

Center for Agricultural Policy and Trade Studies North Dakota State University

NEWSLETTER

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2009 Outlook of the U.S. and World Sugar Markets, 2008-2018

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This article summarizes *Outlook of the U.S. and World Sugar Markets for the next 10 years (2008-2018)*, using the global sugar policy simulation model, which is operational at the Center for Agricultural Policy and Trade Studies. Total world sugar trade is projected to increase by 14.9% from 26.8 million metric tons in 2008 to 31.0 million metric tons in 2018. The price of Caribbean sugar is expected to increase about 1% from 13.84 cents/lb in 2008 to 13.95 cents/lb in 2018 (Figure 1). Even though there are expectations of substantial increases in demand for sugar due to ethanol production from sugar cane in Brazil, increases in sugar production in some sugar producing countries would offset this increase in demand.

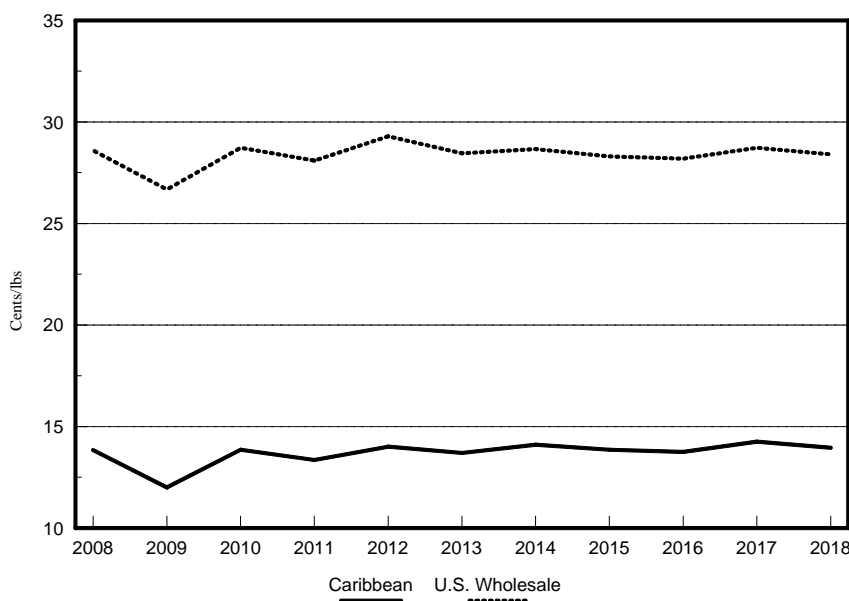


Figure 1. Estimated U.S. and World Sugar Prices

Imports by most importing countries, except China, are predicted to increase from the 2006-08 average to 2018. China's imports are predicted to increase by 5.2%, while Japan's imports are predicted to decrease by 1.5%. Imports by Egypt and Algeria are predicted to increase by 45.5% and 80.9%, respectively.

U.S. sugar consumption is predicted to increase by 19.2% for the forecasting period, while production is expected to increase by 7.4% for beet sugar and by 15.1% for cane sugar. Increases in beet sugar production may be limited due to high prices for other commodities such as corn, soybeans, and wheat as they compete for acres. However, if corn, soybean, and wheat prices remain higher than the prices projected by FAPRI and USDA, the U.S. domestic production of sugar could be much smaller and imports could be higher. Imports are predicted to decrease by 12.2% in 2018 compared to an average import between 2006 and 2008, which was abnormally high. Mexico could have an impact on the U.S. sugar industry if the country uses high fructose corn syrup (HFCS) in its soft drink industry. However, the recent high prices of HFCS could prevent conversion from sugar to HFCS in the soft drink industry. Otherwise Mexico's sugar exports to the United States could be relatively small, even though NAFTA allows unlimited exports of sugar beginning in 2008.

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U.S. sugar production is predicted to increase to 8.0 million metric tons in 2018. The increase in sugar production is due mainly to a combination of stable world and U.S. sugar prices and expected increase in consumption for the time period. U.S. sugar consumption is predicted to increase by 19.0% from 9.2 million metric tons, the average of the 2006-2008 time period, to 11.0 million metric tons in 2018. Ending stocks are also predicted to increase by 12.9%.

Brazil's production is predicted to increase by 14.0% from 30.1 million metric tons in 2006-2008 to 34.3 million metric tons in 2018. Brazil's exports are predicted to increase from 16.0 million metric tons in 2006-2008 to 21.0 million metric tons in 2018. Its domestic consumption is predicted to increase by 22.4% from 10.9 million metric tons in 2006-2008 to 13.3 million metric tons in 2018. Much of the increase in consumption is due to ethanol production.

