

meeting summary

15 November 2018

- o The fifth meeting of the Sugar Market Observatory (SMO) took place on 15 November 2018, chaired by the Head of Unit for Agricultural Markets (Arable crops and olive oil). 11 among the 14 SMO members, representing all stages of the sugar and isoglucose supply chain, were represented.
- o The chairperson welcomed the SMO members' representatives and introduced the main points of the agenda, namely market situation and medium term perspectives.
- o The first part of the meeting was, as usual, devoted to a thorough **analysis of the market, which is currently facing difficulties, linked to the situation on the world market and the substantial increase in production after the end of the quota system.**
- o ASSUC gave a presentation of world trade, followed by a presentation by DG AGRI on the latest situation on the EU market.
- o Sugar prices remain low in the EU despite a certain recovery in world prices (**EU average, EUR 347 per tonne in September**). According to the majority of experts, these prices are unprecedentedly low, but this year's production decrease in the EU and worldwide may make prices recover in the coming months. At international level, smaller crops are expected in India, Thailand and Brazil due to adverse weather conditions. It is early to know the sugar/ethanol ratio for Brazil.
- o **Members overall share views on the figures of the last revised EU balance sheet by DG AGRI for 2018/2019**, with a production of 18.7 million tonnes. However, some members mention that production could even be lower than the figures presented. In terms of imports, some experts confirmed the expected levels of 1.3 million tonnes and others see them higher for next marketing year. In terms of exports, the EU will remain a net exporter but to a lesser extent than last year. There is also consensus that the expected use for ethanol will not exceed 1.35 million tonnes during this marketing year. Reduced growing areas are confirmed for the next marketing year. Several experts supported the opinion that, now in the post quota period, ending stocks of one million tonnes would be sufficient to supply the EU market.
- o Finally, some experts referred to the current sugar market situation in the EU as not sustainable and stressed the exceptionally low price levels. In order to return to a more viable situation, price recovery must occur.
- o The second part of the meeting was devoted to **medium term perspectives.** The representative of the International Sugar Organisation presented the perspectives at world markets with a strong focus on **consumption**, for which main drivers being population growth and per capita income.
- o The second presentation by DG AGRI focussed the mid-term outlook for the EU. The room did not object to a predicted decrease in consumption in the EU of 5% for 2030.
- o Again, the open debate was lively: some experts pointed out that consumption remains the unknown element in the sugar market.
- o In terms of the **competitiveness of the EU sugar beet**, some experts indicated that increase in labour cost could be an issue for main sugar cane exporting countries, meanwhile the EU industry already adjusted in the past.
- o There were also discussions about the ban on neonicotinoids in the EU and its possible impact.