



meeting summary

15 November 2017

- o The second meeting of the Sugar Market Observatory (SMO) took place on 15 November 2017, chaired by Mr. Jens Schaps, Director for Agricultural Markets. It gathered the representatives of organisations from all stages of the sugar and isoglucose supply chain. All but one of the SMO members were represented: CEJA (young farmers), COGECA, CIBE (sugar beet growers and coops), CEFS, Azucarera and Viro (beet sugar producers and refiners), CIUS (food industry sugar and isoglucose users), ePURE (ethanol producers), CEFIC (fermentation industry), ASSUC and Zucker Handels Union (sugar traders), ACP/LDC Sugar Industry Group (ACP/LDC sugar producing industry) and STARCH EUROPE (starch industry including isoglucose production). Mr Schaps also welcomed the newly appointed observers in the SMO.
- o Mr Schaps addressed the main points of interest for the meeting, namely **trade** and **consumption**. Mr Schaps stressed the importance of these market items following the end of the quota system.
- o The first part of the meeting was devoted to developing a vision on **current trade flows**: two members, ASSUC and ACP/LDC, were been asked to give presentations covering their area of expertise (world market trade and EU imports respectively), immediately followed by a complementary presentation from the European Commission (DG AGRI).
- o The ensuing debate among the members of the SMO was lively and constructive: there is general consensus on the fact that **EU import will decrease significantly, possibly even** below the level of DG AGRI's first forecast of 1,5 million tonnes for the marketing year 17/18.
- o With various nuances, experts also shared the view that **EU export will at least double compared to the previous years**. The rise could, according to some experts, exceed the initial estimates of DG AGRI (2.8 million tonnes) and rise above 3 million tonnes. This optimistic assessment is based on the fact the leading sugar producers have heavily invested in export logistics to benefit from new market opportunities.
- o On prices, the difference between EU and world market prices is seen as decreasing. The stronger alignment with world market patterns is expected to make EU prices more volatile than observed under the quota system.
- o The second part of the meeting was devoted to **longer-term trends**, particularly for **consumption**. One member (CIUS) presented consumption trends, complemented by presentations of DG AGRI's Short Term Outlook and Medium Term Prospects and the latest production and stocks level data.
- o Again, the debate was lively and interactive: some members stressed the need to enhance consumption information by collecting further data, while others pointed out that there are severe constraints to gather reliable information. This is mainly due to the presence of very fragmented markets for sugar in function of its different uses, in particular resulting from large variety of different food and beverages industries.
- o The intense debate on the issues described left no time to treat all Agenda items. Further focus on methodology for geographical aggregation of price and consumption information had to be postponed to the next meeting, tentatively scheduled for April 2018.