

8.11.2021

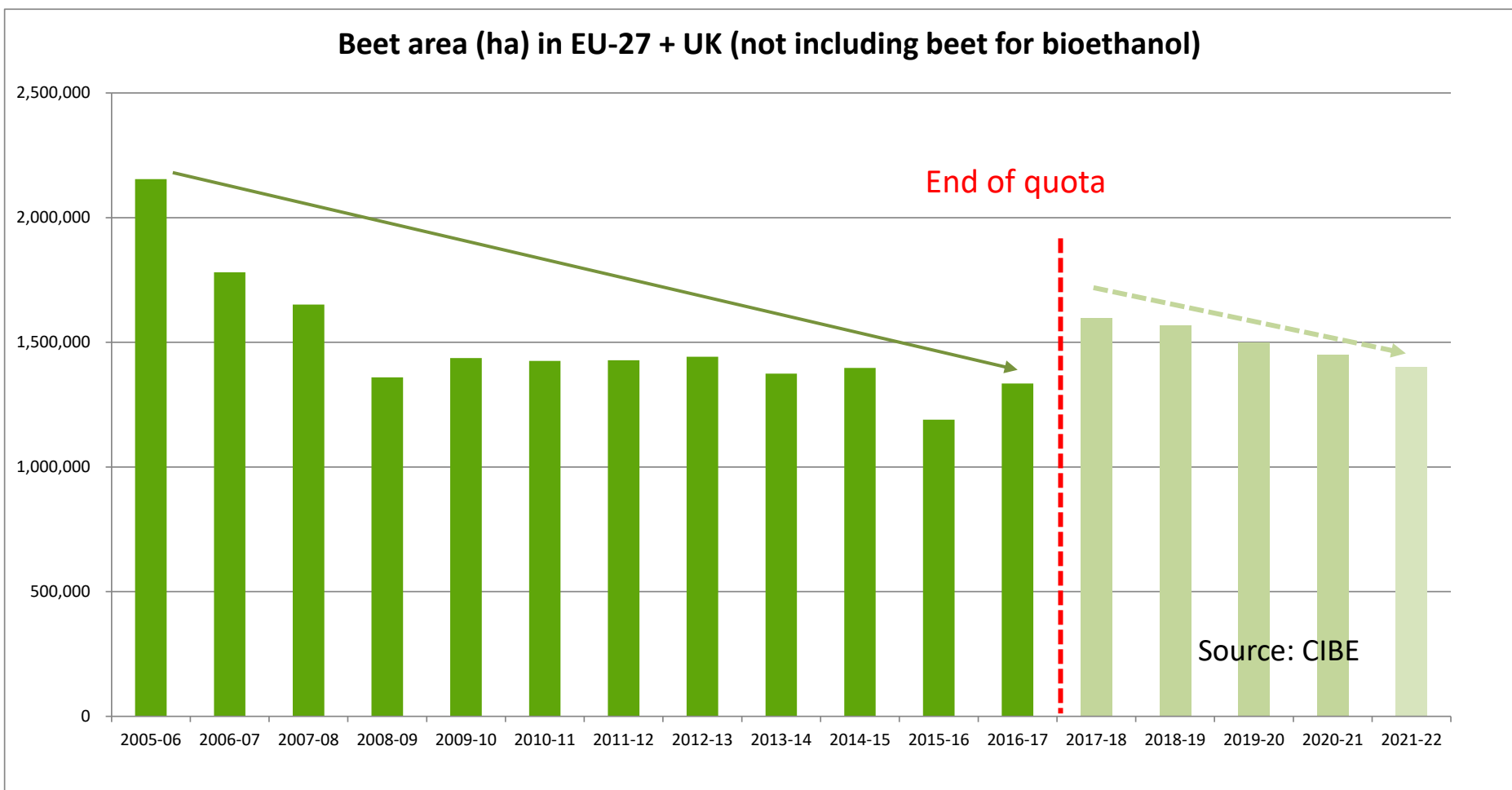
Market situation for EU sugar beet farmers



Sugar Market Observatory video meeting– 9 November2021

Sugar beet area decreasing trend

➤ A decreasing trend of the sugar beet area following 1st MY after the end of the quota regime



➤ Beet area (not including ethanol/alcohol production) in the EU27+UK decreased to 1.45 M ha in MY 2020/21 and 1.4 M ha in 2021/22, down by around 15% compared to 2017/18

➤ What beet area in MY 2022/23?

