

Administering the Sugar Program in a U.S.-Mexico Sugar Suspension Agreement Environment

Barb Fecso, Director

Dairy and Sweeteners Analysis Group, Farm Service Agency, USDA

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From Jan 1, 2008 through to when the Suspension Agreement with Mexico came into effect in December, 2014, Mexico had unrestricted, duty-free access to the U.S. market.

Since then, Mexico has been the *“residual supplier”* to the U.S. market...i.e., Mexico is only allowed to export the quantity necessary to achieve a 13.5% stocks-to-use ratio in the U.S. market.

A formula is used to calculate the quantity the US Needs from Mexico to achieve a 13.5 stocks-to-use ratio.

US Needs =

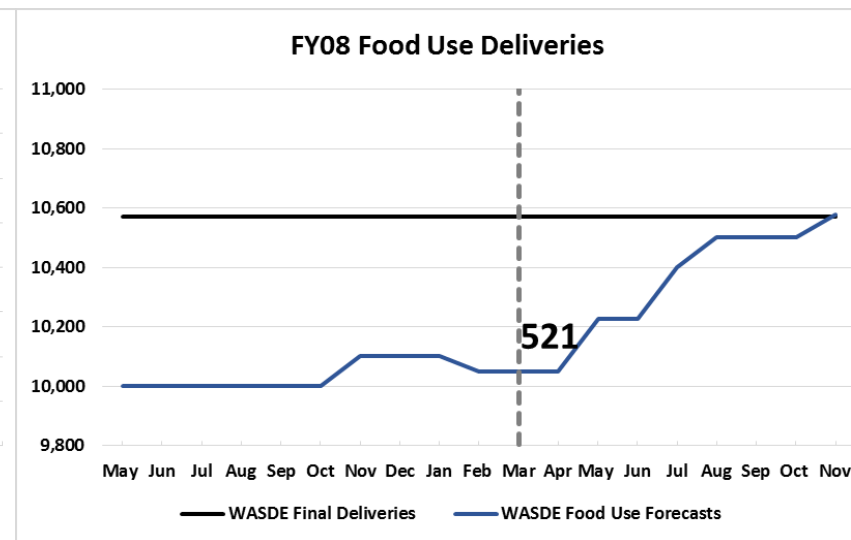
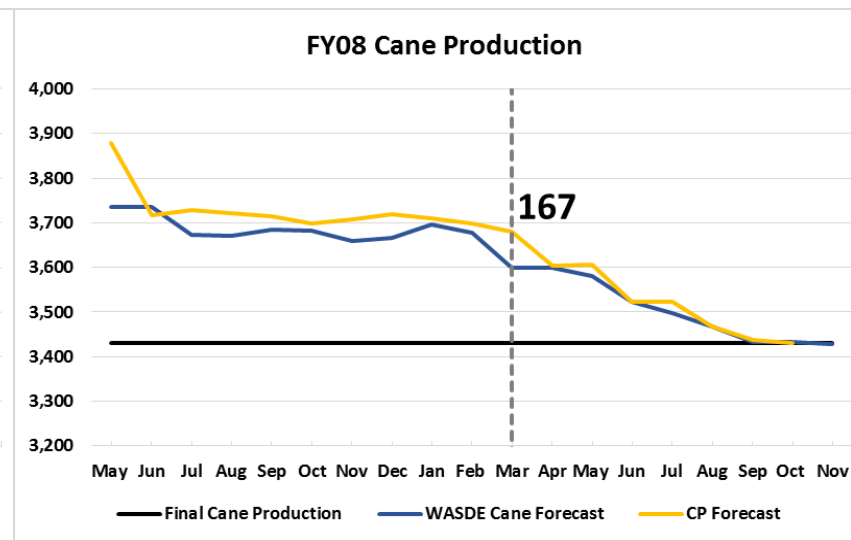
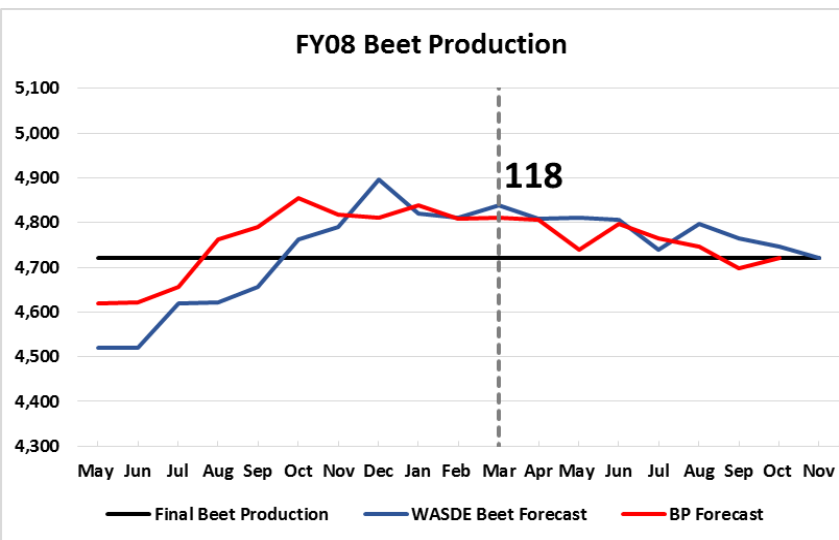
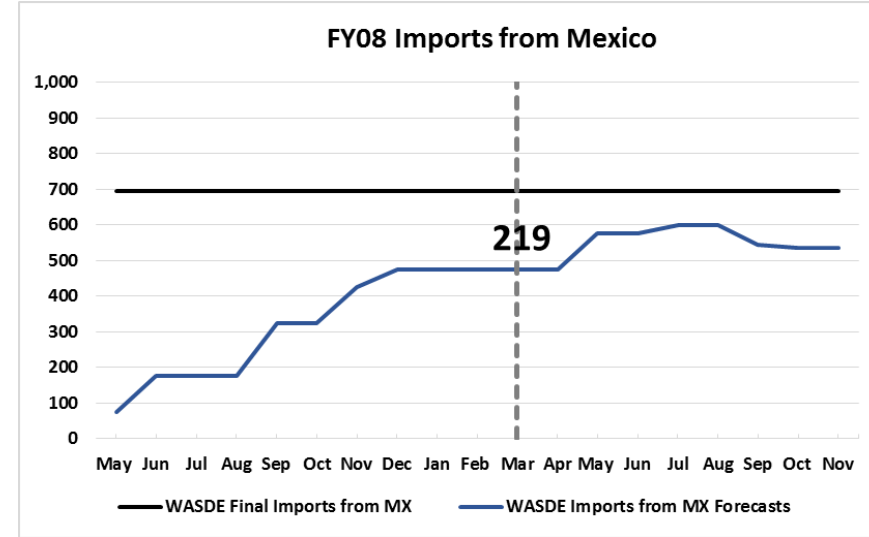
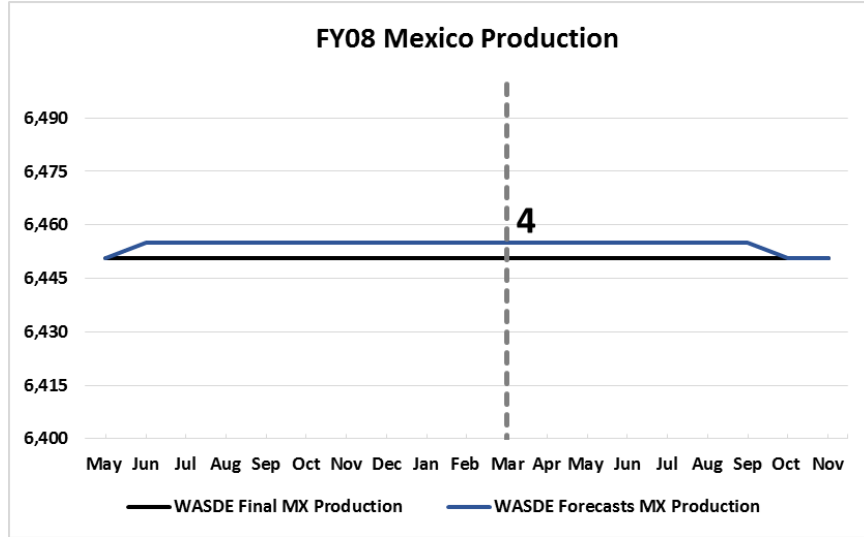
- Total Use*1.135
- Beginning Stocks
- Production
- TRQ Imports
- Other, non-Mexican Imports

