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MINUTES

Meeting of the European Union Sugar Market Observatory Expert Group

15 November 2023

Chair: Head of Unit AGRI.E4

Present delegations: please see details in Annex

1. Approval of the Rules of Procedure

The Rules of Procedure of the renewed European Union Sugar Market Observatory Expert Group were approved.

2. Approval of the agenda

The agenda was approved.

3. Nature of the meeting

Non-public

4. List of points discussed

4.1. Overview of the world sugar market situation

ASSUC presented the recent developments and prospects for the world sugar market. The 2023/24 global sugar balance is expected to be at deficit for the fourth year in a row, caused by lower production in main producers India and Thailand, mainly due to unfavourable weather conditions caused by El Niño. Next marketing year this trend could continue. Global sugar prices are still showing an upward trend, which is in line with the tight situation on the world market and the unstable geopolitical situation. Brazil is the largest supplier to the world market, being able to export around 22 million tonnes thanks to a good crop and the competitiveness of sugar production compared to ethanol. Ukraine's production is expected to reach 1.8 million tonnes, with an export potential of more than 0.6 million tonnes. These exports will have to leave Ukraine, either to or through the EU as long as the capacity on the Black Sea is limited. EU imports from other preferential origins (EPA/EBA, FTAs, CXL) could be displaced in some Member States by higher Ukrainian imports.

A CEFS representative asked if the global deficit could be considered a structural issue. ASSUC explained that global production capacity is not constraint and increasing (e.g.

Brazil) but crop performance is staying behind, mainly caused by adverse weather events across the world. A representative from ACP/LDC confirmed that about 0.25 million tonnes of imports from EPA/EBA countries have diverted because of increased imports from Ukraine.

4.2. Overview of the EU sugar market situation

DG AGRI provided an update of the EU sugar market situation. Since the last meeting in June, the EU average sugar price has remained relatively stable around EUR 820 per tonne. For marketing year 2022/23, provisional trade figures were shared, with imports reaching 2.6 million tonnes and exports 0.6 million tonnes. Imports from Ukraine represent 16% of total imports, amounting to 413 000 tonnes.

The experts discussed the expected 2023/24 production and the impact of the Ukrainian imports on the EU market. A CEFS representative noted that with regard to production, it is difficult to make good estimates for this marketing year. In Germany, fields seem to be affected by SBR disease (*Syndrome des Basses Richesses*), causing low sugar content and difficulties with processing the beets. 2022/23 closing stocks are expected to be higher than last year, but the question is if this is caused by a drop in demand or whether buyers are shifting to imported sugar. A VIRO representative added that this disease is also causing issues in Croatia and Serbia. A representative from COPA informed the group that SBR is also seen in France and that flooding in Northwest France is causing delays in production. A CIUS representative added that the consumption has not drastically declined in 2022/23. However, inflation remains an issue for the sugar users. Especially because sugar is not the only expensive commodity for the confectionary industry at the moment.

Experts from CIBE, VIRO and CEFS, expressed their continued concern about the expected import volumes coming from Ukraine and the possible market disturbance and unfair competition it could cause. A representative from ACP/LDC noted that the destination of Ukrainian sugar overlaps with the main destinations EPA/EBA sugar, which is faced currently with a very low demand from those Member States. Because of the uncertain market situation in the EU, importers are at the least postponing their import related decisions. Regarding the EU and world price, the EU price in September was more or less at import parity. This means that the EU market, which is relying on imports, cannot afford a price drop if it wants to remain attractive for sugar from EPA/EBA and other origins. A representative of COGECA mentioned an issue of low quality of sugar imported from Ukraine to Italy. Additionally, the lack of up-to-date TAXUD data on Italy's imports, could cause a delay in a possible Commission response to excessive imports.

The Commission is aware of Ukraine's export potential this marketing year and is monitoring both volume and value of Ukrainian imports, as well as prices at EU and Member State level. In addition, the Commission is working together with Ukraine on improving the solidarity lanes system to support Ukrainian export to reach third countries. The Danube corridor is already functioning, other routes (Baltic, and Adriatic corridors) could offer additional opportunities to export outside the EU. Regarding the trade relationship with Ukraine, the Commission has started to reflect on a more long-term framework. This should reduce uncertainty in the market.

4.3. Evolution of prices for the sugar sector in the EU

An expert from S&P Global presented their perspective on the global and EU market and spot market prices. SMO experts (COGA, CIUS, VIRO, CEFS) exchanged views on the S&P spot prices and the EU average price for short term. The prices that both organisations publish are not at the same level, mainly due to a difference in methodology. A CEFS representative noted that short term contracts (delivery within 2 months) represent only a small percentage of the total sugar traded in the EU. S&P considers that reporting these prices remains a relevant tool to increase market transparency for actors in the sugar market.

4.4. Any other business

The Commission will explore the possibility to review the Terms of Reference to increase the number of experts per organisation.

5. Next meeting

At the time of the meeting, no date was set for the next meeting.

6. List of participants

See next page.

Pierre BASCOU

List of participants– Minutes
Meeting of the Expert Group Sugar Market Observatory
15 November 2023

ORGANISATION
AB AZUCARERA IBERIA SLU
ACP/LDC SUGAR INDUSTRIES GROUP
BOETTGER FOOD INGREDIENTS GMBH (BFI)
COMITE EUROPEEN DES FABRICANTS DE SUCRE (CEFS)
COMMITTEE OF THE EUROPEAN SUGAR USERS (CIUS)
EUROPEAN AGRI-COOPERATIVES (COGECA)
EUROPEAN ASSOCIATION OF SUGAR TRADERS (ASSUC)
EUROPEAN FARMERS (COPA)
EUROPEAN PRODUCERS UNION OF RENEWABLE ETHANOL (EPURE)
EUROPEAN SUGAR REFINERIES ASSOCIATION (ESRA)
INTERNATIONAL CONFEDERATION OF EUROPEAN BEET GROWERS (CIBE)
VIRO TVORNICA SECERA D.D. (VIRO)
AD-HOC EXPERT