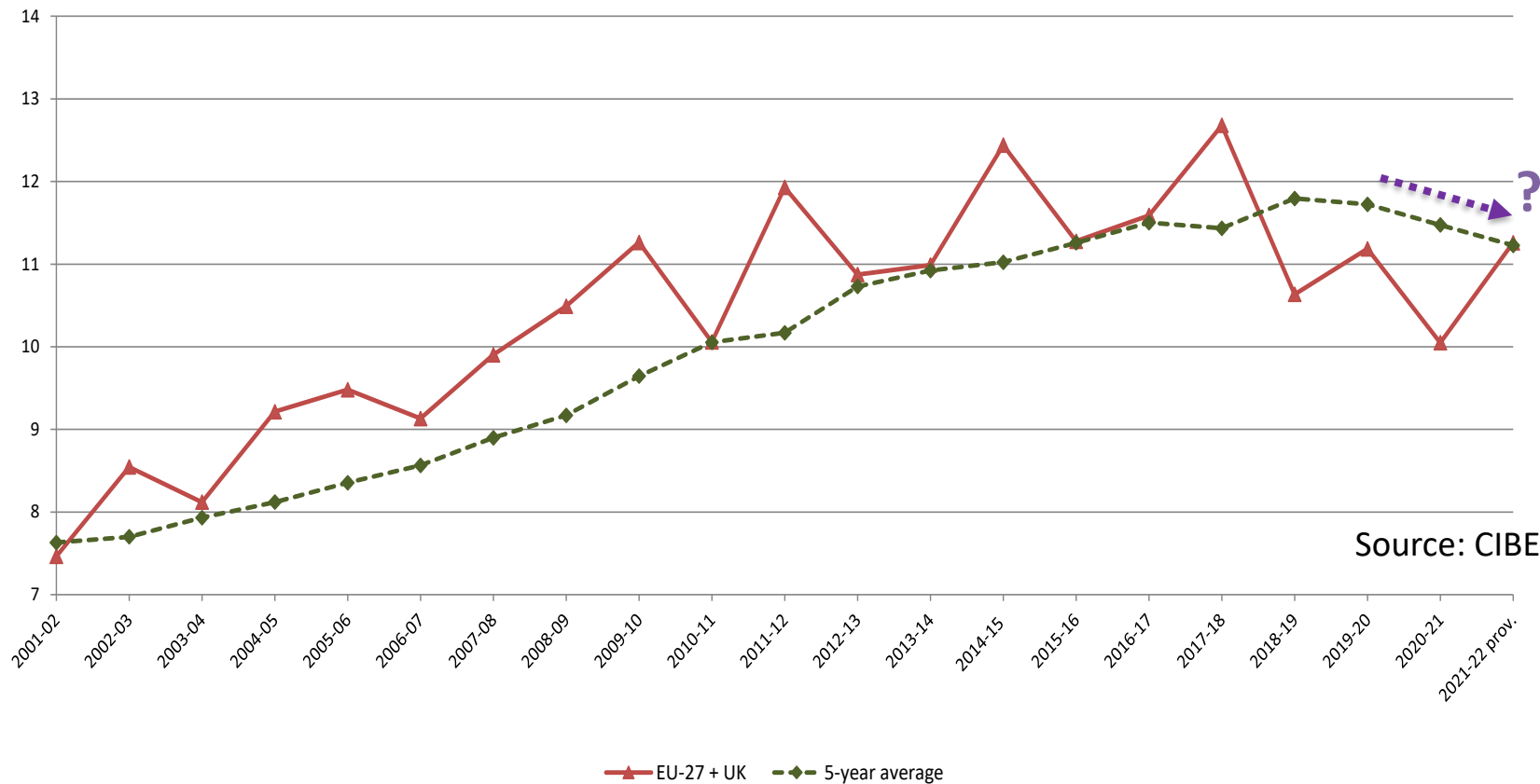
Some key figures (CIBE Statistics - provisional)

Sugar beet yield decreasing trend



➤ A worrying recent evolution in sugar yield

Evolution of sugar yield (tonnes of white sugar per ha harvested)



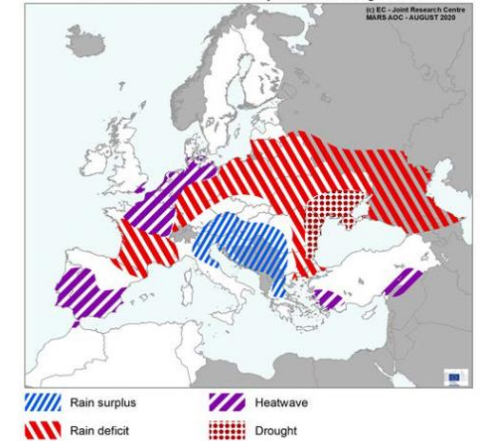
- Average yield per hectare in the EU27+UK plunged to 10.1 t/ha in 2020/21
- Hopefully, some recovery expected in 2021/22
- COM estimates MY 2021/22 sugar production at 15.7 Mt: a 9% increase compared to MY 2020/21 but 10% below MY 2019/20
- The 5-year average sugar yield in the EU27+UK has started to stall/decrease
- Annual variability in yields is increasing in many regions
- Growth in productivity beginning to stall (see DG AGRI Medium-term outlook?)