Under the amended terms of the suspension agreement:

- US Needs are calculated 4 times a fiscal year and each time, Mexico is given a larger share as the year unfolds:
 - Jul Wasde – Mexico given 50% of US Needs
 - Sep Wasde – Mexico given 70% of US Needs
 - Dec Wasde – Mexico given 80% of US Needs
 - Mar Wasde – Mexico given 100% of US Needs
- And, no more than 30% of all exports shipped to the U.S. by Mexico can be ≥ 99.2 polarity
- Plus, there are minimum reference prices

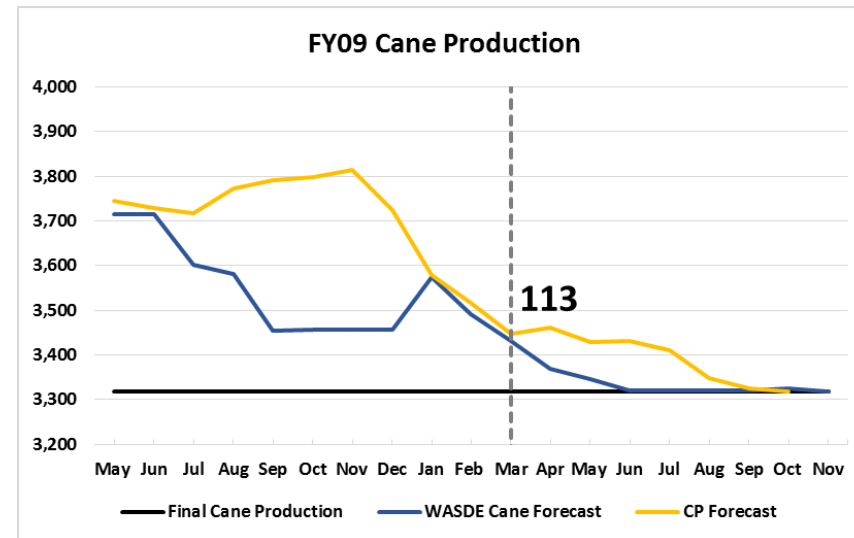
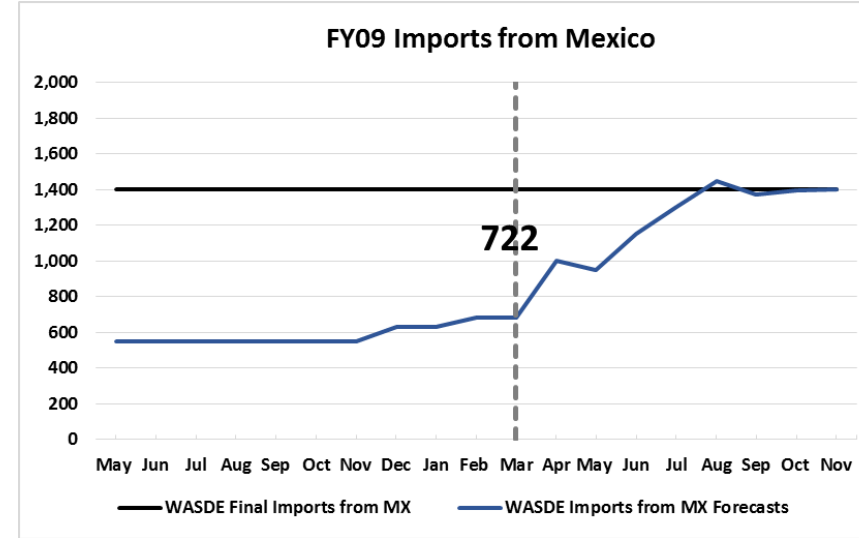
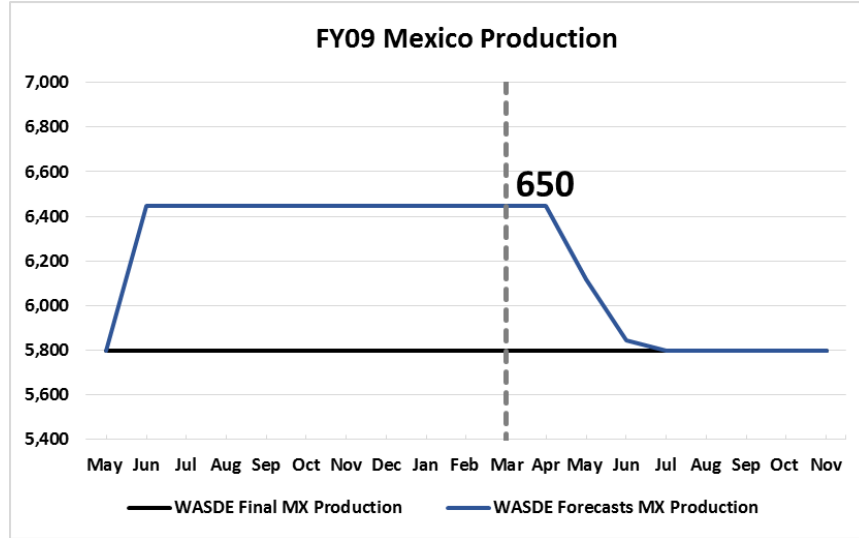
These terms have reduced the level of uncertainty in USDA decision-making with respect to sugar program management, which *should* lead to a more stable sugar market.

