Who are Industrial Sugar Users?

• Used 60% of all sugar in U.S. in FY ’14
• Bakery/cereal, confectionery largest categories
• 600,000 jobs – direct employment
  – 70,000 of those in confectionery
  – More if we used grower methodology
Characteristics of Sugar Users

- Consistent top quality a must
- Reliable, timely supply essential
- Tend to buy forward
- Often use multiple suppliers
- Less true of small users
  - Less ability to hedge, buy in volume
  - Numerous examples of job loss
Importance of Refiners

- Need supply of both cane, beet sugar
- Geographic diversity (different port ranges)
- Domestic vs. imported refined sugar supply
- Year-round supply (beets seasonal)
- Growing non-GMO demand
- By-products (molasses)
Challenges to Users & Refiners

• Sugar program led to refinery closures
• Farm bill limits import access
  – Refiners: Capacity utilization
  – Users: Holiday needs all fall Oct-Apr when imports constrained
Inadequate Refining Capacity Utilization

Source: Agralytica
Challenges to Users & Refiners

- U.S. market structure hampers hedging
  -- #16 not good hedge for refined sugar (users)
  -- #16 thinly traded (refiners)
Mexico Suspension Agreement

• Free trade gone, quotas back
• De facto higher price floor for raws
• Incentives to ship refined, avoid refineries
• Implies narrow refining margin
• Could harm capacity utilization at refineries
Agreement Would Raise Minimum US Prices

- US refined beet Loan Rate: 24.09 cents/pound
- MX refined Minimum: 26 cents/pound
- US raw cane Loan Rate: 18.5 cents/pound
- MX other Minimum: 22.25 cents/pound
Re-Export Program

- Suspension agreement makes even more important
- SCP program enhances user exports
- Not a substitute for adequate imports
  - Volumes small compared to total imports, refining capacity
- Could Cuba be source of re-export ravs?
Why do We Need Sugar Program?

• TRQ limits imports
• Suspension agreements limit MX imports
• Suspension agreements set price floor
• Domestic allotments not really constraining
• What’s purpose of program now?
Since 1974: U.S. Child Obesity Has Tripled, Adult Obesity Has More than Doubled; U.S. Per Capita Sugar Consumption has Fallen by Nearly a Third

(1974=100%)

Child Obesity (% of population)

Adult Obesity (% of population)

Sugar Consumption (lbs/person)

Source: Caloric Sweetener (Sugar + High Fructose Corn Syrup) Data -- Economic Research Service/USDA: ttp://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.
1970 U.S. Per Capita Daily Caloric Consumption; Sugar & Sweeteners' Share 15%

- Meat, Eggs and Nuts, 528, 25%
- Fruit, 64, 3%
- Vegetables, 125, 6%
- Grains, 432, 20%
- Dairy, 262, 12%
- Fats and Oils, 411, 19%
- Sugar & Sweeteners, 333, 15%

1970: Total calories: 2,155
2010 U.S. Per Capita Caloric Consumption Up 21% from 1970; Sugar & Sweeteners' Share Drops to 14%

- Meat, Eggs and Nuts, 544, 21%
- Fruits, 81, 3%
- Vegetables, 121, 4%
- Grains, 620, 24%
- Dairy, 255, 10%
- Fats and Oils, 616, 24%
- Sugar & Sweeteners, 367, 14%

2010: Total calories: 2,604

Dietary Guidelines

• Released this week
• Focus on added sugars
  – Not enough scientific evidence
  – Limits consumer choice
• We support education