A very poor harvest

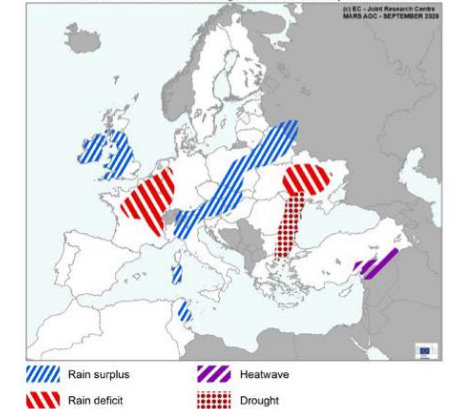
➤ A 3rd season with poor & adverse conditions and a significant impact of the ban on neonics (NNI) seed treatment

- Many regions which had sown beet seed without NNI seed treatment had to tackle pest damages which affected significantly production costs and yields
- The most affected region was France: average sugar yield (9.3 t/ha) was around 27% below the 5-year average and the lowest at national level since 2001/02! Other regions affected by virus yellows or other pests were the UK, with an average sugar yield around 9.8 t/ha, i.e. 25% below the 5-year average, Poland, Hungary & Romania (in areas without neonic seed treatment)
- This is having a strong impact in the “attractiveness” of sugar beet

AREAS OF CONCERN - EXTREME WEATHER EVENTS
Based on weather data from 1 July 2020 until 29 August 2020
(c) EC - Joint Research Centre
MARS ADC - AUGUST 2020



AREAS OF CONCERN - EXTREME WEATHER EVENTS
Based on weather data from 1 August 2020 until 15 September 2020
(c) EC - Joint Research Centre
MARS ADC - SEPTEMBER 2020

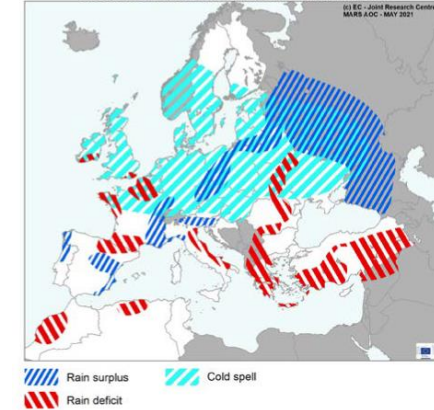


An average harvest expected

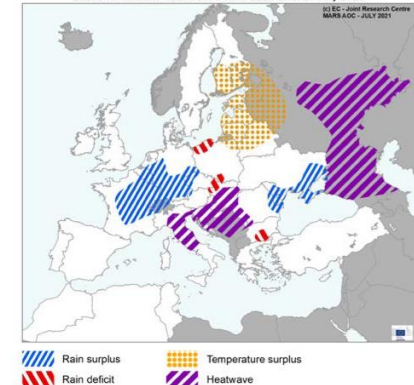
➤ A season with better conditions: weather not very favourable for the spread of pests and diseases... except for some fungal pathogens (*Cercospora*)

- CIBE estimates that EU27 beet area sown with NNI-treated seed in 2021 would represent a maximum of 50% (against 25% in 2020)
 - Regular rainfall and moderate temperatures of this summer have been beneficial to the growth of the crops, but the important deficit of sunshine in many region has penalized the sugar content of the root. However, a relatively sunny September has allowed some improvement in sugar content
 - Leaf fungus control has been an issue in many regions due to a wet summer
 - According to monitoring, the risk of pests (especially aphid infestation & yellow viruses) remains a reality in various regions, including in years not favourable to pests & diseases!
- “Average” campaign expected...but we remain careful until its end

AREAS OF CONCERN - EXTREME WEATHER EVENTS
Based on weather data from 1 April 2021 until 15 May 2021



AREAS OF CONCERN - EXTREME WEATHER EVENTS
Based on weather data from 1 June 2021 until 20 July 2021



3 consecutive seasons managing regulatory/phytosanitary risks

- European sugar beet growers are already facing and managing a **very strict EU legislative framework for Plant Protection Products (PPPs)** based on the precautionary principle → **our objective: avoid technical deadlocks and losses in productivity while this legislation is due to be revised shortly**
 - Around 22 active substances used in PPPs in sugar beet have been banned recently and more or less the same number are under scrutiny (their current approval will come up for renewal/extension by 31 July 2022)
 - Decisions made without full economic and environmental impact assessments
 - Even the **seed treatment which is a highly sustainable practice** (allowing significant reduction of post-emergence treatments) is put into question by environmental NGOs & Greens/Left political groups
 - Dangerous shrinking of growers' toolbox necessitates a very rapid & extremely challenging adaptation: **there is no sustainable alternatives today for the ban of NNIs in pelleted beet seed, as shown in 2020... and in 2021**

