1]		55% HFCS list price[1]		Regular corn syrup[1]	
	2016	2015	2016	2015	2016	2015	2016	2015
Midwest	22⅜-23⅜	18⅞-19⅞	26.75	23.25	31.75	27.25	31.75	27.25
Northeast	23¾-24¾	20¼-21¼	29.00	25.50	34.25	29.75	34.00	29.50
Southeast	23⅞-24⅞	20⅜-21⅜	28.50	25.00	34.00	29.50	34.00	29.50
South	23½-24½	20-21	28.00	24.50	33.50	29.00	35.00	30.50
West	24⅜-26⅜	20⅞-22⅞	29.25	25.75	34.75	30.25	36.25	31.75

Dextrose[1]	2016	2015
East	39-41	37-39
Midwest	38-40	36-38
South	40-42	38-40
West	41-43	39-41

1 – Delivered, cents per lb, wet basis, except dextrose, dry weight.

Top industry news (cont'd)

Views vary on T.P.P. passage

COEUR D'ALENE, IDAHO — Views on whether the hard-fought agreement on the 12-country Trans-Pacific Partnership, which was finalized last year, would be approved by the U.S. Congress varied from hopeful to not likely among speakers at the American Sugar Alliance's 33rd annual International Sweetener Symposium held Aug. 1-3 in Coeur d'Alene.

Ambassador Darci Vetter, chief agricultural negotiator, Office of the U.S. Trade Representative and a key figure in the negotiation of the T.P.P., speaking at the Symposium Aug. 2, was hopeful the agreement would be passed during the "lame duck" session of Congress after the November elections this year. Because there is a specific time frame for passage of the T.P.P once it leaves the White House, she indicated it would be sent to the House Ways and Means Committee by President Barack Obama once it was evident there were sufficient votes for its approval.

"We need to be sure T.P.P. is passed this year," Ms. Vetter said. But she cautioned that if it wasn't passed before the end of the year, "it may not be done for a long time, if at all." She noted that neither of the two major presidential candidates, Hillary Clinton or Donald Trump, appeared to be interested in pushing the T.P.P. forward next year.

Ryan Weston, who represents the interests of several sugar cane groups in Washington and is a member of the American Sugar Alliance executive committee, said he had "never seen a higher level of anti-trade rhetoric" than at the recently-concluded national political conventions of both the Democrat and Republican parties.

Ms. Vetter suggested such anti-trade rhetoric was misplaced.

"It's easy to put angst about other issues into one document," she said. "It's a critical time. Agriculture stands out as the big winner (in the T.P.P.). Globalization is not going away. T.P.P. is our opportunity to shape it. T.P.P. is the highest standard trade agreement ever negotiated. Why wouldn't we support it?"

Senator Mike Crapo of Idaho, a member of several Senate committees and co-chair of the Senate Sweetener Caucus, was less optimistic.

"The path forward on T.P.P. is murky at best," Mr. Crapo said. "The election complicates it."

Also commenting on the T.P.P., Don Phillips, trade adviser for the American Sugar Alliance, said its passage "looks pretty bleak to me; it's facing a tough battle." He agreed the lame duck session of Congress was the T.P.P.s "only chance to pass."

Jamie Castaneda, senior vice-president, strategic initiatives and trade policy for the National Milk Producers Federation, said the dairy industry was supportive of the T.P.P., even if it wasn't totally satisfied with it. The agreement faced a "very uphill road," he said, and needed additional support from Democrats in Congress.

On other trade issues, speakers noted that the 28-nation Trans-Atlantic Trade and Investment Partnership (T-TIP) was complicated by the United Kingdom's upcoming exit from the E.U.

"We have to decide what it means not to have the U.K. at the table," Ms. Vetter said. "But it doesn't change our commitment to move forward with the agreement." The United States is committed to complete negotiations by the end of the year, she said.

Agriculture will be "politically difficult" in the T-TIP negotiations and will require "significant political will," Ms. Vetter said. "We'll see if the E.U. has the ability to meet us half way."

Study shows little link between prices, jobs

COEUR D'ALENE, IDAHO — There are weak or no relationships between low sugar prices and both U.S. manufacturing jobs and U.S. retail sugar prices, according to a study discussed at the American Sugar Alliance's International Sweetener Symposium held in Coeur d'Alene on Aug. 2.

Alexander Triantis, Ph.D., dean, Robert H. Smith School of Business, University of Maryland-College Park, Md., said there was no evidence in data going back to 1990 that sugar prices affect job loss in the sugar-containing-product (S.C.P.) industry, and, in fact, there was no relationship between prices and S.C.P. jobs.

The S.C.P. industry was "faring very well under current U.S. sugar policy," Dr. Triantis said, suggesting the S.C.P. industry was somewhat "recession proof" because consumers eat candy when times are good and when times are bad.

