



World Sugar Propels Domestic Market Current Situation Intensifies

**Jeff Dobrydney, Sr. Vice President
JSG Commodities**

**Friday, February 16, 2024
100th Annual USDA Ag. Outlook Forum**

Why must we understand the #11?

- Mexican sugar harvest is failing for the second year in a row, worse than previously projected
- The US had endured consecutive years of beet production related issues prior to the current reduction of Mexican imports
- As a result, the US sugar market became more and more reliant upon high-tier, duty-paid sugar to satisfy demand
- JSG has forecast high-tier global sugar needs will exceed 1.2 million tons in FY 2024
- Since high-tier needs represent ~10% of total domestic demand, world sugar market (#11) values dictate raw sugar domestic (#16) levels and thus impact refined values now and for the foreseeable future

Tier-2 Math, more complicated yet sensible

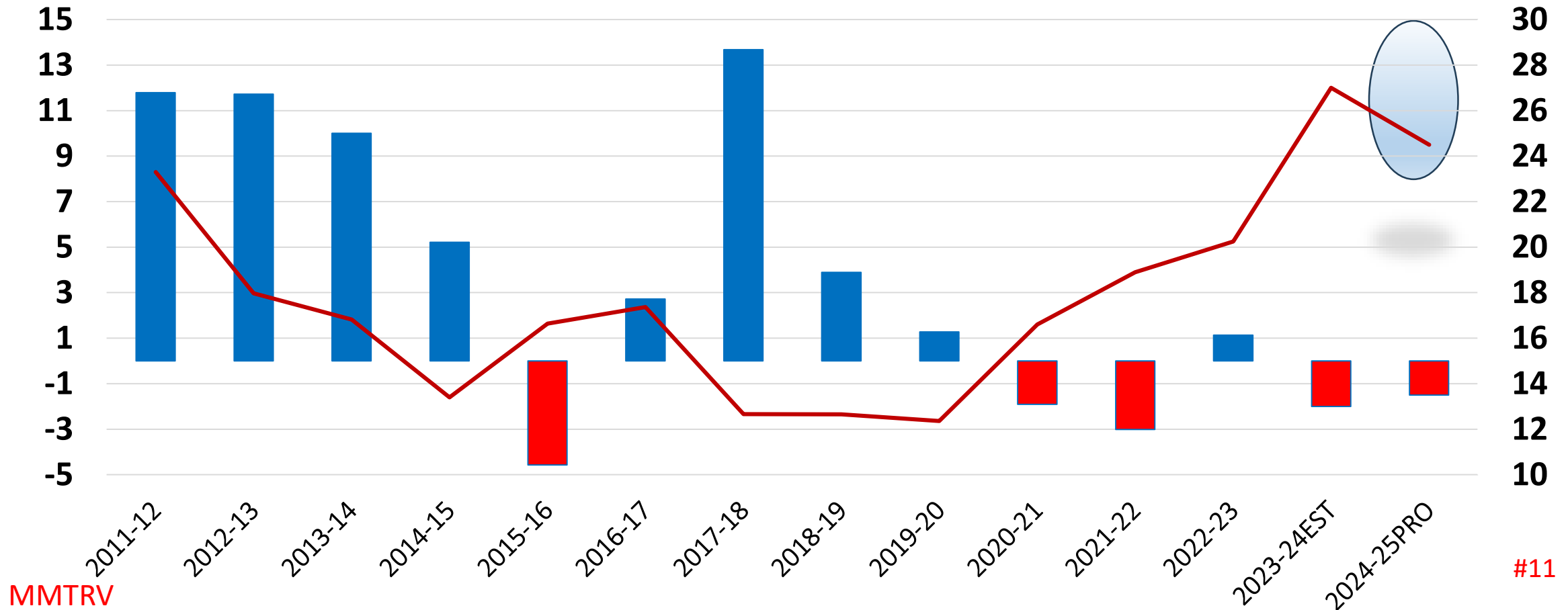
- March 2024 #11 price: 23.00 cents
- Tier-2 duty for raw sugar entry into the United States: 15.35 cents
- Current freight rates given global concerns: ~4.00 cents
- Physical Premium for March-May Central American sugar: 0.50 cents
- Polarity adjustment: less 0.70 cents
- = 42.15 cents CIF DP
- Current spot offers in #16 market ~42.25 cents