FY 2008



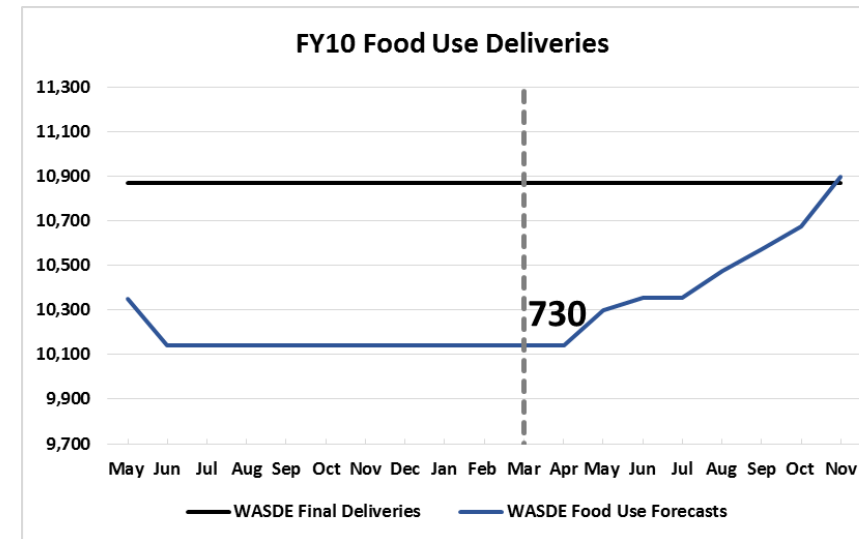
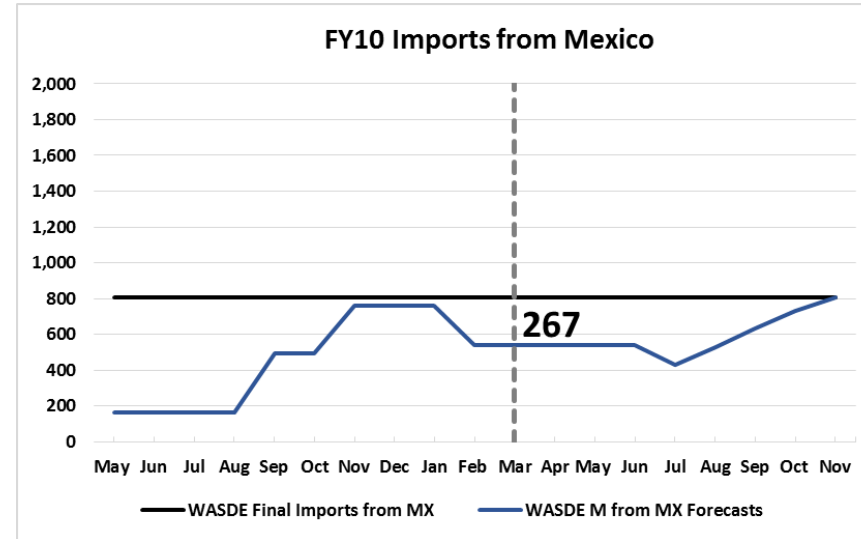
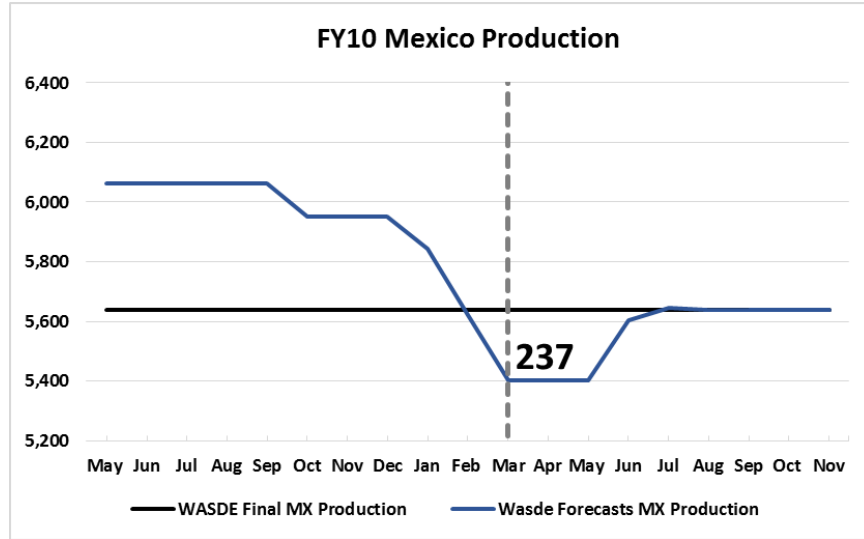
+193K to MX (decided 7/27/06); 300K ref TRQ in Aug, 2008 → S/U 15%

