



US Beet Sugar Sector (2024)

Market Perspectives, Current & Future Prospects

2024 USDA Agricultural Outlook Forum

Crystal City Gateway Marriott, Arlington, VA

Pedro L. Figueroa

Vice President, Sales & Marketing (USA), **VERAX Commodities LLC**

Disclaimer

- ▶ *This market material is provided for information purposes only and does not bind **VERAX Commodities LLC** in any way. It is not intended as a recommendation or an offer or solicitation for the purchase or sale of any security, physical sugar contracts, or financial instruments, or to enter a transaction involving any financial instrument or trading strategy, or as an official confirmation of any transaction mentioned herein.*
- ▶ *Any information provided is indicative only and does not reflect a level where VERAX Commodities LLC is prepared to execute or broker a trade.*
- ▶ *Nothing in this material should be construed as investment, tax, legal, accounting, regulatory or other advice or as creating a fiduciary relationship.*



VERAX Commodities, LLC

- ▶ **Established:** 2023
- ▶ **Headquarters:** Chicago, IL
- ▶ **Regional Offices:** Houston, Mexico City

- ▶ **Investment partners & Exec. Mgmt.:**
- ▶ + 125 years combined experience in sugar futures & cash trading, valued-added manufacturing/packaging, global supply chains.

- ▶ **Focus on USMCA cross-border sugar trading, manufacturing & national distribution:**
 - ▶ Industrial scale liquid sugar processor
 - ▶ Granulated/Powdered Sugar Manufacturing, Packaging
 - ▶ Custom Blending Solutions
 - ▶ Specialty sugars



Points of Discussion – US Beet Sugar

- Sugar Program Management & market prospects
- Challenges
- Opportunities
- Future Prospects

Sugar Program Management & Market Dynamics- Constructive for domestic expansion

- ▶ Beet sugar: 85% total domestic consumption allocated to domestic sugar
 - ▶ 54.35% of above figure is allotted for beet sugar
- ▶ Stocks to use: Actively monitored and managed to 13.5%
- ▶ Suspension Agreement: Mexico provides supplemental supply only
- ▶ Domestic consumption – growing with population trends (~.5% -- +1% / annum)
- ▶ World sugar market dynamics: constructively bullish today
- ▶ Evolving regional market dynamics (US/Mexico) integration

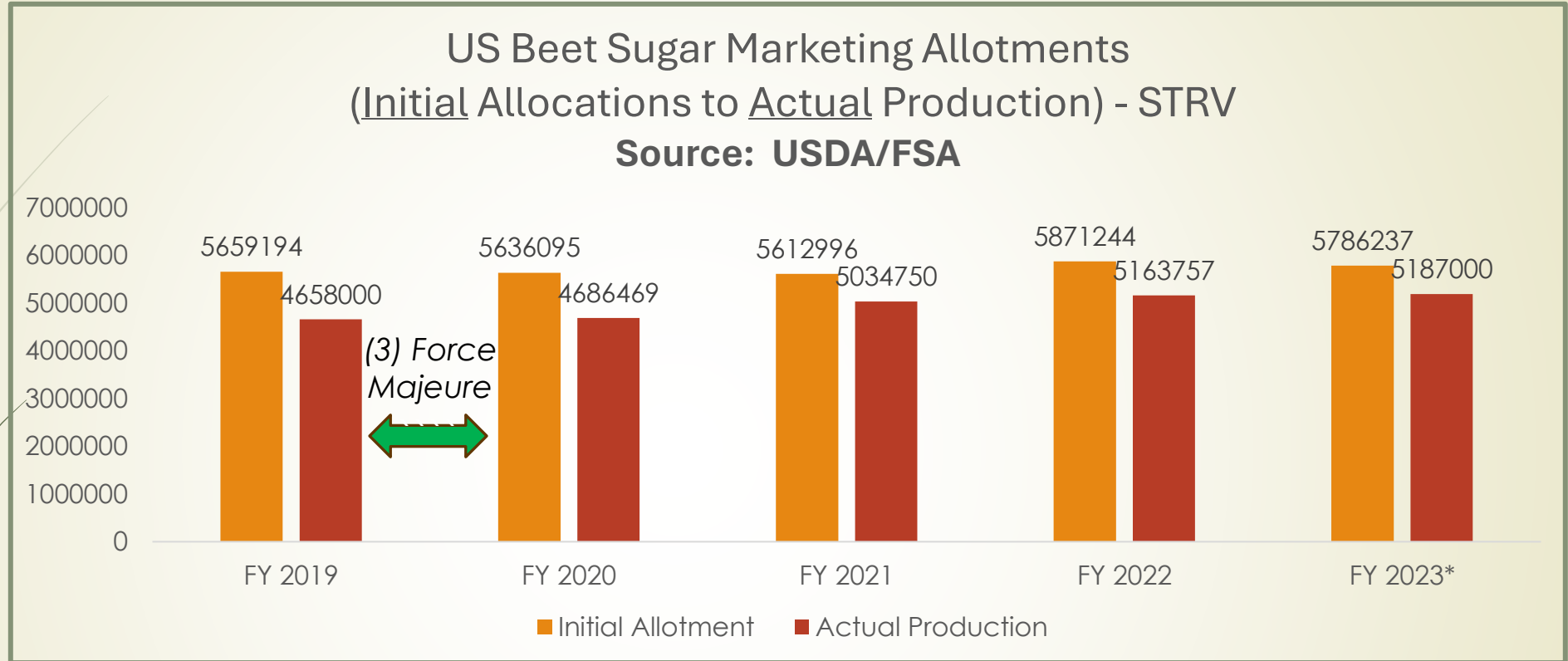
Bulk Beet Sugar prices – (FY 2019-23)