Data going back 35 years also did not support claims that lower wholesale sugar prices would result in lower retail sugar prices or lower prices for sugar-containing foods, Dr. Triantis said. In fact, retail prices went up or stayed flat even when wholesale sugar prices declined.

"There is no evidence that lower sugar prices are passed on to consumers as lower retail S.C.P. prices," Dr. Triantis said. Food manufacturers and candy makers were seeking lower-priced sugar to reduce their costs, he said.

The study, which reviewed data on world and domestic sugar prices, wholesale sugar prices, retail sugar prices, employment, revenue and other categories back to 1980 in some cases, was sponsored by the American Sugar Alliance, which represents U.S. sugar producers. It was done in part in response to food and candy manufacturers' attempts to reform the U.S. sugar program and eliminate U.S. import quotas.

Stabinow, Conaway pledge support to sugar

COEUR D'ALENE, IDAHO — Two influential members of Congress pledged bipartisan support to the U.S. sugar industry via taped messages at the opening session of the 33rd annual International Sweetener Symposium here Aug. 1.

"It's important that we again find a path forward with the Mexican government on (sugar) trade," said Senator Debbie Stabenow of Michigan, the top Democrat on the Senate Agriculture Committee. "It's important that we keep the farm bill intact and free from attacks designed to undermine the five-year sugar policy and beyond. And it's important that we are ensuring that the interests of U.S. sugar (producers) are represented in the larger trade agenda."

Representative Michael Conaway of Texas, chairman of the House Agriculture Committee, said in his taped message, "Sugar policy, for me, is easy to defend. It works for the American taxpayer, and more importantly it works for the American sugar producer."

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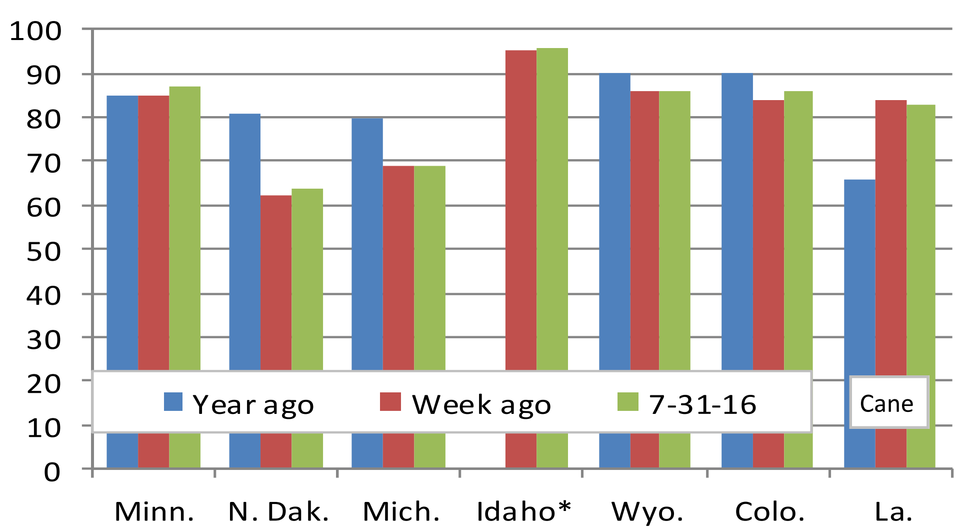
U.S.D.A. Sugar beet and cane good-to-excellent crop condition ratings as of July 31

*In per cent. Louisiana is cane. *Idaho year-ago not available. Source: State U.S.D.A. field offices.*



Top industry news (cont'd)

U.S.D.A. says forfeitures not expected

COEUR D'ALENE, IDAHO — Although beet sugar prices have dropped to within a few cents of forfeiture levels, the head of the U.S. Department of Agriculture's sugar program said she does not anticipate forfeitures against the government's loan program this year.

"I do not foresee forfeitures," said Barbara Fecso, director of the Farm Service Agency's Dairy and Sweetener Analysis of the U.S.D.A., in response to a question at the International Sweetener Symposium in Coeur d'Alene, Idaho, on Aug. 1. She said she expects beet sugar stocks will decline as processors work through 2016 supply.

Some beet processors at the Symposium indicated they likely would carry unsold 2015-16 refined beet sugar into 2016-17, which begins Oct. 1. Beet processors and domestic cane refiners are allocated specific amounts of refined sugar they can sell each fiscal year under the U.S.D.A. sugar program.

This year's sugar market has been complicated by tight raw cane sugar supplies, with strong sales by cane refiners in the first half of the year during which there was increased demand for non-bioengineered cane sugar ahead of the July 1 Vermont law requiring labeling of G.M.O. ingredients. Also contributing was a larger-than-expected share of sugar imports from Mexico bypassing traditional U.S. refiners (who melt and produce crystalized sugar) and going to those who melt sugar only for direct use. As a result, cane refiners who depend on imported raw sugar have faced tight supplies, even if actual refined sugar supplies, both beet and cane, are adequate, or in the case of beet, somewhat ample, which has led to talk of forfeitures for only the second time in more than a decade.