FY 2009



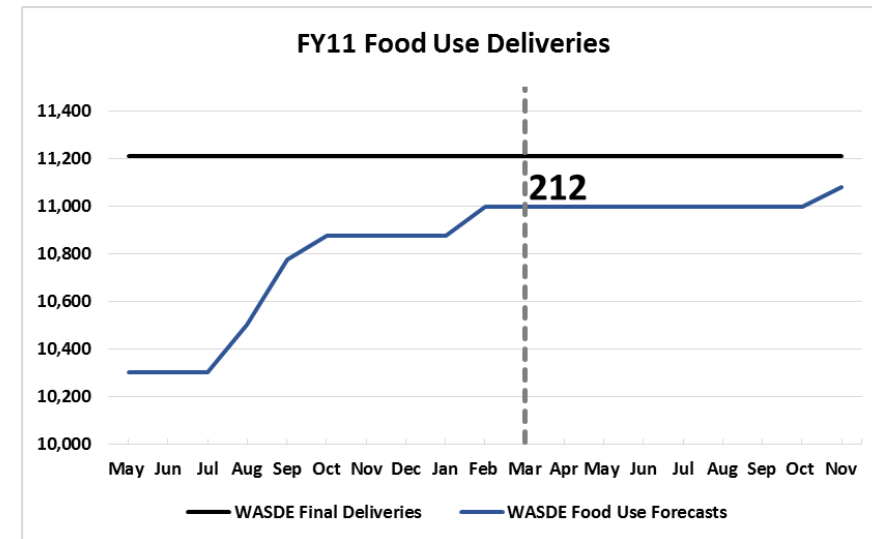
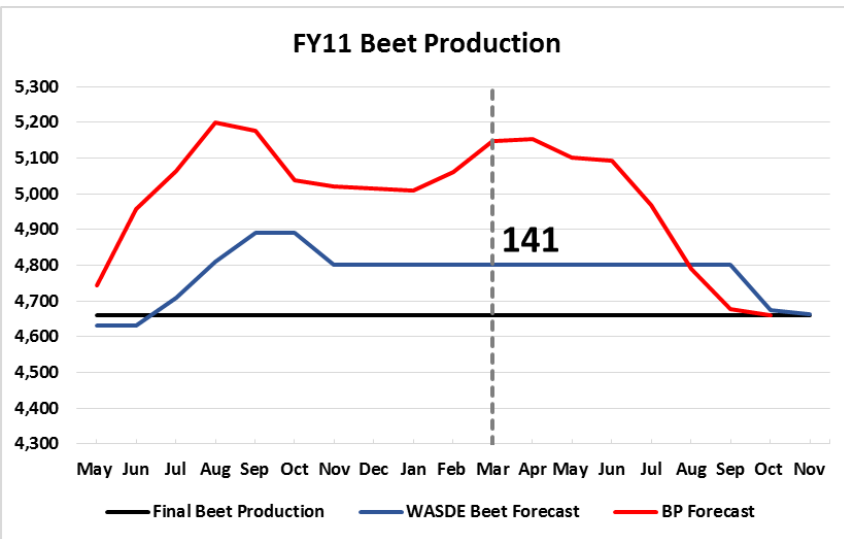
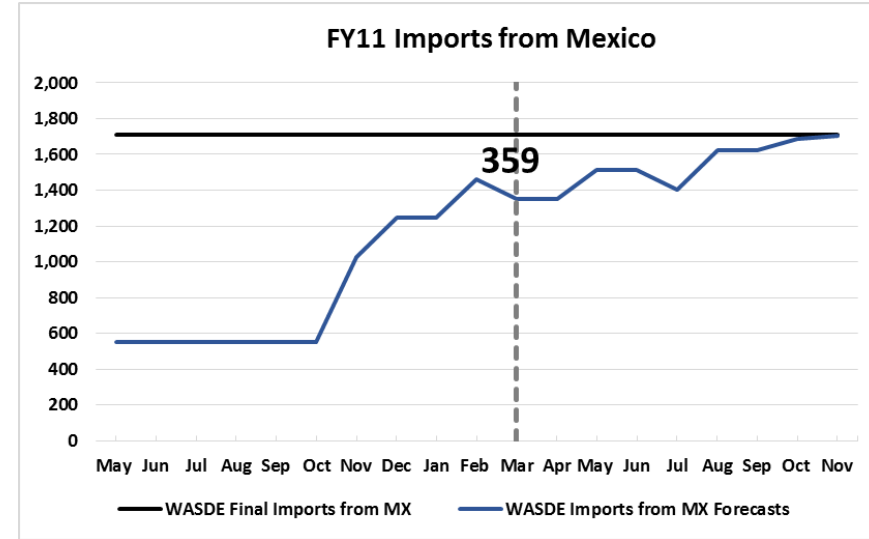
No TRQ action- prices climbed to mid 40's, high 30's raw, S/U 14%

FY 2010



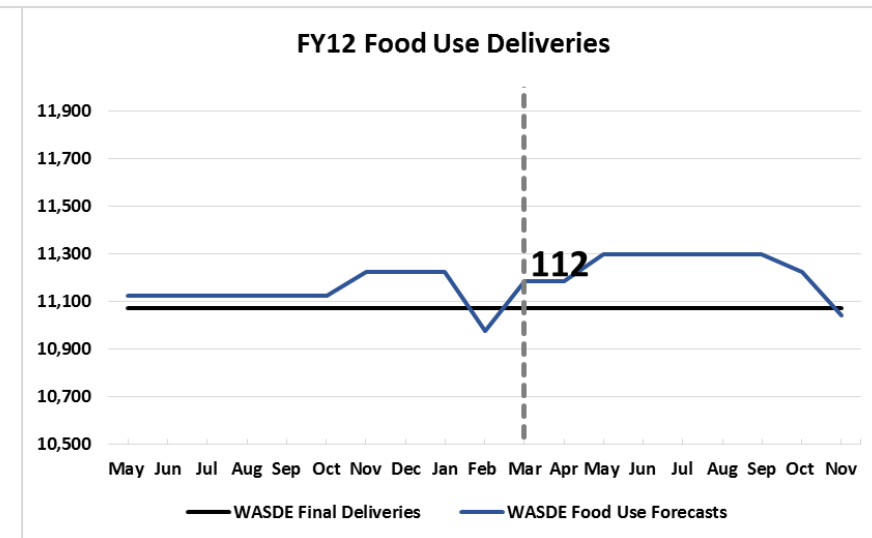
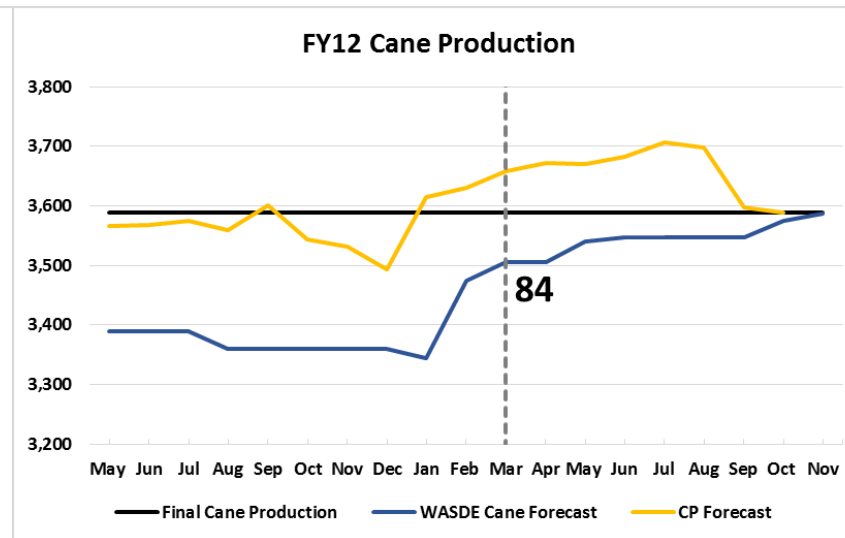
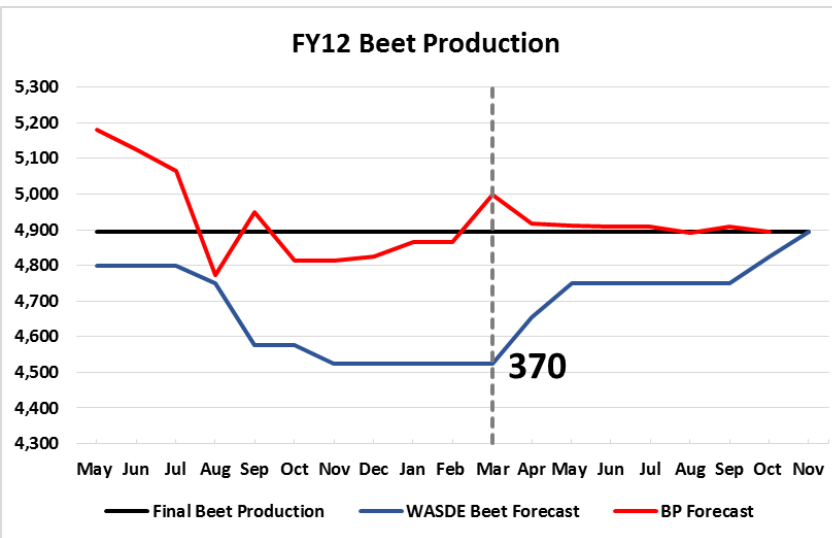
2 raw TRQ +, 200 in April, 300 in July → final S/U = 13%

