Integration of Two National Sugar Markets – Competing Interests of Surplus and Deficit Producers

Two Countries – One Market

David Berg
American Crystal Sugar Company
Topics

• Trade integration
  • Product flows & prices

• Policy integration
  • 1/1/08 thru present

• Future scenarios
U.S. Sugar: Total Imports
1996/97 - 2011/12

Data Source: USDA; 2011/12 forecast
Mexico: High Fructose Corn Syrup Consumption
1995/96 - 2011/12
-- Thousand Metric Tons, Dry Weight--

Data Source: USDA; 2011/12 forecast.
Trade Flows
Trade Flows
U.S. and Mexican Wholesale Refined Sugar Prices

Monthly Averages, cents per pound, 2000-2012

Correlation: 83%

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

Mexican Wholesale Refined Sugar

U.S. Wholesale Refined Sugar

Data Source: USDA/ERS. Mexican sugar -- Mexico City, SNIIM-ECONOMICA; U.S. sugar -- Midwest markets. Prices through January 2012.
U.S. & Mexican Sugar Prices: Raw and Estandar

Monthly averages, cents per pound, 2000 - 2012

Correlation: 88%

U.S.: “Avoid the forfeiture of sugar under price support loans, and therefore avoid a cost to the federal treasury”

Legislative mandates: No cost; Reasonable prices

Trade agreements: WTO; CAFTA-DR; NAFTA; Peru / Colombia / Panama

Political pressures: Producers; Users; Refiners; Traders;

Internal processes: USDA consultation with State, USTR, Commerce, Treasury, OMB, CBP

Time constraints: Minimum TRQ before 10/1; No revisions before 4/1 without determination of an emergency

Outputs: Raw & specialty sugar TRQs; CQEs
Import Policy Formulation - Mexico

**Mexico:** Avoid prices low enough to destabilize market for sugar cane, or high enough to contribute to inflation of basic commodity

**Legislative mandates:** Minimum price for sugar cane

**Trade agreements:** WTO, NAFTA, Guatemala/Honduras, Nicaragua

**Political pressures:** Cane growers, Users, Mills, Traders

**Internal processes:** National Sugar Committee; Department of Economy; Department of Agriculture

**Time constraints:** None

**Outputs:** Economia establishes TRQ
## Import Decisions – 2008 to Present
*(Table Courtesy LMC International)*

<table>
<thead>
<tr>
<th>US (STRV)</th>
<th></th>
<th></th>
<th>Mexico (MTRV)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity</td>
<td>Date</td>
<td>Quality</td>
<td>Notes</td>
<td>Quantity</td>
<td>Date</td>
</tr>
<tr>
<td>70,000</td>
<td>1/8/2008</td>
<td>raw cane</td>
<td>reassignment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>160,892</td>
<td>6/23/2008</td>
<td>raw cane</td>
<td>reassignment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>300,000</td>
<td>8/6/2008</td>
<td>refined</td>
<td>TRQ Increase</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>230,892</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>0</td>
<td>n.a.</td>
</tr>
<tr>
<td>759,583</td>
<td>5/19/2009</td>
<td>raw cane</td>
<td>reassignment</td>
<td>100,000</td>
<td>8/6/2009</td>
</tr>
<tr>
<td>249,039</td>
<td>9/8/2009</td>
<td>raw cane</td>
<td>reassignment</td>
<td>150,000</td>
<td>9/18/2009</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>300,000</td>
<td>9/18/2009</td>
</tr>
<tr>
<td>1,008,622</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>-143,000</td>
<td>9/30/2009</td>
</tr>
<tr>
<td>200,000</td>
<td>4/23/2010</td>
<td>raw cane</td>
<td>TRQ Increase</td>
<td>407,000</td>
<td>n.a.</td>
</tr>
<tr>
<td>300,000</td>
<td>7/6/2010</td>
<td>raw cane</td>
<td>reassignment</td>
<td>100,000</td>
<td>9/22/2010</td>
</tr>
<tr>
<td>700,000</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>286,478</td>
<td>n.a.</td>
</tr>
<tr>
<td>325,000</td>
<td>4/11/2011</td>
<td>raw cane</td>
<td>TRQ Increase</td>
<td>150,000</td>
<td>6/6/2011</td>
</tr>
<tr>
<td>325,000</td>
<td>4/12/2011</td>
<td>raw cane</td>
<td>reassignment</td>
<td>150,000</td>
<td>10/20/2011</td>
</tr>
<tr>
<td>120,000</td>
<td>6/21/2011</td>
<td>raw cane</td>
<td>TRQ Increase</td>
<td>150,000</td>
<td>11/18/2011</td>
</tr>
<tr>
<td>600,000</td>
<td>6/22/2011</td>
<td>raw cane</td>
<td>reassignment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10,000</td>
<td>8/1/2011</td>
<td>specialty</td>
<td>TRQ Increase</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>150,000</td>
<td>9/30/2011</td>
<td>refined</td>
<td>TRQ Increase</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1,530,000</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>450,000</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

23 Import Adjustments Totaling 4,612,002 Tons
Complements & Conflicts

Complements (What’s working):
• WASDE includes both U.S. & Mexican components
• Moving towards reliable data on Mexican production and consumption
• Improved consultation between governments

Conflicts (What might work better):
• Each country’s objectives may be different
  • Clarification & harmonization
• TRQs in Mexico unpredictable; May ignore the US segment of the integrated market
  • Should be based on objective criteria and reliable data about conditions in both the US and Mexican markets.
Future Scenarios

How things **might** go wrong:

- Lack of consultation
  - Unreliable crop & demand data
    - Historical & projected
- Lack of coordination
  - Failure to communicate objectives
  - Failure to communicate intentions
  - Failure to identify options for action
    - e.g. TRQ vs. Export Restrictions
Future Scenarios

How things can go right:

- Improve & share data
- Direct, ongoing consultation
  - Crop & market analysis
  - Policy formulation
  - Policy implementation
Summary & Conclusions

- Market integration has occurred
  - Competition for end user volume
  - Price
  - Logistics are in place
- Administration of import policy is complicated & sensitive
- Both governments need to be engaged “real time”