Sugar Market Observatory

European Commission

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Meeting summary

2 June 2021

- The twelfth meeting of the Sugar Market Observatory (SMO) took place on 2 June 2021 by videoconference, chaired by Ms Silke Boger, Head of Unit for Arable Crops at DG AGRI.

- In the first presentation ePURE, the European organisation for renewable ethanol, gave an update on the ethanol market in Europe and worldwide. In 2019/2020, 1.8 million tonnes of sugar equivalent are used to produce sugar-based ethanol. This represents 19.3% of the crop-based ethanol that is produced in Europe. The uptake of ethanol-based fuel is lacking behind in Europe compared to other countries in the world. The blending mandates for instance in the US, Brazil and Thailand are higher than the EU with 10%. After the US and Brazil, the EU is the third largest producer of ethanol world-wide, but the difference to the two largest producers is substantial. The US produces 10 times and Brazil 6 times the amount of the EU. In the current market dynamics, the representative of e-Pure considers growth potential for sugar-based ethanol in the EU limited. Higher growth has been observed with ethanol produced from maize worldwide.

- ASSUC presented recent developments and prospects for the world sugar market. Prices remain elevated: demand in Asia is strong and on the rise in other countries as the vaccination campaign progresses. Sugar production in Brazil is estimated at 40 million tonnes in 2021/2022 (7% lower than last year, mainly due to drought). The harvest is slightly delayed due to water shortages in April. The ethanol demand is increasing in Brazil, which may lower the final sugar production. India's production has increased by 13% this marketing year to 31 million tonnes, and is expected to increase further in the next marketing year. After a year of low production in Thailand, recovery is expected with an increase of 40%. Global consumption is expected to rise with 1% to 2% next marketing year. Freight costs and container availability remain a challenge for white sugar trade.

- Afterwards, DG AGRI's representative provided an update of the EU sugar market situation. The EU average sugar price for March has increased to EUR 394 per tonne, up from EUR 381 per tonne at the beginning of the marketing year. Up to mid-May 2021 sugar imports of this marketing year reached 0.86 million tonnes (-39% year-on-year) and sugar exports rose to 0.46 million tonnes (-14% year-on-year). An update of the EU sugar balance sheet was presented. Compared to the last meeting on 9 February, production was adjusted to 14.4 million, consumption was decreased by 1% and export to third countries other than the UK was lowered with 50 000 tonnes. Board members from sugar production and trade considered the forecasted imports of 1.6 million tonnes too optimistic, taking into account the current evolution of imports and the low price incentives on the EU market. In view of these comments, DG AGRI will adjust the sugar balance sheet in its next update. Discussions on the availability of sugar on the EU market showed divergent views among members of the board. Representatives of the sugar users see a very low flexibility in supplies and expect a further tightening of the market when more lockdown restrictions are lifted. Sugar producers are not aware of supply shortages. A short discussion took place on sugar beet yields and the reliability of the forecasts published in the JRC's MARS bulletin. Because of the importance of this topic, it will be included in the agenda of the next SMO meeting. A member of the board was interested in the state of play of the implementation of new provisions of the market transparency regulation. Not all the necessary data has been received in a timely manner so the Commission is not able to present reliable data yet, but if this would be the case, it will be discussed during the next meeting.

- A representative from CIBE presented the recent developments of sugar beet growing in Europe. Since 2006, the number of beet growers and beet area has been decreasing. Data from CIBE shows that during the last 3 years yields per hectare start declining after a long-term steady and long-term growth in average yields. On average, a decrease of 15% of yield results in a loss of EUR 1000 per ha. Climate change and extreme weather events are threatening productivity. In addition, CIBE highlighted that the number of available tools for farmers to respond to these changes is shrinking (less authorised pesticides, lack of green chemicals and bio-controls and NBTs). These factors make it difficult for farmers to adapt in time to a changing environment. More research and innovation is needed to help the sector cope with these challenges.

- DG AGRI presented an update on the action taken against the Egyptian import restrictions. On 3 June the restrictions for white and brown sugar are expiring. The Egyptian authorities have not informed the Commission on any new measures. The EU has raised questions during several WTO and in bilateral meetings, but Egypt has not provided answers yet. DG TRADE continues to address the restrictions bilaterally and is currently considering further action. Members of the board stressed the importance of the Egyptian market for European exports and the need for the EU to take action when international agreements are not respected.

- The next meeting of the SMO is scheduled for 9 November 2021, although an earlier meeting could be organised if the market situation calls for it.