FY 2011



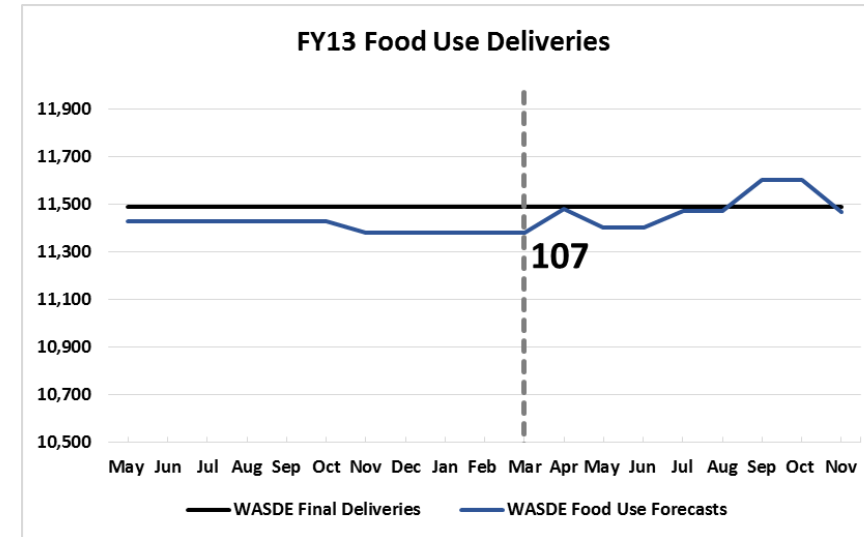
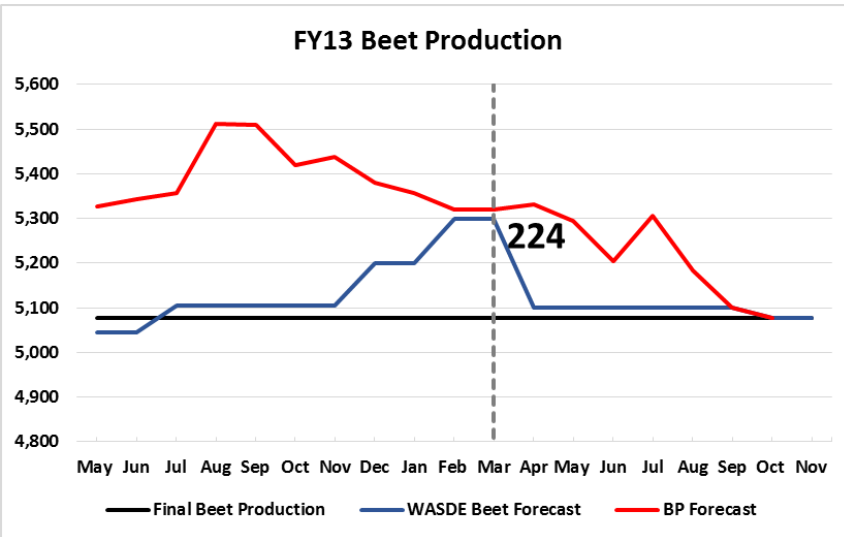
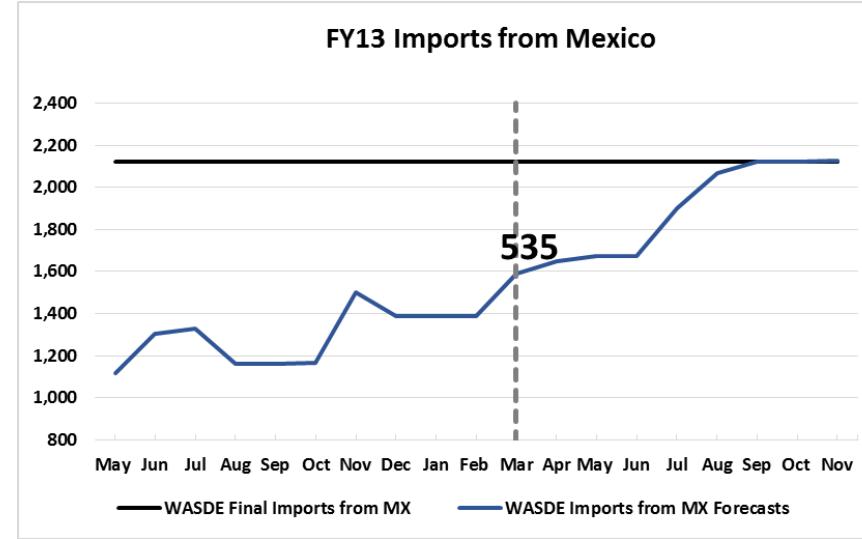
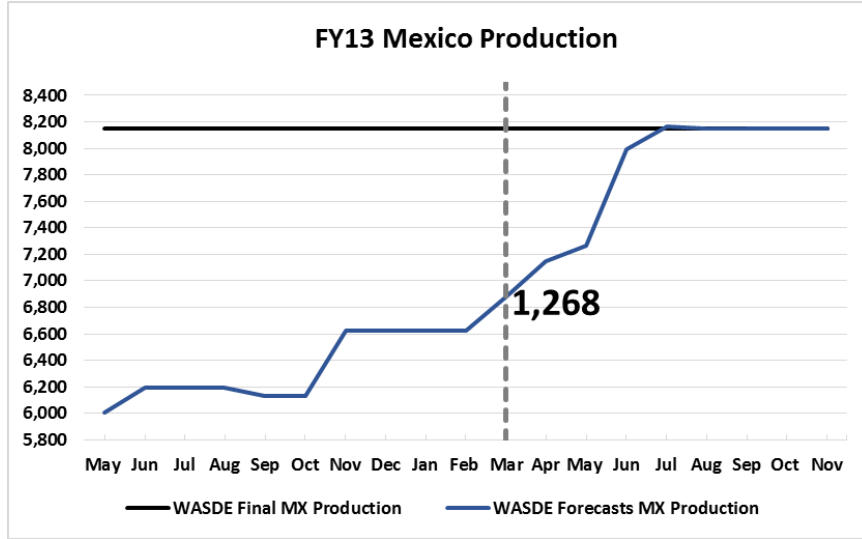
2 raw TRQ +, 325 in April, 120 in June, plus 150 refined TRQ+ in Sept → final S/U = 12%