Thailand's exports are predicted to increase by 58.5% from the 2006-2008 average of 1.9 million metric tons to 2.9 million metric tons in 2018. Most of the increase is due to small exports in 2006. Consumption increases from 2.1 million metric tons for the 2006-2008 average to 2.5 million metric tons in 2018. Sugar production in the country is also predicted to increase by 13.1% from 7.5 million metric tons to 8.5 million metric tons in 2018.

Australia's exports are predicted to increase by 11.4% from 3.8 million metric tons for the 2006-2008 average to 4.2 million metric tons in 2018. This is due mainly to increased sugar production, which is predicted to increase by 9.1% from 5.1 million metric tons to 5.6 million metric tons in 2018. Sugar consumption is expected to increase by 17.4% from 1.2 million metric tons to 1.4 million metric tons in 2018.

Mexico's production is predicted to increase by 14.0% from 5.7 million metric tons in 2006-2008 to 6.5 million metric tons in 2018. Mexico is expected to export 119 thousand metric tons by 2018, mainly to the United States under NAFTA. Sugar consumption is predicted to increase by 13.0% from 5.6 million metric tons in 2006-2008 to 6.4 million metric tons in 2018 under the assumption that Mexico does not convert to HFCS in their soft drink industry. Ending stocks are predicted to increase by 3.1%. If Mexico replaces the sugar that is used in soft drinks with HFCS, the excess sugar will likely be exported to the U.S. under NAFTA.

The EU has changed their internal sugar policy by restricting support, which has resulted in reduced production. Because of that change, the EU has become a net importer of sugar. EU imports are predicted to decrease from 2.9 million metric tons in 2008 to 1.9 million metric tons in 2018. Sugar production in the EU is predicted to increase 3.5% and consumption is predicted to increase from 19.4 million metric tons for the 2006-2008 average to 19.9 million tons in 2018. Most of the increase in consumption is due to the income increases in the additional countries now included in the EU.

China is expected to increase its imports by about 5.2% from 0.88 million metric tons in 2006-2008 to 0.92 million metric tons in 2018. China's production is predicted to increase by 33.0% from 12.7 million metric tons for the 2006-2008 average to 16.9 million metric tons in 2018, and consumption is predicted to increase by 34.0% from 13.3 million metric tons to 17.8 million metric tons for the period.

One important variable to be considered is the possible substitution of sugar for HFCS in the U.S. soft drink industry, mainly because of narrowing gap in prices of the two products. If the substitution is realized, domestic demand for sugar may significantly increase.

2009 Outlook of the U.S. and World Wheat Industries, 2008-2018

*Richard D. Taylor and Won W. Koo**

This report evaluates the U.S. and world wheat industries for the 2008-2018 period using the Global Wheat Policy Simulation Model. This update was finished during the current world wide recession. Total world wheat trade for the five major exporters is projected to increase by 23.9% from 73.1 million metric tons in 2008 to 90.6 million metric tons in 2018. Trade of all wheat classes is expected to increase for the 2008-2018 period.

Figure 1 shows the projected prices for the various classes of U.S. wheat. HRSW price is expected to fall to the \$5.00 range and then slowly increase to about \$5.50. Durum wheat price is also expected to fall in 2009 and then increase to about \$7.40 per bushel.

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By 2018, total U.S. wheat production is expected to grow 24.2% above the 2006-2008 average, but will still be much lower than production during the late 1990s. The largest increases in production occur for U.S. SRW wheat (52.0%), followed by durum wheat (50.1%) and HRS wheat (25.2%). Production of white wheat is expected to increase 3.6%.

Common wheat consumption is expected to grow slightly faster than durum wheat consumption. U.S. wheat consumption is projected to grow by 16.0% for common wheat and 14.0% for U.S. durum wheat for the 2008-2018 period. U.S. durum wheat exports are projected to increase to 131 thousand metric tons in 2018. Common wheat exports are predicted to increase from 25.9 million metric tons in 2006-2008 to 33.3 million metric tons in 2018. Ending stocks are expected to increase 43.4% for common wheat and increase by 36.2% for durum wheat.