3 consecutive seasons managing regulatory/sanitary risks

Seed treatment trial fields, France, 31 August 2021



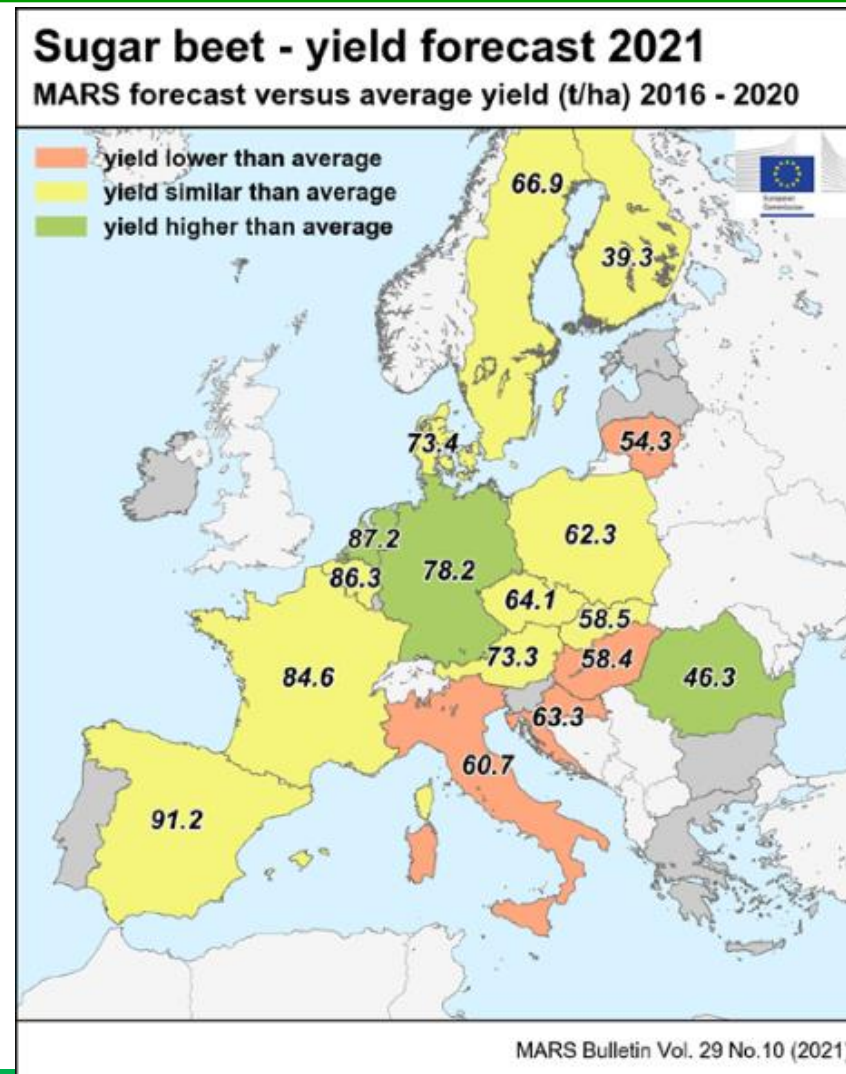
** Only insecticide seed treatment currently available with a regular authorization*

- **Risk is present... even in a “low-risk” year**
- The **seed-treatment** remains necessary
- But the one currently available does not allow to control efficiently aphids whatever the year
- The ongoing research (incl. on breeding) shows clearly that there will be no unique solutions and these solutions would only be available in several years
- **Timing issue!**

Tackling the ambition of the European Green Deal

- 🌱 Sugar beet growers need rapid actions to meet current and future challenges; climate change, new pests, new conditions/practices → **Numerous projects & initiatives by the sector are ongoing in the MSs and EU** (CIBE technical meeting: overview on ongoing projects: on pest and diseases: over a dozen on monitoring, over a dozen on chemical control measures and about fifteen on non-chemical control measures) **but must be scaled up and supported with more:**
 - 🌱 R&D programmes, must be supported, notably in agronomy – **New good practices** - and in breeding – **New Breeding Techniques** → **problem the EU Commission would come up with a proposed revised legislative framework at best in...2023, EU elections in 2024 → how can this innovation contribute to F2F targets in 2030?**
 - 🌱 R&D programmes for innovation in bioeconomy
- This R&D must be supported by EU funding financing programmes: but few really concrete & adapted calls in **Horizon Europe** cluster 6 calls for 2022!