FY 2012



1 raw TRQ , 420 in April → final S/U = 17%

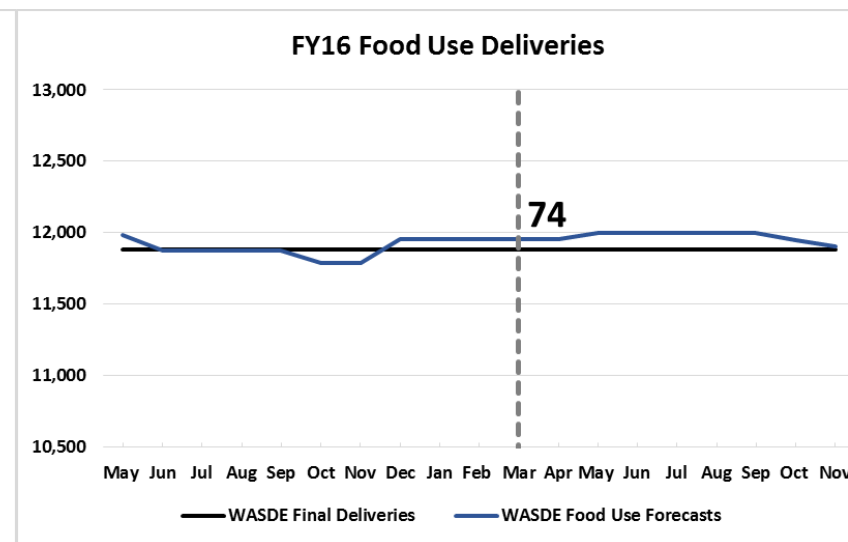
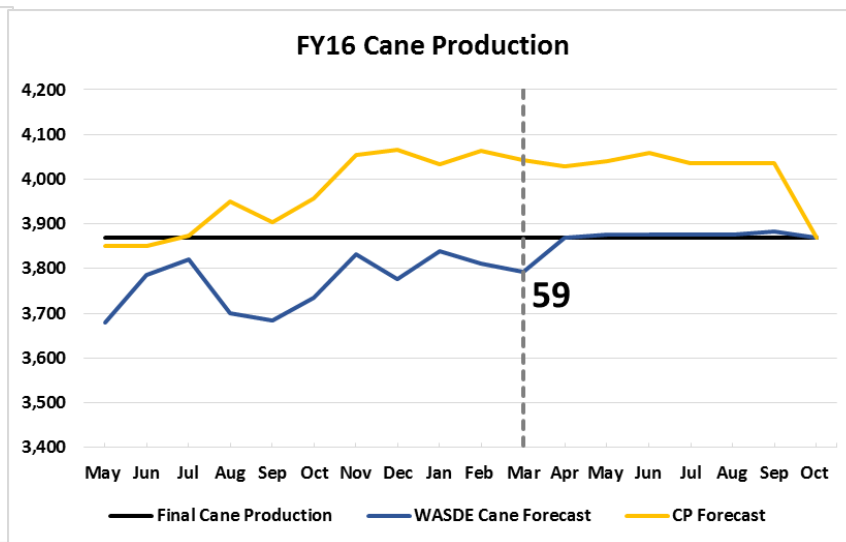
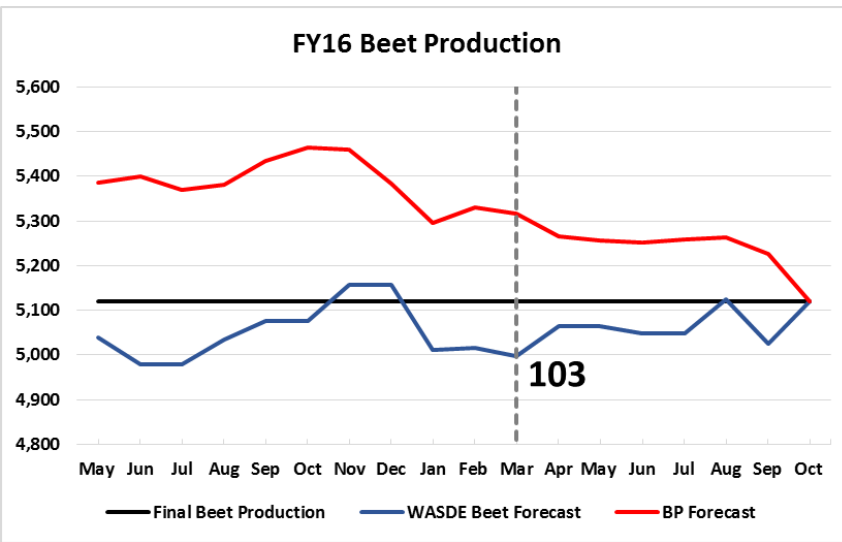
FY 2013



Final S/U 18% - MX prod understated 1.3 mil tons in Mar; Imports from MX understated by 535