World Sugar Market: 20.00 is the new 15.00



World Sugar Balances vs #11

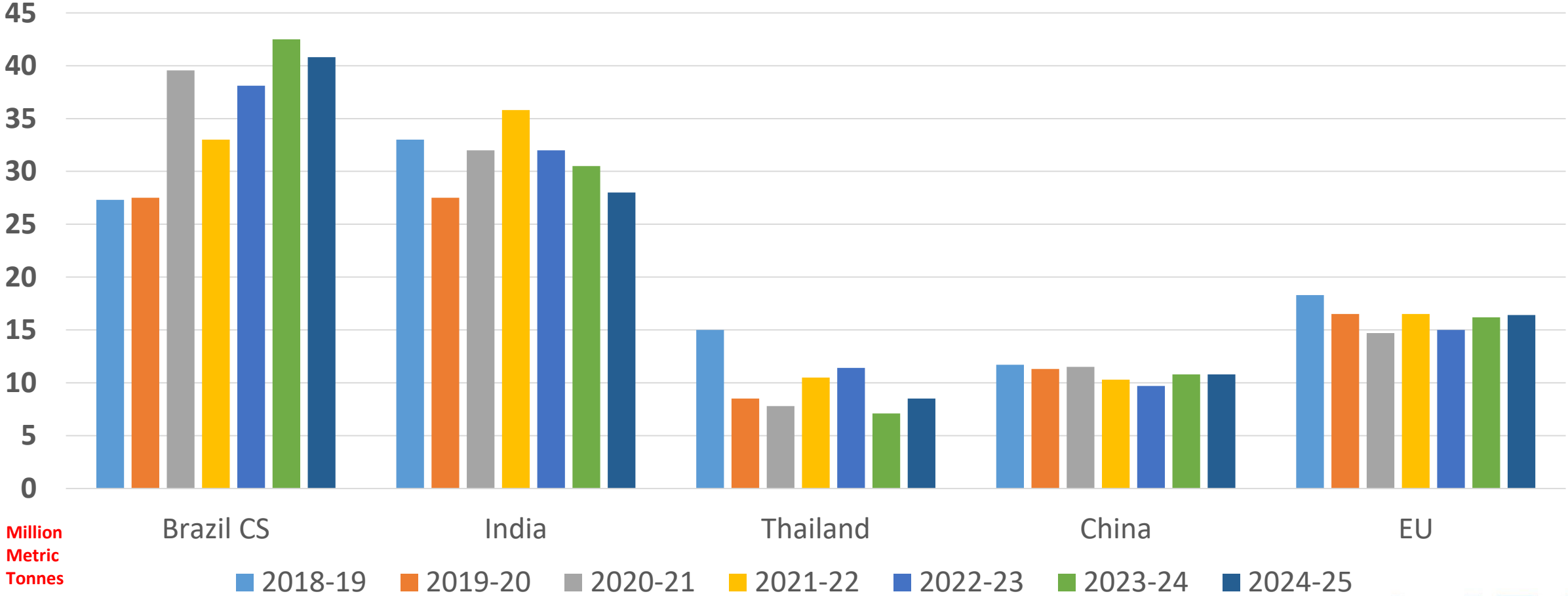
2012 to present (Oct-Sep basis)



