

The Growing Imbalance with the “Intra-Industry Sales Less Receipts” Component of “Miscellaneous” in Table 1, Sweetener Market Data Report

The “Intra-industry sales less receipts” component of the “Miscellaneous” category in the Sweetener Market Data (SMD) report has become so negative recently that some analysts have raised questions about the significance and potential impacts of this Miscellaneous component (see graph). The Farm Service Agency (FSA) has examined the phenomena and has come to the following conclusions.

The monthly data FSA receives from reporters – all U.S. cane refiners, sugar beet processors, and sugarcane processors – represents a complete sugar materials balance for each reporting company. As such, companies report all additions to their sugar supply (production, imports, and purchases), all dispositions (exports, sales), and stocks. A “intra-industry sale” is recorded when sugar is sold between reporters; e.g., the sale of raw sugar by a cane processor to a cane refinery. A sale to any other entity is recorded as a “delivery”. Sales to reporters versus nonreporters are distinguished to better reflect sugar consumption.

A “receipt” represents a sugar purchase by a reporter, with no distinction as to whether the source company is a reporter or nonreporter. At the time Table 1 was developed in the 1990s, there was no reason to separate the source of the receipts between reporters from nonreporters. We assumed any major discrepancy would be caused by sellers reporting sales in different months than reported by purchasers, but that over time the accumulated “intra-industry sales” would equal “receipts” and “Intra-industry sales less receipts” would be zero. As shown in Figure 1, this was generally true until February 2008, the last month that 12-month accumulated “Intra-industry sales less receipts” was close to zero.

Since February 2008, 12-month accumulated “Intra-industry sales less receipts” have been continuously negative, indicating that receipts must be generally outpacing shipments. FSA conducted a survey of sugar traders and discovered that traders were importing raw sugar for cane refiners, who, in turn, report their purchase of the imported raw sugar to FSA as a “receipt”. Without traders reporting to FSA, the SMD balance sheet is missing the “sales” component of these transactions. With the implementation of unrestricted sugar trade with Mexico on January 1, 2008, under the North American Free Trade Act, more traders have imported raw sugar for U.S. refiners. FSA found that including import and sales data in Table 1 from the limited number of traders surveyed, reduced, by 50 percent, the negative balance in the “Intra-industry sales less receipts” component of “Miscellaneous”. Capturing trade activity from more importers is expected to further reduce the imbalance.

This notion is consistent with a publication¹ by Cornell that concluded that the Miscellaneous item in the monthly sugar World Agricultural Supply and Demand Estimate (WASDE) report was unbiased, in spite of the negative bias in the SMD Miscellaneous item. Cornell concluded that the negative bias in the SMD Miscellaneous item was eliminated when the WASDE used the Customs import data instead of the SMD import data at year’s end. All other Supply and Use values in the WASDE at year’s end come from the SMD’s Table 1. Cornell observed that the Customs import data is generally higher than the SMD import data, creating a positive bias within the WASDE Miscellaneous item that offsets the SMD’s negative

¹ “Should the WASDE Forecast Miscellaneous Use?” Steve Cornell, Sugar and Sweetener Outlook, SSS-252, Economic Research Service, May 27, 2008, p. 40

Miscellaneous bias. We now know that both the difference in imports between the WASDE and the SMD and the growing “Intra-industry sales less receipts” negative balance is due to trader imports not yet counted in the SMD report.

FSA intends to incorporate traders’ data in the SMD beginning with the October 2009 report.

Accumulated Intra-Industry Sales Less Receipts, Jun 2007 - Aug 2008