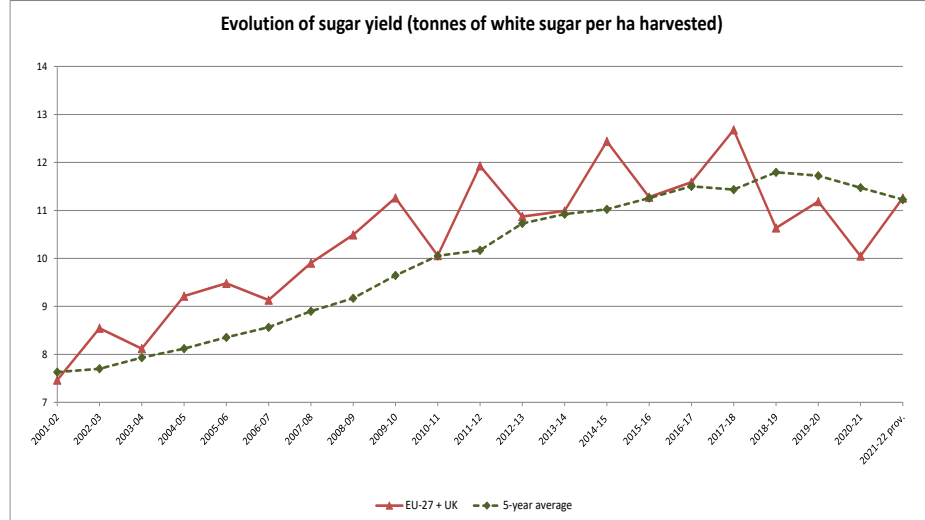
Country	Sugar beets (t/ha)				
	Avg 5yrs	2020	MARS 2021 forecasts	%21/5yrs	%21/20
EU	73.6	67.5	75.4	+ 2.4	+ 12
AT	74.2	79.5	73.3	- 1.3	- 7.8
BE	84.8	84.3	86.3	+ 1.7	+ 2.3
BG	—	—	—	—	—
CY	—	—	—	—	—
CZ	63.1	61.5	64.1	+ 1.6	+ 4.1
DE	73.9	74.2	78.2	+ 5.7	+ 5.4
DK	72.0	77.1	73.4	+ 1.9	- 4.7
EE	—	—	—	—	—
EL	—	—	—	—	—
ES	88.3	88.1	91.2	+ 3.3	+ 3.5
FI	39.2	38.5	39.3	+ 0.2	+ 2.1
FR	82.3	62.5	84.6	+ 2.8	+ 35
HR	66.4	74.0	63.3	- 4.6	- 15
HU	62.7	60.4	58.4	- 6.9	- 3.4
IE	—	—	—	—	—
IT	66.8	67.2	60.7	- 9.0	- 9.6
LT	62.3	67.8	54.3	- 13	- 20
LU	—	—	—	—	—
LV	—	—	—	—	—
MT	—	—	—	—	—
NL	82.9	82.1	87.2	+ 5.2	+ 6.1
PL	61.7	57.9	62.3	+ 1.0	+ 7.6
PT	—	—	—	—	—
RO	39.1	34.2	46.3	+ 18	+ 35
SE	64.9	68.0	66.9	+ 3.2	- 1.6
SI	—	—	—	—	—
SK	60.6	60.4	58.5	- 3.3	- 3.1



- Some differences with CIBE estimates (FR, NL, BE...)
- CIBE considers beet yield less relevant than sugar yield
- JRC prospects have difficulties to tackle pest & diseases impacts
- CIBE considers these prospects with lot of caution



- Forecast a sugar beet yield growth constraint leading to a reduction in yield growth but still, the JRC considers a further yield growth up to 2030



- In the light of climate, ban of NNI et depleting toolbox leading to difficulties in crop protection, Farm to Fork targets (incl. organic development)
→ CIBE considers an increased y/y yield variability and a stall in productivity growth at EU level on the short-term

Impact of lack of depleting toolbox in the EU27

Rising cost of production for the sector

- Losses of 2 or 3 tonnes of sugar per hectare (i.e. around 15-20%) represent a turnover loss of around €1000/ha (at average sugar price of €380/t)
- Example of ban on NNI-seed treatment, in combination with the higher costs linked to **additional foliar applications**, €50 to €135/ha depending on the number of foliar applications, and the higher fixed costs for sugar manufacturers linked to a shorter processing campaign in MY 2020/21, shows that **more than one billion of Euros have been lost by the beet sugar sector in Europe**



Evolution of calculated sugar beet prices (provisional)

Increasing economic risks

	Average MY 2020/21 <i>provisional (Oct 2020 Sept 2021)</i>	Average MY 2019/2020	Average MY 2018/2019	Average MY 2017/2018
Average Calculated Beet Price (€/t) at 16° based on EU average sugar price reporting	25.3	23.5	20.7	24.3
EU (+ UK until 2020) Average Commission Price <u>Reporting</u> weighted Beet Price (€/t) at 16° - provisional	tbc	23.4	23.2	25.7
Region (2) – FR, BE, NL, DE, UK - provisional		22.2	22.3	25.4

- Publication of sugar beet prices reporting should be available on DG Agri website
- Low beet prices, do not allow to cover production costs → **beet prices need urgently to go up!**
- Calculated Beet price (€/t) at 16° for **ethanol** (based on EU Ethanol T2 Rotterdam) was higher in 2018/19 and 2019/20 than the EU average reported sugar beet price for sugar (let see in 2021/22 → possible impact on the EU sugar balance 2021/22)!
- In the light of reported beet prices, the value is transferred to the benefit of sugar users!