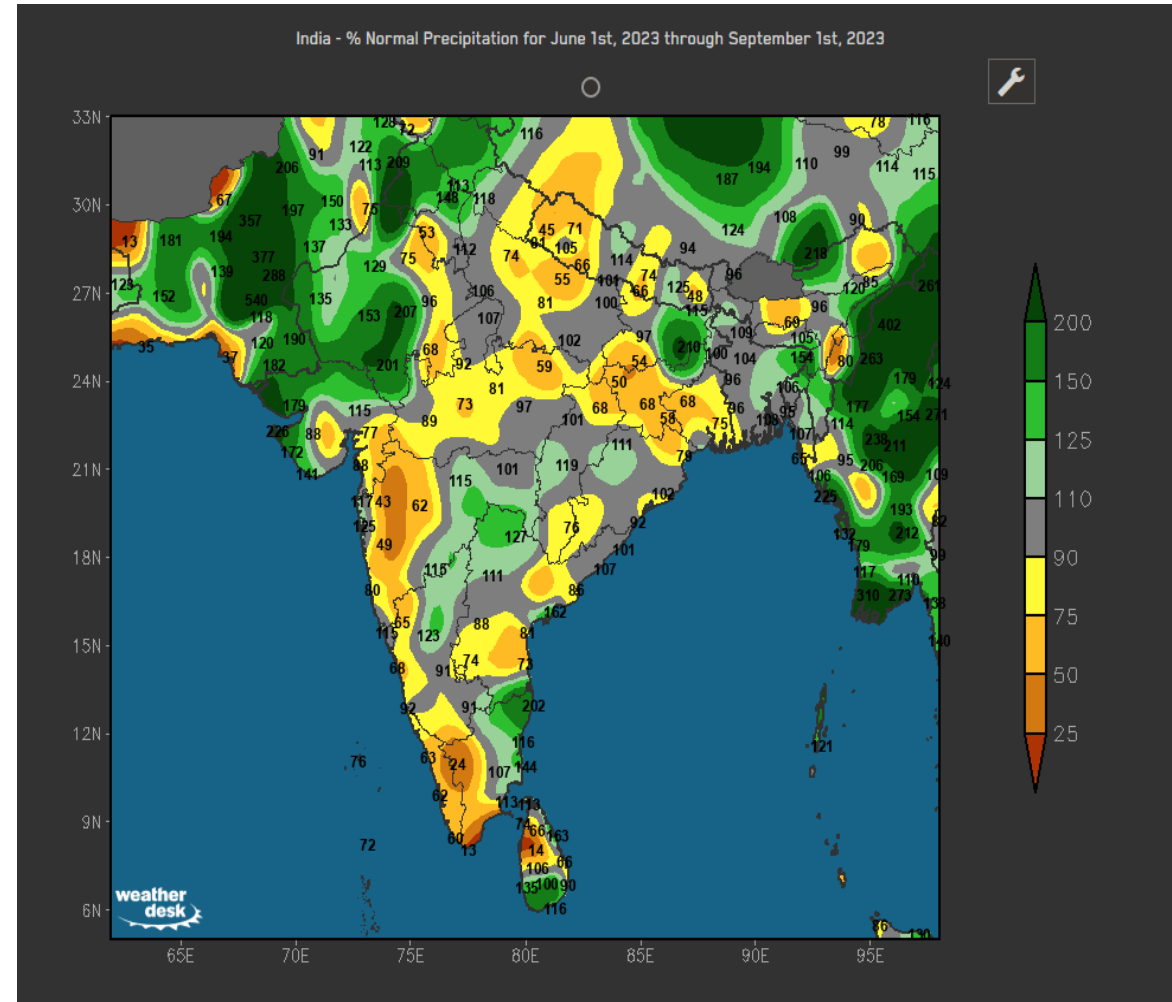
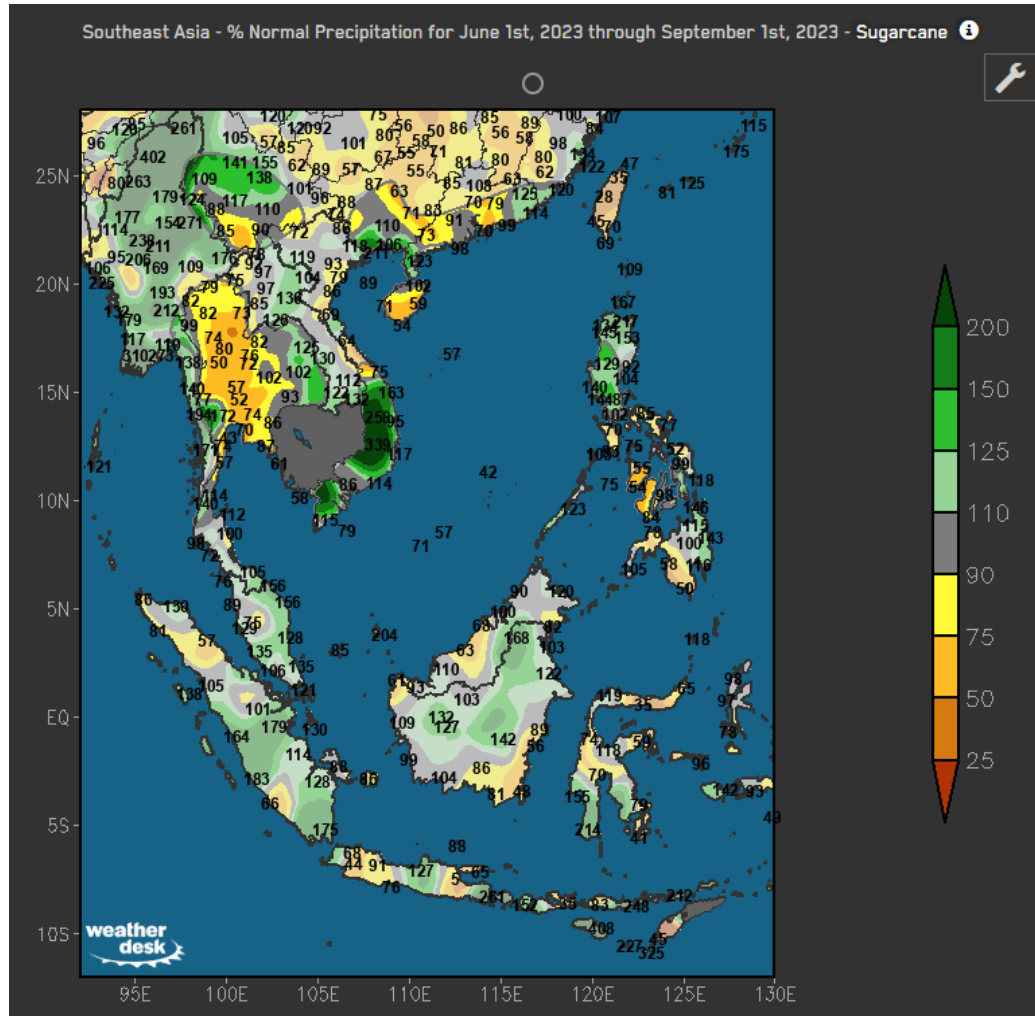
MMTRV

