



meeting summary

12 April 2018

- o The third meeting of the Sugar Market Observatory (SMO) took place on 12 April 2018, chaired by Mr. Jens Schaps, Director for Agricultural Markets. All the 14 SMO members, representing all stages of the sugar and isoglucose supply chain, were represented.
- o Mr Schaps introduced the main points of the agenda. Stressed the relevance of analysing the **investment trends** and **logistics developments**, especially in a transition period following the end of the quota system.
- o The first part of the meeting was devoted to developing a vision on current trade flows and on the sugar and isoglucose balance sheets. ASSUC gave a presentation providing the SMO with a thorough analysis of world market trade, followed by a presentation by DG AGRI. The subsequent debate among the members of the SMO was lively and constructive. **There is general consensus on the decrease of EU imports:** DG AGRI's forecast for marketing year 2017/18 of 1.2 million tonnes has been agreed to by most of the experts, with some even evoking a possible further decrease.
- o Experts also shared the view that **EU exports will significantly increase** compared to the previous years, thus establishing the EU as a net exporter. The estimate had been raised by DG AGRI to 3.2 mt, and some experts foresaw an additional increase. This forecast was based on the fact that the leading sugar producers have invested heavily (beyond increasing production) in export logistics to benefit from new market opportunities.
- o Several variables affect EU price evolution (such as world surplus, interaction with ethanol, etc...) which is particularly sensitive since the last value for the EU average (369 €/t) is the lowest ever recorded after the introduction of the notification system and the sugar reform. The perception by some market experts is that a moderate recovery could be expected in the medium term. The common view is that the difference between EU and world market prices will remain lower than in the previous marketing years.
- o The second part of the meeting was devoted to investment trends and logistics: CEFS and Starch Europe gave presentations on their respective domains (sugar and isoglucose), focusing in particular on logistics developments such as production capacity and new production plants. CEFS put the accent on efficiency gains during the past years by the sugar industry while underlining the pressure resulting from current price developments. Starch Europe underlined opportunity for further production increase for isoglucose.
- o DG AGRI presented the results of an internal analysis on the possible publication of regional prices. The methodology was discussed throughout and the pillars of the study (preserving confidentiality, price correlation and price level analysis) were illustrated in detail. The debate was constructive and some interesting questions and proposals were made, such as re-assignment of specific MS to different Regions or revising the number of Regions. The initiative was well received by some members, while some others showed scepticism.
- o The next SMO meeting has been tentatively scheduled for July 2018.