US beet sugar sector: Challenges

- Marketing Allotments (assigned vs. actual)
- Competing Crops & coop share prices
- Beet slice capacity/storage limitations
- Crop rotation requirements

Marketing Allotments - effects on overall share



Annual Allotment shortfalls:

FY 2019:	-1,001,194
FY 2020:	-949,626
FY 2021:	-578,246
FY 2022:	-707,487
FY 2023*:	-599,237

Five Year Avg: -768,158 STRV

'24 Use (Est.): 12,555,000 STRV

Δ: 6.11%



*Preliminary Data

Competing Crops – A Blessing & Curse.....

➤ Soil / Weather:

- Affect beet growers' decision making on planting decisions, competing crops opportunities.
- RRV: More dependent on beet crops = heavy steadfast investment on production/slicing
- Other regions (MI, Rockies) with more agricultural optionality = lagging investments

➤ Competing crop tradeoffs: short term gain vs. penalizing the longer-term growth (slice/storage)

➤ Crop Optionality eventually hinders beet sugar production investment & investor sentiment

- “Growers don’t necessarily own the elevators, but they own the sugar factories”
- Growers need greater visibility on forward prices; empower to plant the right crop at the right time.

➤ Overall effects on coop share prices:

- **RRV:** (~ +\$3000 -- \$5800 per share)
- **MI:** (Par) **Rockies:** (Par)



Opportunities: 5-year market outlook (beet sugar)

➤ Current USA annual demand (WASDE):	12,555,000 STRV
➤ <i>*Conservative annual use increase (.75%)</i>	<i>94,165 tons per year</i>
➤ <i>*5-year demand outlook (based on above):</i>	13,025,000 STRV
➤ <i>*Beet sugar segment allotment estimate:</i>	6,017,605 STRV
➤ FY 2024 beet sugar forecast (WASDE):	5,327,000 STRV
➤ Estimated allotment shortfall vs. '24 forecast:	690,605 STRV

*Note: VERAX Estimates only



Future Prospects – Working towards full US/Mex integration (north/southbound)

Projected FY'24 Mexico imports (Oct-Sep 2024)	547,000 MT TQ
YTD Mexico sugar Imports (Oct 2023-Jan 2024)	315,179 MT TQ
Balance to fulfill forecast	231,821 MT TQ
YTD-US share of imports	51,848 MT TQ
	16.45%

Sources: USDA/WASDE



Source: Axaxl.com



Summary

- ❖ **USDA:** Sugar Program Management working as intended; current structure allows investment environment to expand domestic capacity.
- ❖ **Markets:** International sugar markets are constructively bullish; price correlation with US stronger than ever.
 - ❖ Constructive to capacity expansion/investment with proper price discovery..
- ❖ **Demand:** Sugar consumption in USA/Mexico will continue to grow.
 - ❖ Today US/Mexico region is an overall deficit producer – will it continue?
- ❖ **Allotments: Unused marketing allotments are key for longer term growth**
 - ❖ Expansion can only materialize if other non-RRV coops are “all-in”.
 - ❖ Beet coop share values will appreciate as growers focus on long-term factory investment vs. short term optionality with competing crops.
 - ❖ “Sugar beets are the blue-chip”.
- ❖ **Mexico:** An untapped market for US beet sugar within range
 - ❖ Further education required on GM-sugar / labeling requirements
 - ❖ Multinational users in both countries can trigger faster acceptance





Where Trade Meets Trust™

Follow us on LinkedIn® 

Chicago • Houston • Mexico City