#11

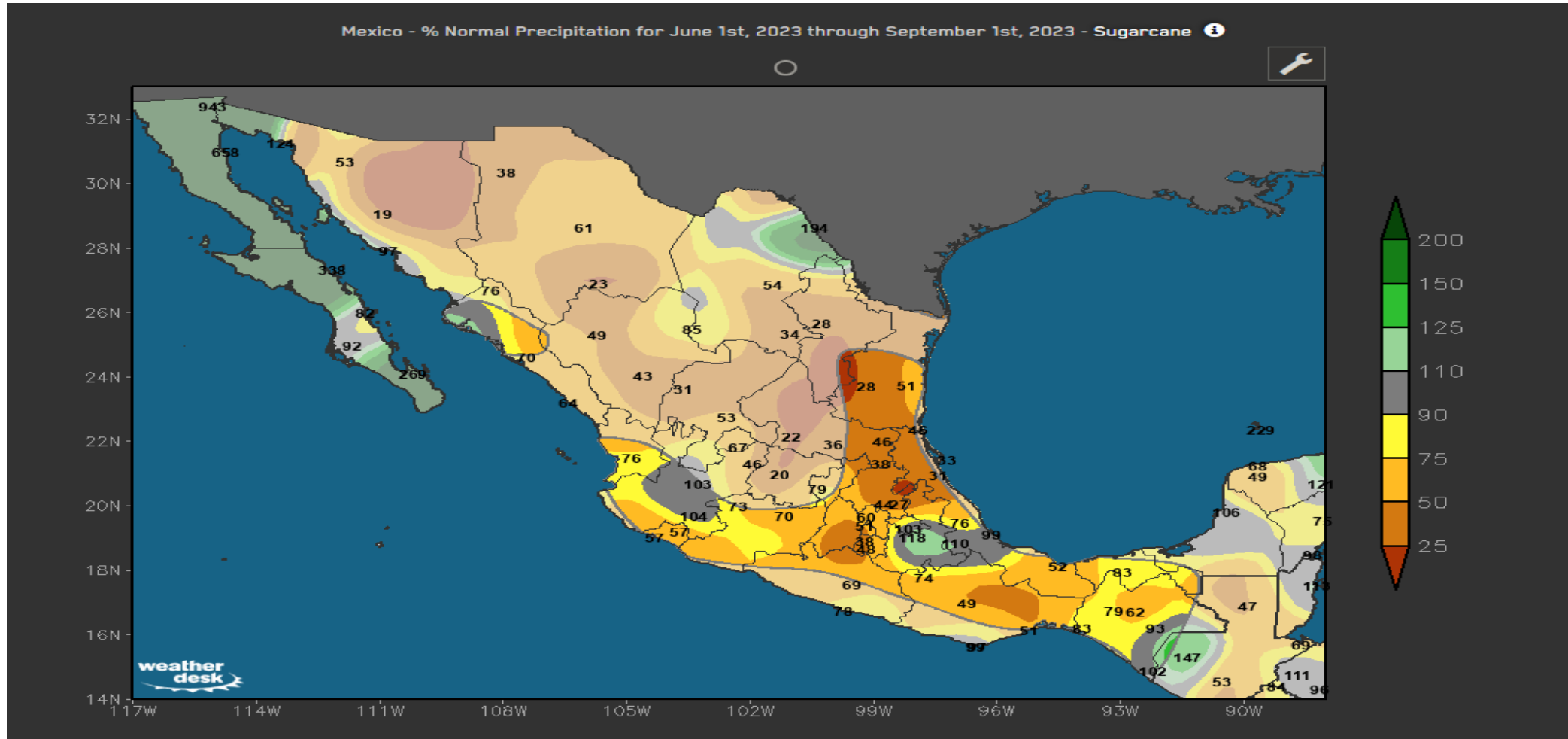
Top global producer trends: 2018-2025 (est.)



Super El Nino Negatively Impacted Global Production



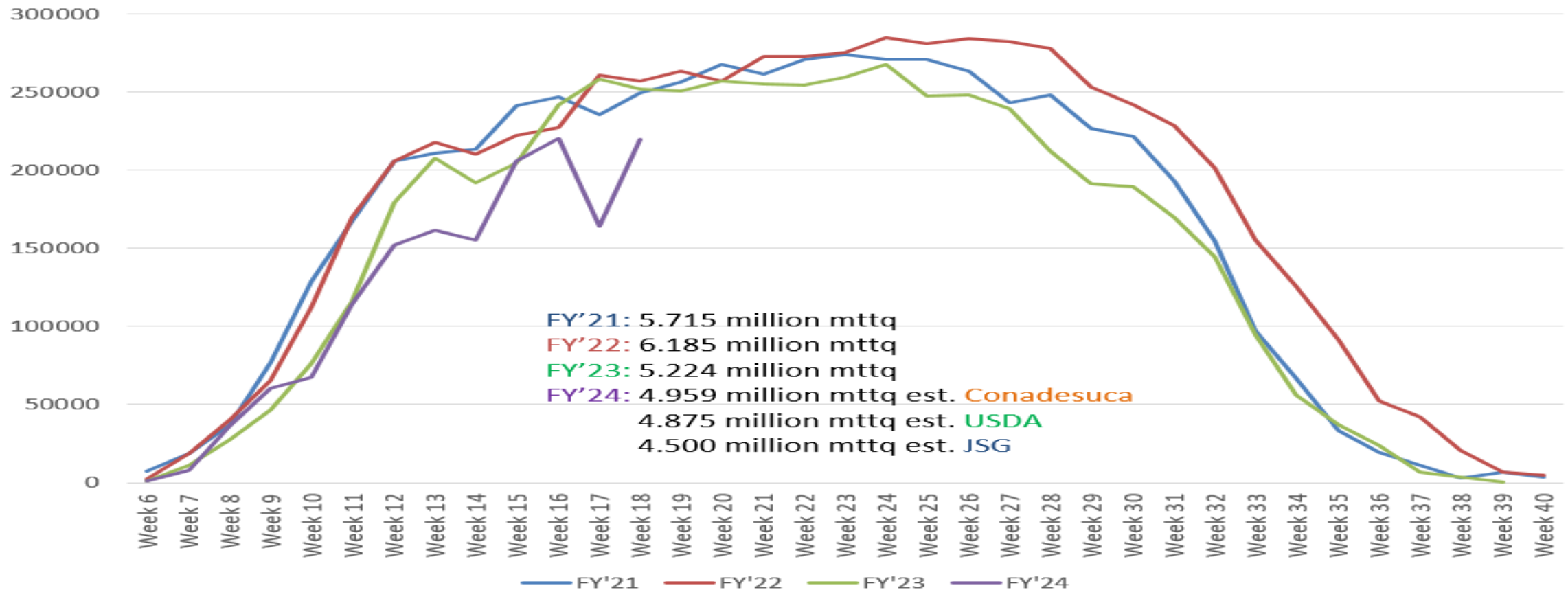
Super El Nino Negatively Impacted Global Production, II