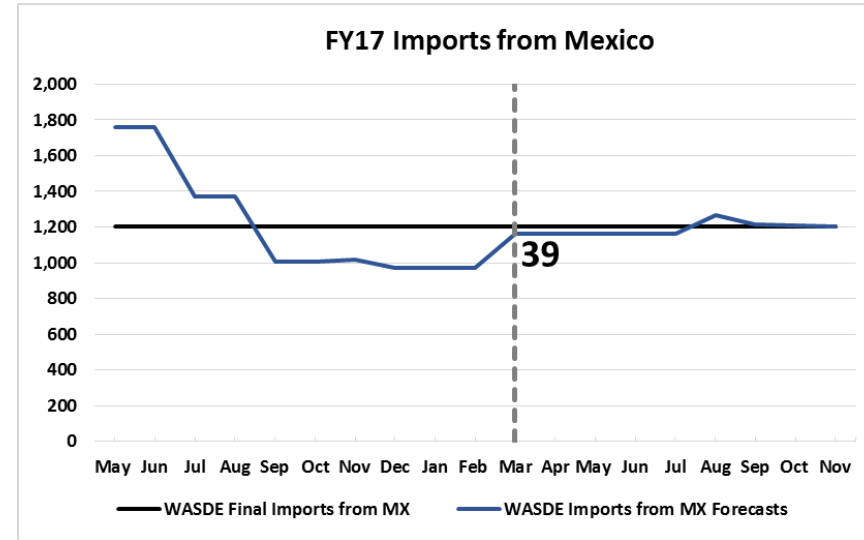
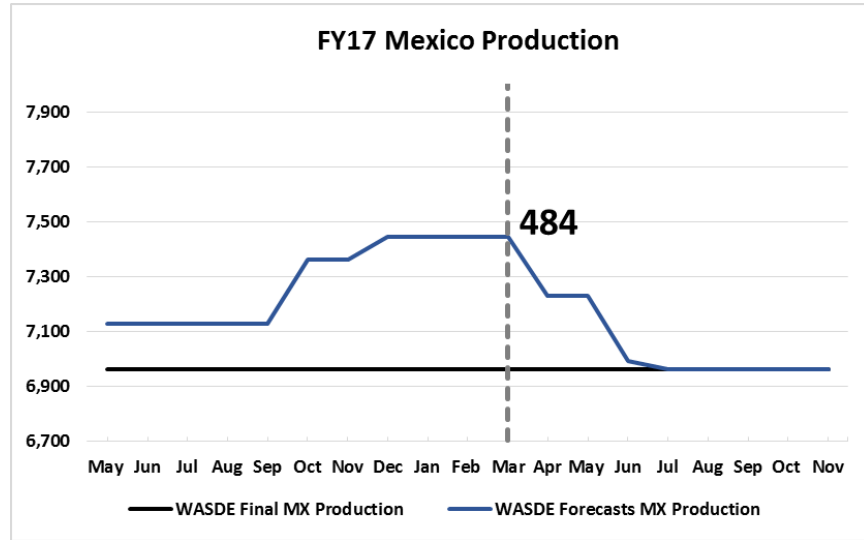
FY 2016

USDA tried to fill the raw sugar shortfall



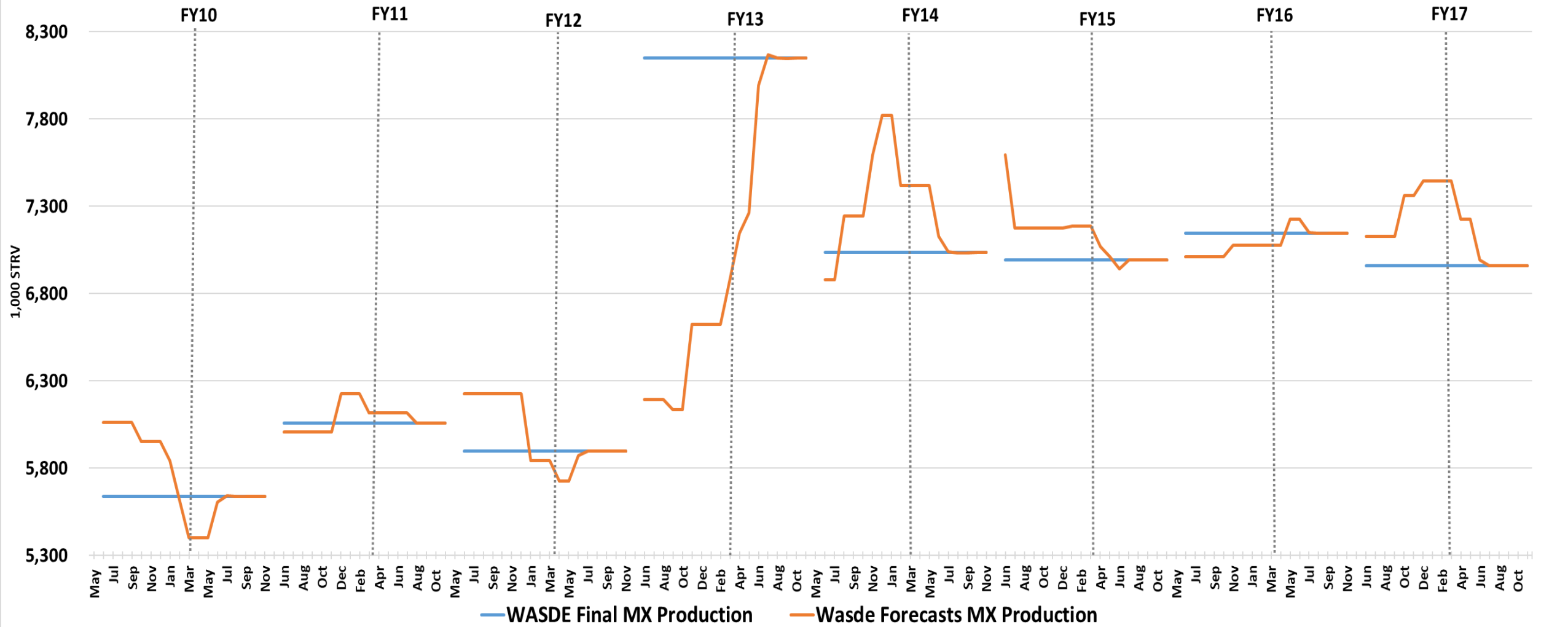
60 to MX, 140 raw TRQ + in May → final S/U = 17