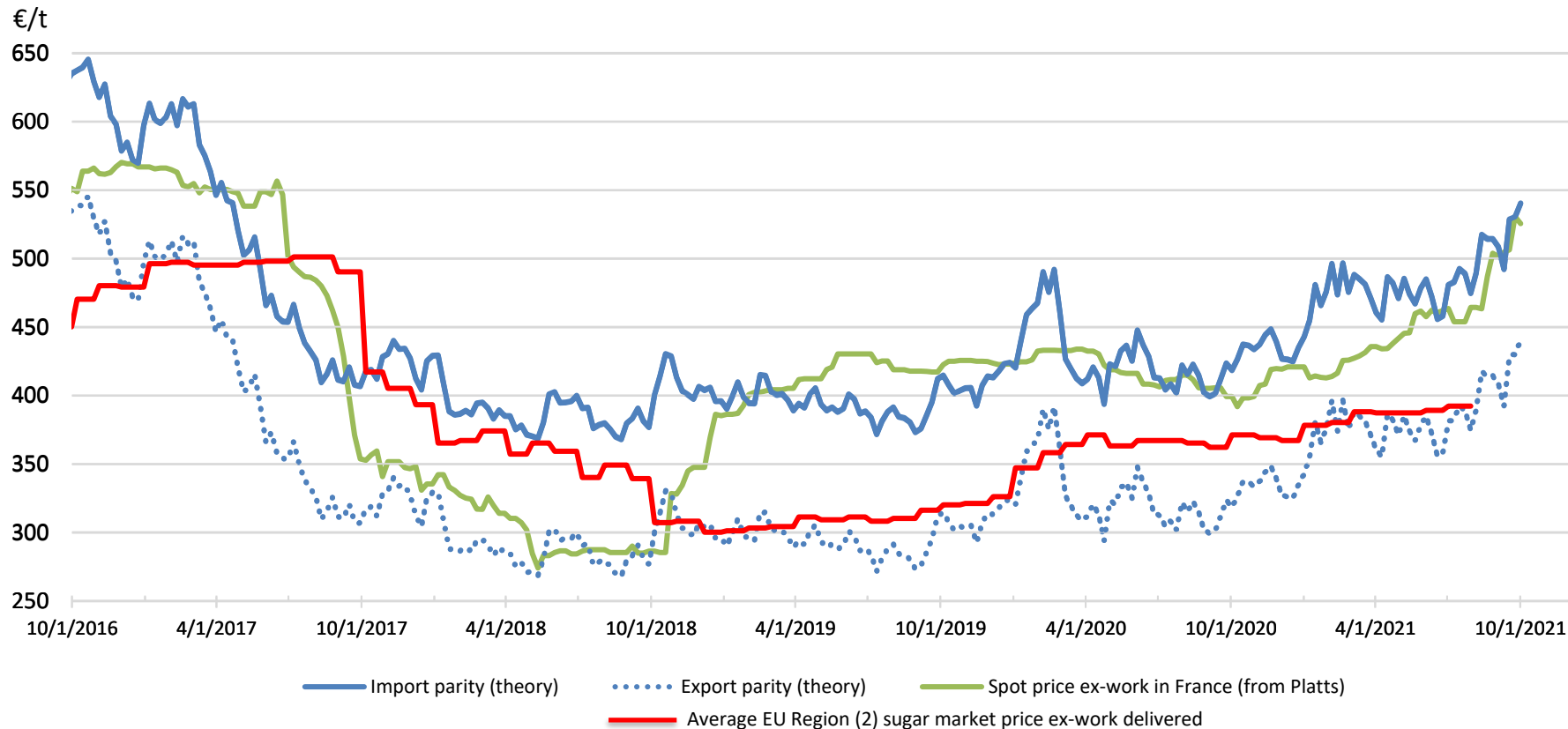
Uncertainties ahead for 2022/2023

➤ Bearish factors for sowing 2022/23

- **Increasing costs for beet growers:** soaring prices of fertilizers & energy to be added to costs in relation to crop protection
 - Contract prices for sugar beet are up but would it be sufficient, and would it allow to increase the profitability compared to previous years?
 - What about Commission reply to **COPA-COGECA call to suspend import duty on nitrogen fertilizers as well as to remove anti-dumping measure on imports of ammonium nitrate from some specific countries ?**
 - In some cases, **profitability would be better in using less fertilizers and getting a lower yield than to apply the same dose with such huge costs**
- Uncertainties regarding NNI derogations by MSs – EFSA reports awaited
- Higher relative price of alternatives: oilseed rape, wheat & maize equivalent beet price close or above €30/t beet
- Uncertainties as regards EU sugar price / beet prices