Mexico in crisis following record drought

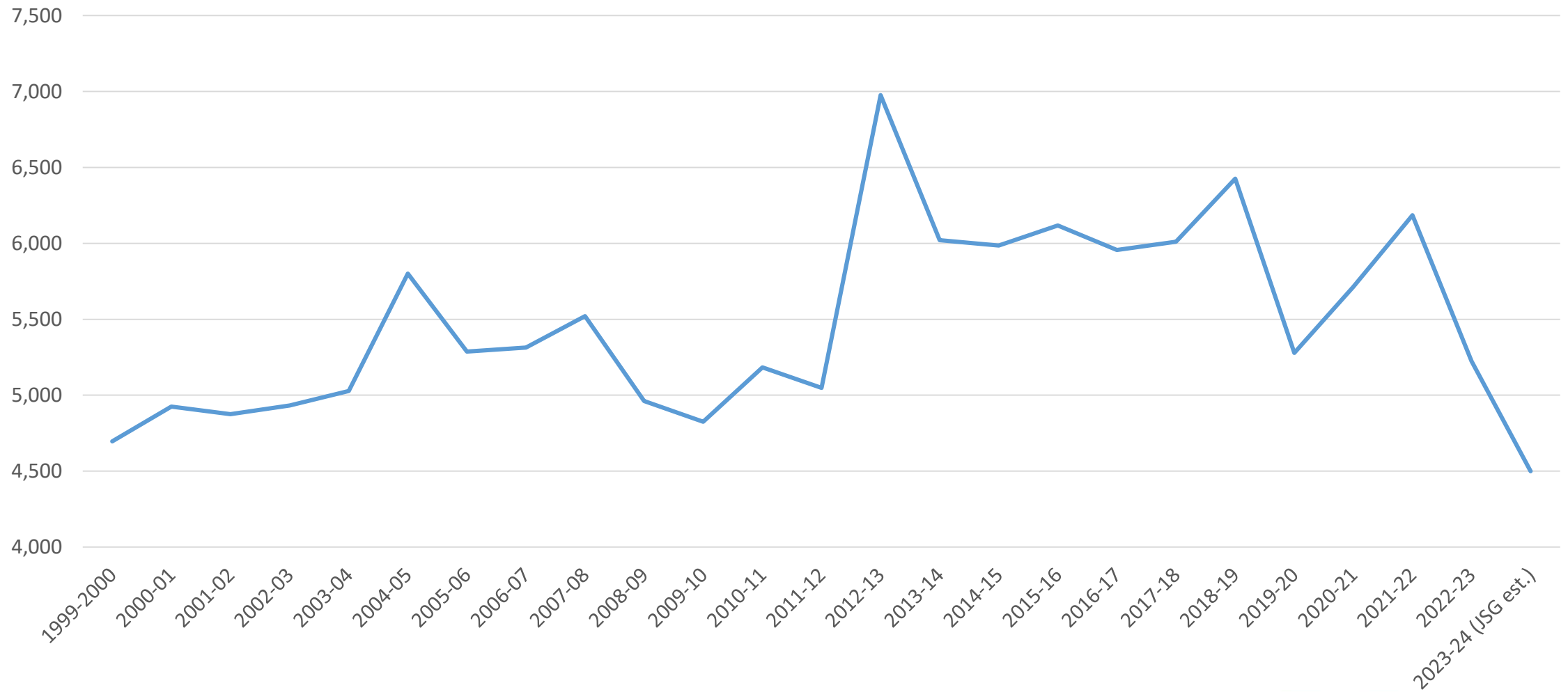
Production: 1.571 million tonnes, down 13.4%

Mexican Sugar Production: weekly adj.



Mexican Sugar Production:

FY'20-FY'24

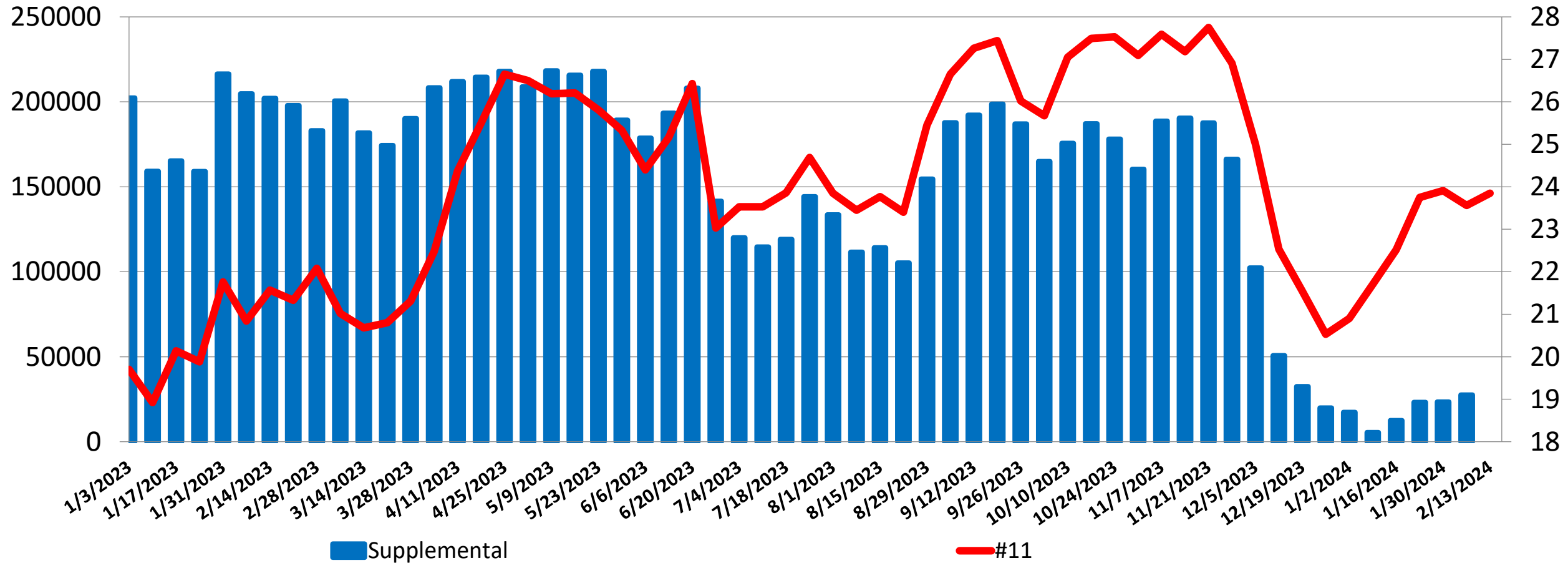


Source: [USDA/FAS](#)



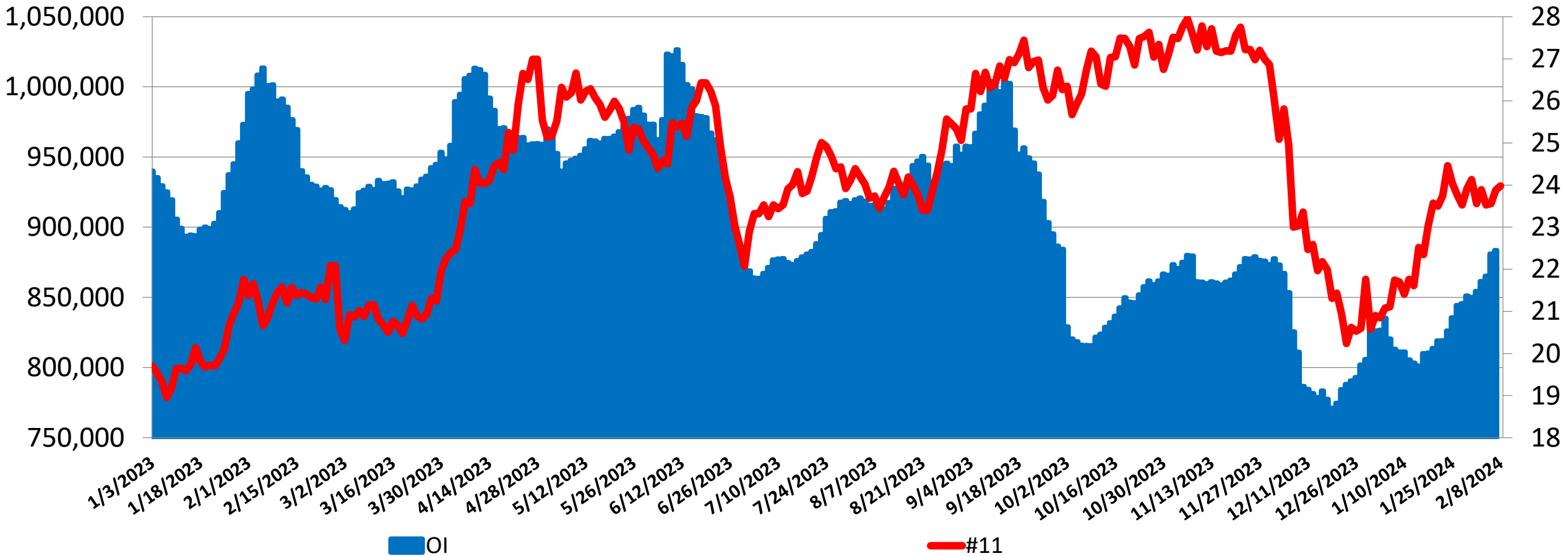
#11 Speculator Position 2/6 +27,530 – 2023/24

