



Brussels,
AGRI.E/JH/(2024)(1.2.4)7693535

MINUTES

Meeting of the European Union Sugar Market Observatory

12 September 2024

Chair: AGRI.E4

1. Approval of the agenda and of the minutes of previous meeting

The agenda was approved.

2. Nature of the meeting

Non-public

3. List of points discussed:

3.1. Overview of the world sugar market situation and outlook

The senior economist of the International Sugar Organisation (ISO) presented an overview of the recent developments and prospects for the global sugar market. The 2023/24 global sugar balance is at a small deficit, but the deficit is expected to grow significantly in 2024/25. The cane crop in main producers Brazil and India is smaller than last season. Other main exporters (South Africa, Australia) also had lower production. In contrast, global consumption is expected to continue to increase. With the substantial deficit in 2024/25, the stock to use ratio is declining, which could support global prices. A significant number of possible disruptors could impact the global market situation, which were further discussed by the SMO experts.

3.2. Exchange of views on the EU sugar market situation

3.2.1. Overview of the beet harvest for the current campaign in the EU

The International Confederation of European Beet Growers (CIBE) provided an update on the current EU sugar crop. The beet area has increased by 7% this year, but this increase could be offset by below-average yields. Weather conditions and pest pressure have been challenging for farmers and have affected yields in different ways across the EU. The organisation will publish its first production estimates at the end of September. In the longer term, farmers are particularly concerned about pest pressure and the competitiveness and risk profile of the beet crop compared to

other crops and effective solutions are required. An expert from CEFS (European Association of Sugar Manufacturers) added that the market volatility increased, and that production and consumption assumptions make the market unstable.

3.2.2. Overview of the EU market situation

DG AGRI provided an update of the EU sugar market situation. Since the last Sugar Market Observatory (SMO) meeting in March, there has been a notable decline in the EU average sugar price from the peaks recorded at the end of 2023, but they remain above the world prices and high from an historic perspective. For marketing year 2023/24, a shift in trade flows is visible, with exports performing much stronger than imports. Stock levels at the end of July remain above those of the previous year, but the difference is decreasing rapidly. The initial estimates for 2024/25, published in June, put production at 16.4 million. EU producers shared their expectations for the current campaign, which are less optimistic than those used for DG AGRI's initial estimates.

The ACP/LDC (African Caribbean and Pacific/Less Developed Countries) expert shared its concern about the slowing import rates, which seem to hit raw sugar imports from EPA/EBA (European Partnership Agreements and Everything But Arms agreement) countries relatively hard. The last shipment of raw sugar came from Eswatini and reached the EU in May. A similar trend can be observed in the UK. The dip in the white premium indicates also that demand for raw sugar for refining is low. Next year ACP/LDC sugar needs to compete with Central American sugar again, after a year in which most of it remained in the region. CIBE stressed that there are still strong concerns about imported sugar from Ukraine causing market disruption in the future. If the autonomous trade measures (ATM) will be extended beyond June 2025, it needs to include a limit on sugar imports again.

VIRO's expert (Croatian sugar producers) gave an update on the difficult growing conditions and the subsequent harvest in Croatia and neighbouring countries. The area in Croatia increased by 30%, but a long period of extreme heat during the summer destroyed the increased production potential. VIRO supports CIBE's position on Ukrainian sugar imports. A COGECA (European agri-cooperatives) expert from the Netherlands expressed concern about the overestimation of the Joint Research Center yield estimates for the country. Market sentiment is rather negative and profitability is under pressure in the Netherlands. This is expected to have an impact on beet prices in the coming years. ASSUC (European Association of Sugar Traders) adds that demand is still stagnant and inflation is persistent. Refiners are now less needed to ensure supply and the impact of Ukrainian sugar imports is still visible in Region 1 ⁽¹⁾ prices.

3.3. Exchange on the imports under the Inward Processing Regime (IPR)

DG AGRI presented data on imports and exports under the inward processing regime (IPR). IPR imports of raw and white sugar are relatively stable, as are the origins and destinations of the sugar. The small increase this year is probably due to

⁽¹⁾ Region 1: AT, CZ, DK, FI, HU, LT, PL, SE, SK.

high domestic prices in the EU. DG TAXUD provided further insight into the rules of this special customs procedure, followed by a technical discussion with the SMO experts. DG AGRI clarified that it only monitors the IPR trade flows of sugar as such. Once the sugar is processed into other products, it is no longer included in the data. ACP/LDCs see IPR as a threat to displace ACP/LDC sugar imports.

3.4. Revision of the Association Agreement between the EU and Ukraine

Experts were given the opportunity to pose questions and give their views on the future of the relations with Ukraine. DG AGRI explained that the Commission has restarted the process of reviewing Deep and Comprehensive Free Trade Area (DCFTA) with the aim of finalising it before the end of the current ATM, but there is no official deadline. DG TRADE has launched a call for evidence (open until 1 October 2024), which gives stakeholders the opportunity to share their views on the review. Experts have already shared their different views on the impact of Ukrainian imports on the EU market during previous agenda items. CIUS (Committee of European Sugar Users) added that, in their view, imports from Ukraine have been welcomed by the market and have not significantly disturbed the market as prices have remained at high levels.

3.5. ISO study – A Survey of Domestic Prices for Sugar

ISO presented its 2024 study on the domestic sugar price development, offering insights into the price developments in several regions worldwide.

4. Next meeting

Will take place in 2025 but no date has been set yet.

5. List of participants

All Associations were present except European Producers Union of Renewable Ethanol (ePURE).