FY 2017



270 raw TRQ +, 104 to MX in July → final S/U = 14.9

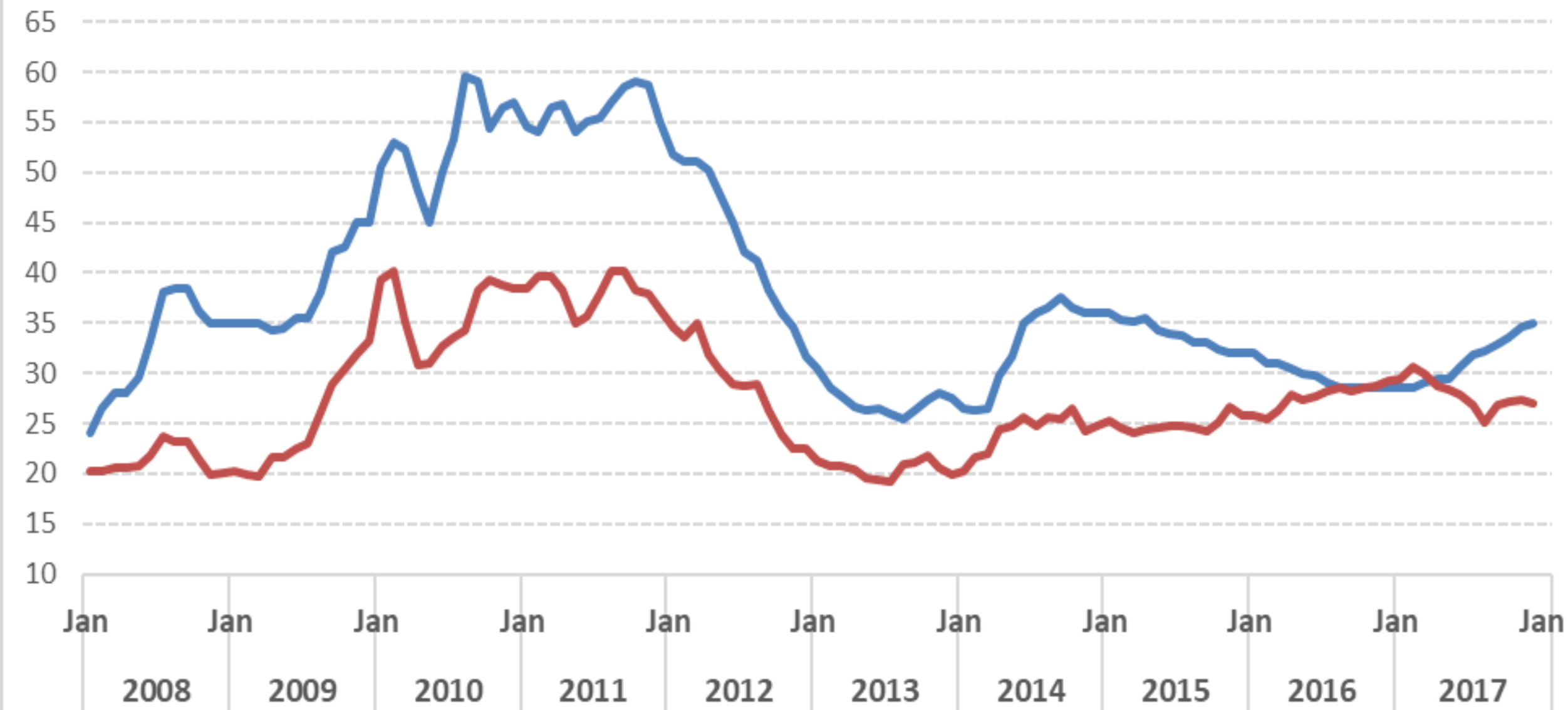
WASDE vs Actual MX Production - FY10 through FY17



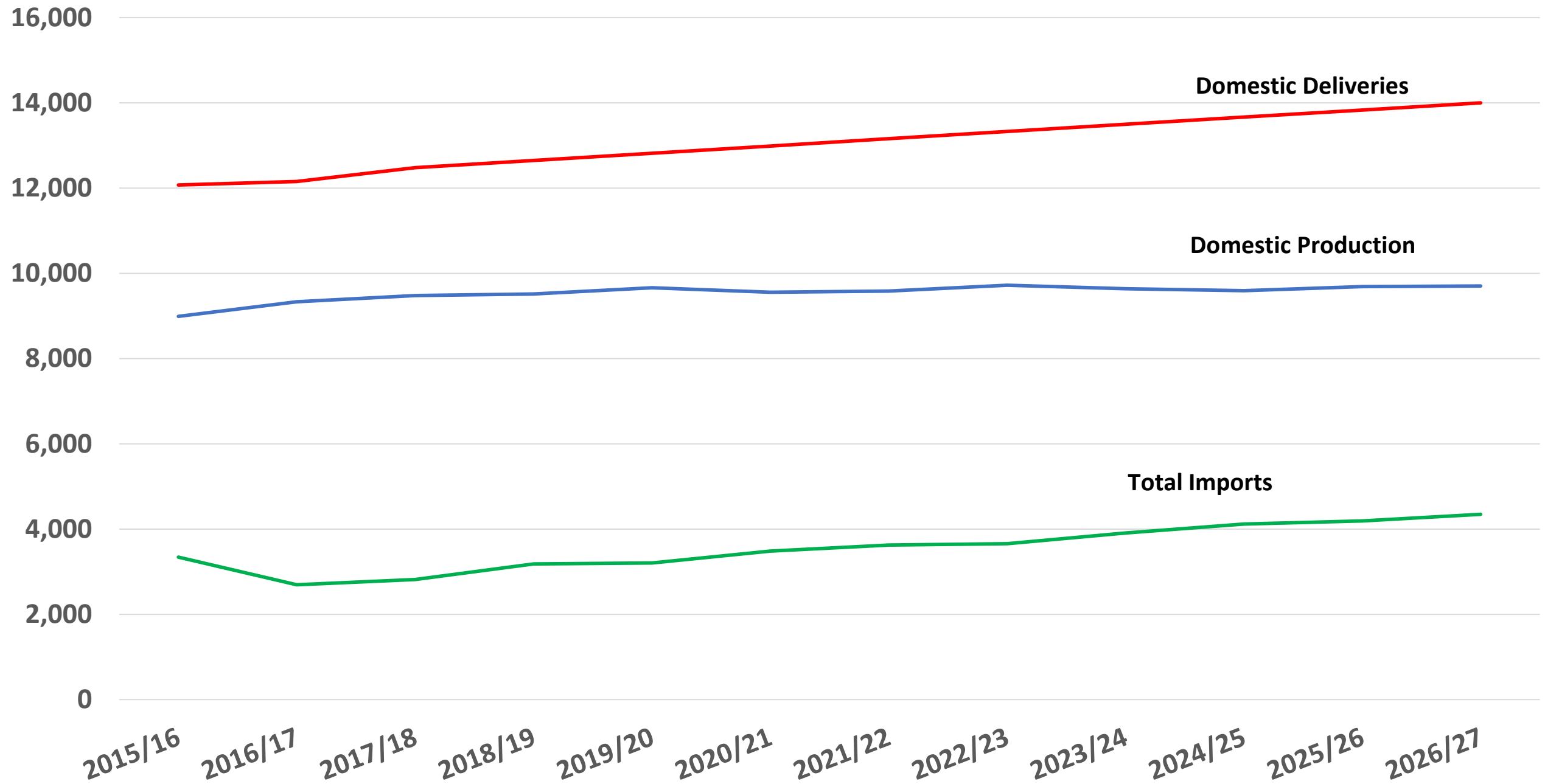
Sugar Prices

cents/lb

— Refined beet-Midwest — Raw cane #16



U.S. sugar: domestic deliveries, production, and imports



Overall, USDA sugar program management in the future should be... easier? more peaceful? less stressful? **DIFFERENT**

- Demand is expected to grow more than NAFTA production, with USDA still in control of TRQ increases
- With the Amended Suspension Agreement in place...
 - and Mexico the *residual supplier*, the incentive for Mexico to fill its quota is high
 - With minimum reference prices, prices should be more stable