Average 2023 position: 171,165



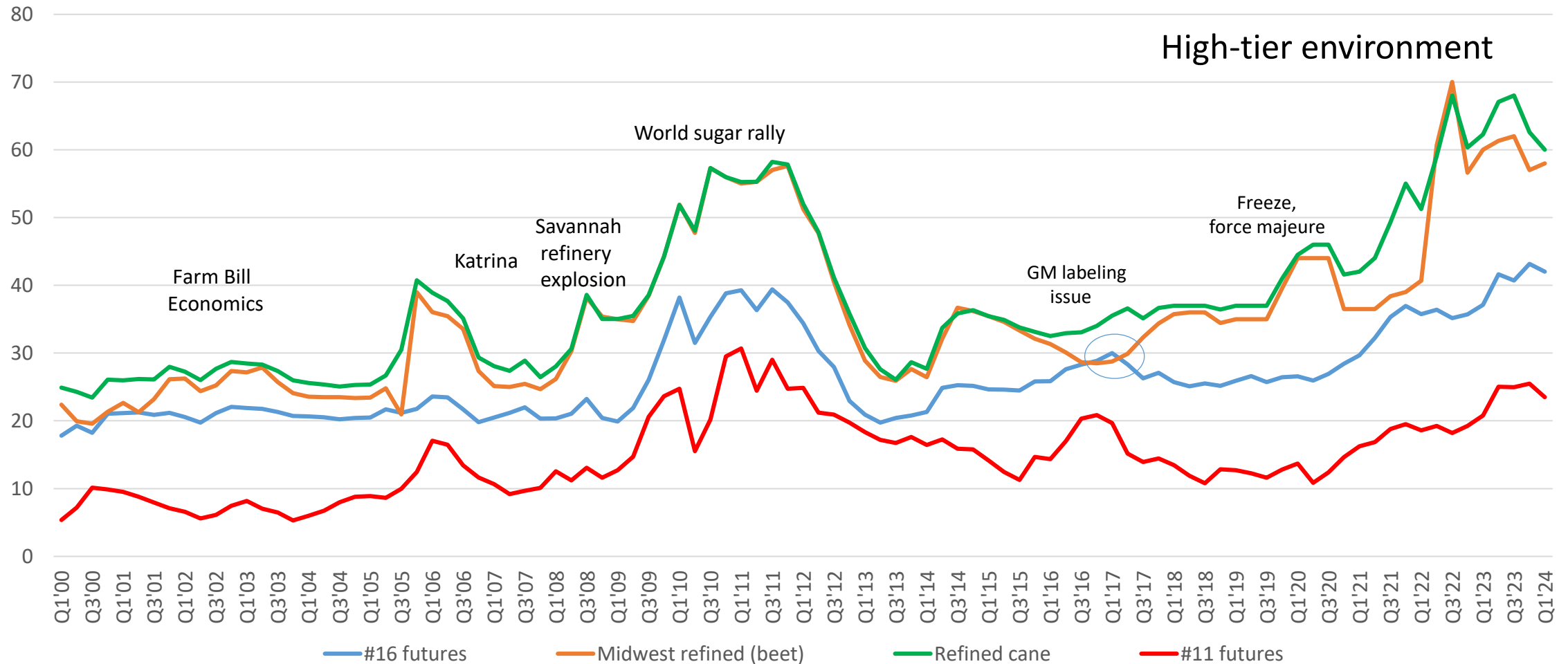
Total Open Interest vs. #11: 2023-present (883K)

Average 2023 total OI: 917K, Average price: 24.06

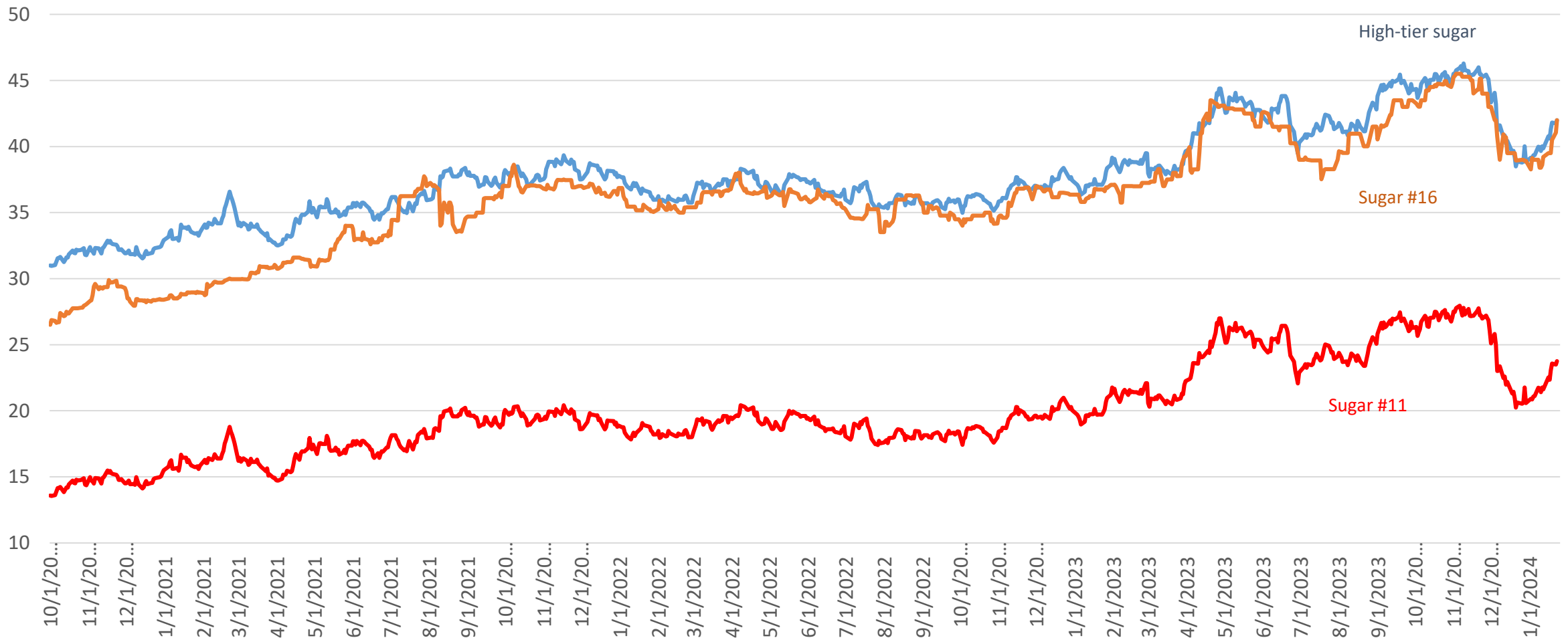


Nearby #11, #16, Midwest beet, refined cane:

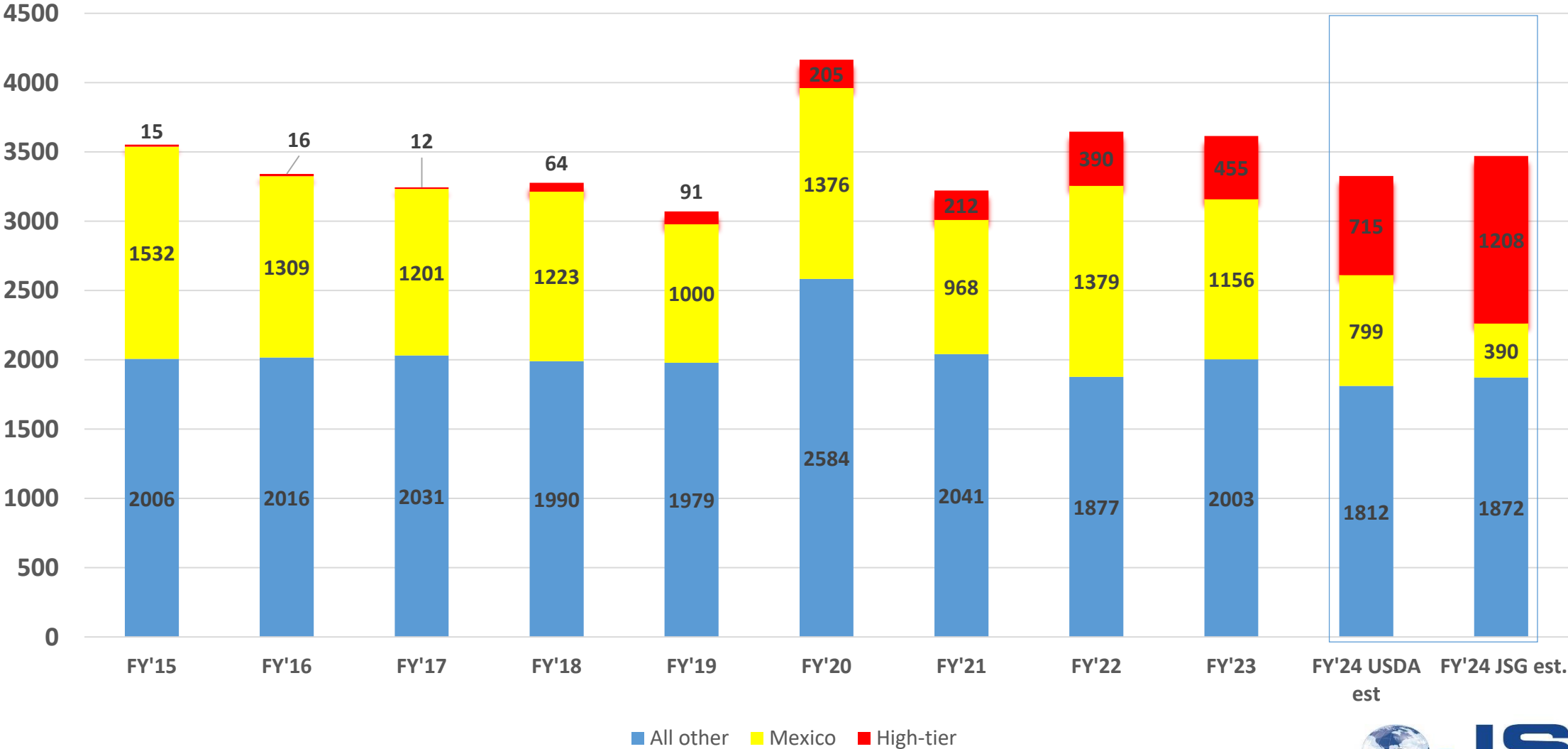
average quarterly price, 2000-2024



High-tier imports vs #16 futures: 10/1/20- present



Mexico and high-tier imports:



Source: USDA WASDE

Global Production Issues

Present & Future

- **Mexico – crop down to 4.5 mmt, old cane**
- **Central America – drought, older cane as well**
- **India – lower acreage, El Nino impacts – down 5% this year**
- **Thailand – drought, heat, crop switch – ~7.0mmt production**
- **EU – importer from exporter**
- **China – crop 10.5mmt, Consistent Physical Buyer**
- **Brazil needs to perform at another historic level**

World Sugar Balance of Year Outlook

- Follow any new investment, fund participation in #11
- Consistently high White Premium (+\$135) indicates strong demand
- Brazilian Center-South weather over next 6 weeks critical
- No Indian raw exports for foreseeable future
- Thailand has lost production momentum
- Global warfare Red Sea, Panama Canal issues bring freight risks
- Where does Crude Oil/Commodity Complex head?
- Sugar #11 could range: 20.00-30.00 cents = **39.00-49.00 cents #16?**



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