European Commission

Meeting summary

12 May 2022

- The fourteenth meeting of the EU Sugar Market Observatory (SMO) took place by videoconference and was chaired by the DG AGRI, Unit E4.

- ASSUC presented recent developments and prospects for the world sugar market. After a global deficit in marketing year 2020/21, 2021/22 as well as 2022/23 are expected to be more or less in balance. This is mainly due to higher exports from India and Thailand. World market prices and consumption patterns are currently very volatile as a result of the instable global situation. Prices showed a steep increase after Russia's invasion of Ukraine and remained supported by high oil prices and uncertainty in the market. They are likely to stay elevated the next production campaign. Due to the high oil prices it can be expected that more sugar will be diverted to ethanol production in Brazil, but also in India.

- DG AGRI provided an update of the EU sugar market situation. Russia's invasion in Ukraine is not directly affecting the sugar availability in the EU, but molasses and beet pulp availability were depending more on imports Russia and Ukraine. DG AGRI is closely monitoring trade of these products. The EU average sugar price for March has reached EUR 443 per tonne; average short-term selling prices for January, EUR 496 per tonne. The recent update of the EU sugar balance sheet for 2021/22 was shared with the experts.

- CIBE presented the impact of high input costs and Russia's invasion in Ukraine on beet cultivation in the EU. Based on fertiliser prices of February/March 2022, cultivation costs have increased between 15% and 27% depending on the country. Precision farming could offer a solution to reduce fertiliser use, but it requires high investments. Fertiliser availability for the next growing season could become an issue according to CIBE. These new challenges comes on top of existing ones, such as a shrinking sugar beet area, climate change and the implementation of the Green Deal. Yield losses could threaten the viability of cultivating sugar beets if the prices do not increase. CEFS complemented the presentation with an insight in the impact on production costs of sugar: inflation, higher energy costs, and a steep increase in the price of steel increase the costs of production and capital investments.

- ePURE gave an update on the bioethanol production and market developments in the EU. Bioethanol use in the EU is still increasing. However, the EU 2020 target of using 10% renewables in transport was met only on paper. Crop-based biofuels represent 60% of the renewables used in transport, about 1/6 is produced from sugar. In the context of the Commission's communication on safeguarding food security and reinforcing the resilience of food systems some Member States have lowered the bioethanol blending proportion. According to ePURE this threatens the feed and food value chain and the energy independence in the EU.

- The next meeting of the SMO is scheduled for 8 November 2022, although an earlier meeting could be organised if the market situation calls for it.