"It (forfeitures) might be a dangerous thing to do," Ms. Fecso said. "It would complicate things very much." During her presentation at the Symposium, she addressed this year's trends of increasing cane sugar deliveries (use) and decreasing beet sugar deliveries, which have contributed to higher refined cane sugar prices, lower beet sugar prices and excess supply of beet sugar. Data in the last couple of months, though, suggest those trends are slowing, with sales of beet sugar increasing due to its sharp discount to cane, and strong sales of cane slowing as the result of high prices and lessening concern about the G.M.O. labeling issue. Beet sugar is mostly from bioengineered seed but cane sugar is non-G.M.O.

In an effort to ease the tightness, the U.S.D.A. raised sugar import quotas earlier this year. Further, the U.S. Department of Commerce, which oversees sugar imports from Mexico under the Dec. 19, 2014, Countervailing Duty Suspension Agreement between the two countries, has been negotiating with Mexico in an effort to increase the amount of raw sugar imports from Mexico going to U.S. cane refiners. The issue is delicate, with the United States holding the upper hand after Mexico was found in 2014 to have dumped subsidized sugar on the U.S. market, but with Mexico said to be threatening retaliation in the form of reduced imports of high-fructose corn syrup and other products should new terms of the suspension agreement not be acceptable to them.

The symposium is sponsored by the American Sugar Alliance, which represents the interests of U.S. sugar producers.

Analyst sees tight raw supplies continuing

COEUR D'ALENE, IDAHO — U.S. raw sugar supplies will remain tight and excess beet sugar supplies risk forfeiture, Frank Jenkins, president of JSG Commodities, Wilton, Conn., said at the International Sweetener Symposium here Aug. 1.

"It's not a wonderful time to be in the sugar market," Mr. Jenkins said, citing trade issues with Mexico, bioengineered labeling, tight raw sugar supplies and excess refined beet sugar stocks.

Raw sugar supplies will remain tight with prices ranging from 27.50c to 29.50c a lb for the balance of 2015-16 (ending Sept. 30), Mr. Jenkins predicted. He said he sees refined sugar prices ranging from 27c to 30c a lb, with "potential for collapse," and excess beet sugar supplies "that may well be forfeited." Refined beet sugar prices currently are quoted by *Milling & Baking News* at 28.5c to 29.5c a lb f.o.b. Midwest, and refined cane sugar prices are quoted at 33c to 35c f.o.b. plant.

"At the same time that demand for refined cane sugar is expanding, availability of raw sugar for traditional coastal U.S. cane refiners is contracting," Mr. Jenkins said.

Barbara Fecso, director of Dairy and Sweeteners Analysis of the U.S.D.A.'s Farm Service Agency and who administers the sugar program, also speaking at the Symposium, said she did not expect forfeitures in 2016 because beet processors will sell down excess supply.

For 2016-17, Mr. Jenkins said he expects "massive stock of refined sugar carried in" and "tight raw sugar availability" in the October-December 2016 period (first quarter of 2016-17). Also a factor will be the "trajectory" of the non-G.M.O. preference trend, he said.

The national G.M.O. labeling act, which President Barack Obama signed into law July 29 and which the U.S.D.A. has two years to implement, "could slow down the rush to non-G.M. ingredients to the extent driven by labeling concerns," Mr. Jenkins said. But he added that "consumer preference still is critical."

"Much will depend on the fate of the suspension agreements – the status quo is not sustainable," Mr. Jenkins said, referring to current negotiations between the United States and Mexico to adjust terms of the Dec. 19, 2014, Countervailing Duty Suspension Agreements to increase imports of raw cane for U.S. cane refiners. He said the United States and Mexico were far apart in negotiations to revise the agreements, and that the situation was likely to persist for several weeks, with any results carrying into the new marketing year. He suggested fourth-quarter sugar supply was "at risk" if the Department of Commerce does not address the flow of U.S. imports.

Globally, Mr. Jenkins noted that major weather issues, especially effects of the recent El Niño, were in the past. He noted the recent record long position in New York world raw sugar futures and said he didn't see "speculators rekindling enthusiasm" to return to record long levels. He also suggested that the recent rally in the value of Brazil's currency may have run its course, which could tend to boost exports as the real weakens in relation to the U.S. dollar.

Toby Cohen, vice-president of market analysis, American Sugar Refining (A.S.R.), London, also speaking at the Symposium Aug. 1, suggested speculators had been leading the world raw sugar market higher, rather than just participating in the higher trend as in the past.

Nearby domestic/world raw sugar futures spread