Evolution of sugar prices

EU market rigidities



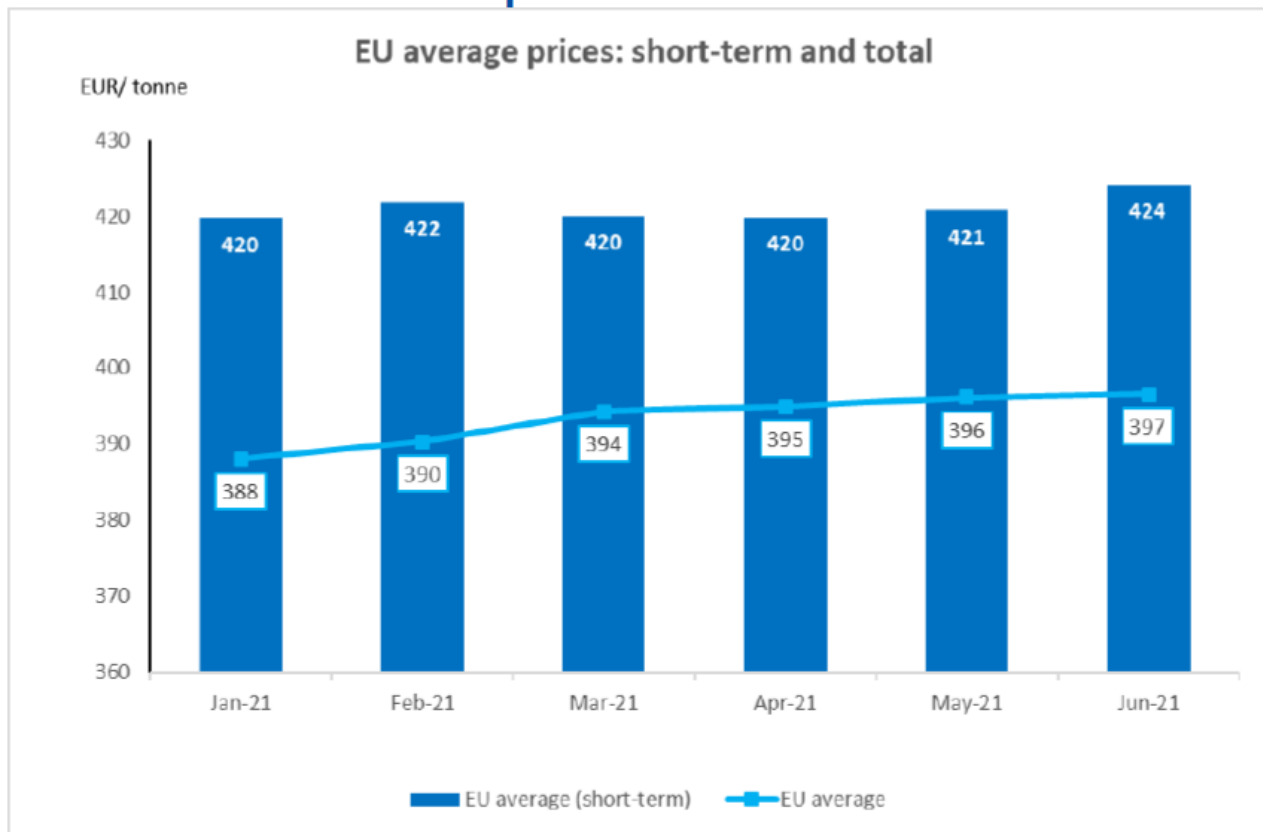
- 4th consecutive MY for EU as a net sugar importer
- 2nd consecutive MY with decreasing ending stocks
- But EU average market price still not responding to such fundamentals & market signals, remaining close to export parity
- EU average premium on domestic market is close to zero
- EU sugar beet area is also not responding to market signals

➤ How to make sugar and sugar beet contracts more reactive to fundamentals ?

Evolution of sugar prices

EU market rigidities

EU short-term prices



- 13 Member States-MS reporting
- On average 9.3% of total quantity sold through short-term contracts every month.
- One MS expected yet to send

- Confirmation that around 90% of sugar quantity sold through long-term contracts
- EU short-term prices close to EU import parity prices and other spot prices reported by external consultancy
- **Too much delay in the notifications!**
- **Publication can be improved (DG AGRI website)**

➤ How to make sugar and sugar beet contracts more reactive to fundamentals ?

Some difficult points / “bad practices” identified

- ✱ Contract beet price at higher sugar content
- ✱ No choice between fixed (aka “safe”) & flexible (aka variable) beet price models
- ✱ In some cases, only flexible beet price models offer, but with lower limit (floor price) since 2017/18
- ✱ No “floor” (lower limit) in most flexible price models
- ✱ In some cases, only fixed price pluriannual contract
- ✱ Lack of transparency, notably when “all-in” beet price includes beet pulp
- ✱ Growers must contribute to beet transport costs irrespective of transport distance
- ✱ Value sharing clauses relatively disappointing (in particular in “good” sugar price years) - could even lead to deductions from base price if linked to sugar company EBIT when it is negative

Some positive points / “good practices” identified

- 🌱 Choice between flexible & fixed beet price models (but often with a limit on the quantity which can be contracted in the fixed model)
 - 🌱 Lower limit introduced to flexible beet price models in 2020/21
 - 🌱 Choice between annual and pluriannual contracts (3 or 4 years)
 - 🌱 Improvement in value sharing clause
 - 🌱 Payment of contract beet price for part of surplus beet (first 5%)
 - 🌱 Abolition of crown tare
 - 🌱 Introduction of futures-linked contract (UK, limited quantity in 2021/22 but likely to increase)
- Sugar beet contracts need to further improve for a better sustainability!