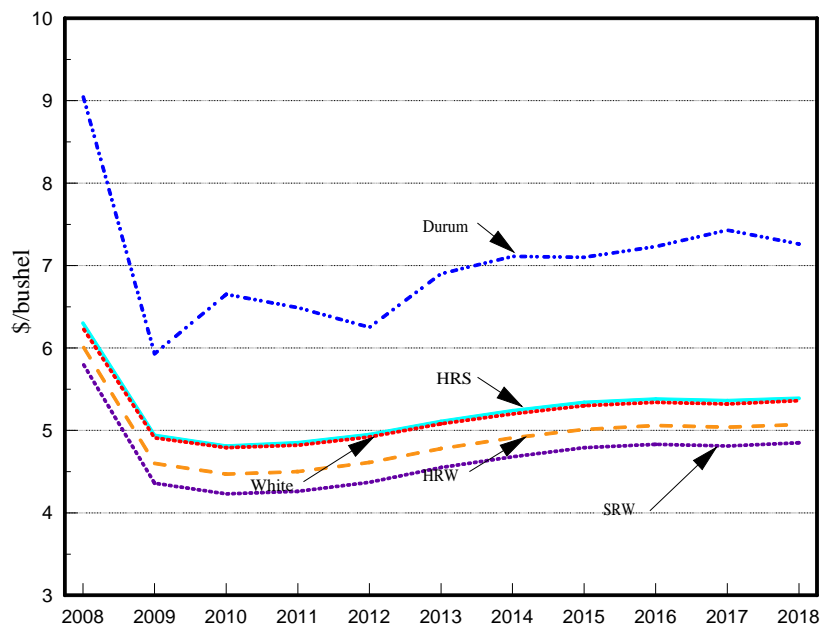


Figure 1. Projected Farm Wheat Price, by Class, 2008-2018

The production and consumption of Canada western red spring (CWRS) wheat in 2008 was larger than the three-year average. By 2018, CWRS and Canadian western amber durum (CWAD) wheat production is predicted to increase 5.9% and 5.4%, respectively, from the 2006-2008 average. Domestic consumption of CWRS wheat is predicted to increase 20.3%, while the consumption of durum wheat is expected to increase 3.1% over the 2008-2018 period. Canadian CWRS wheat exports are projected to increase 9.0% by 2018, and CWAD wheat exports are predicted to decrease 1.8% from 3.5 million metric tons to 3.4 million metric tons in 2018.

Common wheat production in the EU is predicted to decrease 6.7% from the 2006-2008 average by 2018, while durum wheat production is expected to increase 12.8% for the same time period. Domestic consumption of common wheat is projected to increase by 4.7%, and consumption of durum wheat is predicted to increase by 5.0% for the period.

Compared to the 2006-2008 average, Australia's wheat production is projected to grow 89.0% by 2018. Much of that increase is due to the small crops in 2006, 2007, and 2008. Yields are expected to increase gradually at the historical trend line and wheat area is expected to increase slightly. Domestic wheat consumption is predicted to increase by 4.2% from the 2006-2008 average of 6.7 million metric tons to 7.0 million metric tons in 2018. Wheat exports are also predicted to increase from the 2006-2008 average of 12.9 million metric tons to 20.7 million metric tons in 2018.

Argentine wheat production is projected to decrease by 9.4% from the 2006-2008 average of 13.7 million metric tons to 12.4 million metric tons by 2018, but increase 30.3% from 2008. Domestic wheat consumption is expected to increase 16.3% from 5.3 million metric tons to 6.1 million metric tons. Wheat exports are predicted to be 6.2 million metric tons in 2018, which is a 26.0% decrease from the 2006-2008 average.

There are some uncertain variables which may affect the U.S. and world wheat industries. A recent rise in protectionism in some developing countries is one of them. This protection is due mainly to the recent surge in wheat prices. This protectionism may reduce total trade volume of wheat in the world market. Another variable is a decrease in per capita consumption of wheat in China as its disposable income increases. China's per capita consumption of wheat peaked between 2006 and 2008 and is now in a decreasing trend. If this trend continues, China's wheat imports may not increase if they continue to produce wheat at the current level.

Conference Announcement

The Center for Agricultural Policy and Trade Studies (CAPTS), Farm Foundation, and International Agricultural Trade Research Consortium (IATRC) jointly organize an international conference entitled,
"Confronting Food Price Inflation: Implications for Agricultural Trade and Policies"
in Seattle, Washington on June 22-23, 2009.

The symposium will center on four main issues; (1) food prices and their impact on agricultural trade and policies; (2) food prices and global welfare; (3) factors affecting food price; and (4) changes in the U.S. and world agricultural sectors.

For registration and hotel reservation, go to the IATRC's home page: <www.iatrcweb.org> and follow the "read more" link.