Evolution of Sugar beet contracts

Some positive points / “good practices” identified

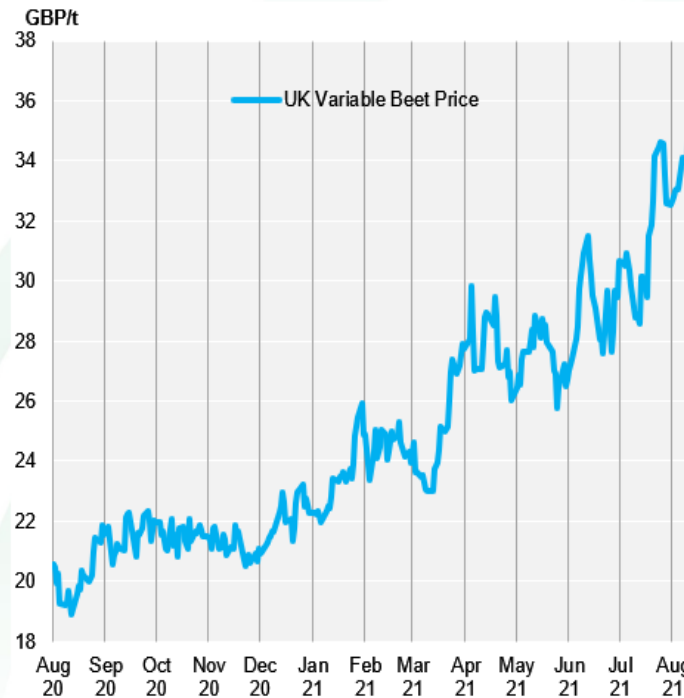
- As from 2020/21, possible for all growers in the UK to manage their own beet prices with the option to put a portion of their contract on the futures-linked pricing mechanism

The 2021 experience

37,100t beet
(out of 7.3Mt)

67 grower contracts
(out of 2,400)

Prices c.£20-£34
*(traditional contracts
@ £20.30 and £21.18
plus uplift)*



Summary

Empowering: *Growers and British Sugar alike can make independent, flexible pricing decisions taking advantage of the volatility of the sugar market*

Sustainable: *beet pricing avoids a zero-sum game between grower and processor*

Transparent: *you can see exactly how your beet price relates to the sugar market*

Innovative: *the first contract of its sort for sugar beet in Europe.*

- ✿ **CAP joint statement from the Council, the EP and the Commission on the provisions of the Regulation on Common Market Organisation related to the EU sugar sector, referring to the difficulties faced by the sector and to the ongoing DG-AGRI study to be delivered this winter (?) and focusing on the tools included in the CAP to manage risks and crisis.**
- **CIBE expects recommendations as regards the safety net, the management of risks and crisis and the adaptation to market drivers as well as regarding the position of growers along the value chain.**

What consequences on beet farms?

- ✱ New “greening” architecture of the CAP (Eco-schemes) → a **likely decrease in CAP direct payments in some beet regions expected**
- ✱ Consistency and contribution of the proposed CAP National Strategic Plans (NSPs) to the EU’s environmental and climate legislation and commitments, in particular to the **EU targets for 2030 set out in the Farm to Fork (F2F) Strategy and the EU Biodiversity 2030 Strategy**
- ✱ Are these commitments of which the F2F targets feasible and sustainable? → The different impact assessment (IA) studies (USDA, JRC, Kiel, WUR,) show that even if targets would be feasible, their impacts would not be sustainable for many sectors and farmers and that **arable crops would be particularly affected**
- ✱ **Expected EU Carbon farming initiative:** EU foresters & farmers are the only ones in capacity to store carbon in the soils → would the new schemes to be adopted by farmers be sufficiently remunerative for them? For the time being it is not the case
- **CIBE is calling for pragmatism and realism: arbitrary quantitative targets are unnecessary, unachievable and misleading**
- CIBE does not agree with DG AGRI consideration on IA studies, minimizing their results & not responding to farmers’ legitimate concerns

An urgent need for “mirror clauses”

- ✱ CAP deal also entails **three joint statements on international trade in relation to the respect of health and environmental standards by imported products**, including the request for a report on how EU standards of production could be respected by third partners
- ✱ The **Review of EU Trade Policy** launched in February 2021 stresses the need for the EU to re-think its trade policy in line with the Green Deal, developing partnerships/green alliances on sustainable food systems and improving Trade and Sustainable Development (TSD) chapter in trade agreements
- ✱ **CIBG and CEFS jointly documented in 2 reports the repeated cases of violations of sustainable provisions by some trade partners:** Mexico, Guatemala, Peru, Vietnam, eSwatini, Mozambique, Laos and Pakistan
- **This must end and the widening gap in standard of production should be addressed: there is no level-playing field for the sector and the sugar beet growers to allow improving their resilient and competitiveness**
- **CIBG is calling for level-playing fields and clear provisions as regards trade: see our contribution on the review TSD chapters and on “mirror clauses” as well as our call to include cane sugar in the EU legal framework on deforestation-free value chain**

- European sugar beet growers call for:
 - Massive support for investments, research and innovation: financial & regulatory support to innovation (NBTs) and for the transition to new EU standards (R&D)
 - Appropriate toolbox to deal with these higher new EU standards while maintaining competitiveness
 - Adapted timing/transition period
 - Safety net for sugar beet prices, better risk management tools & better reactivity of sugar beet prices to decreasing stocks and surge in sugar prices
 - Radical shift in the EU Trade policy to ensure level playing fields with imported products, which should comply with the EU standards of production (“mirror clauses”) & avoid carbon leakage
 - An EU “Fit for 55” package which unlocks the potential of beet for the EU bioeconomy

Thank you for your attention!



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