



The demand side of the sugar market: views of the European sugar users



CIUS represents the European sugar-using food and beverage industries with more than 15, 000 companies across Europe. Members range from artisan, small-and medium sized enterprises to large multinationals.



CIUS KEY FIGURES



CIUS represents

over 15,00 EU companies and
over 700,000 employees



CIUS supports EU sugar production

70% of Europe's annual
production of sugar for food is
purchased by and used by CIUS
members



Sugar exports represent 2/5 of total EU food exports

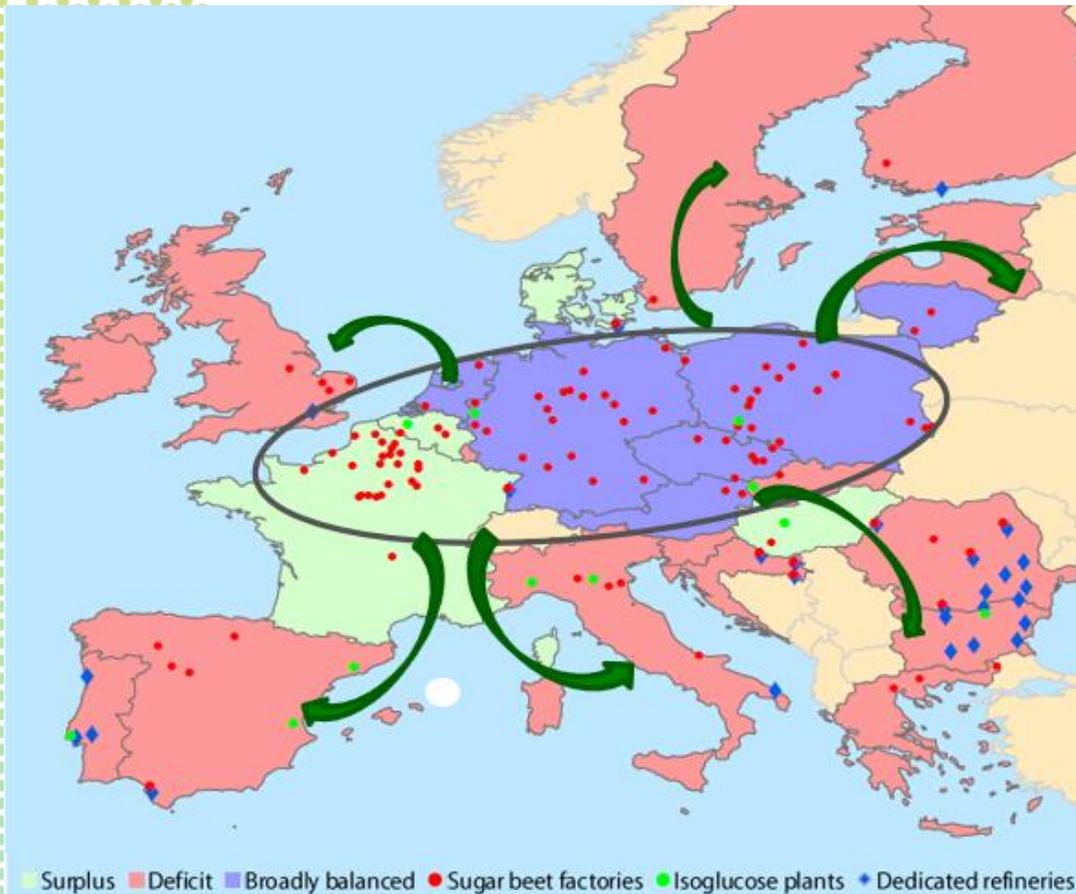
40% of the total value of food
exported outside of the
European Union comes from
sugar users



Sweets leading export growth

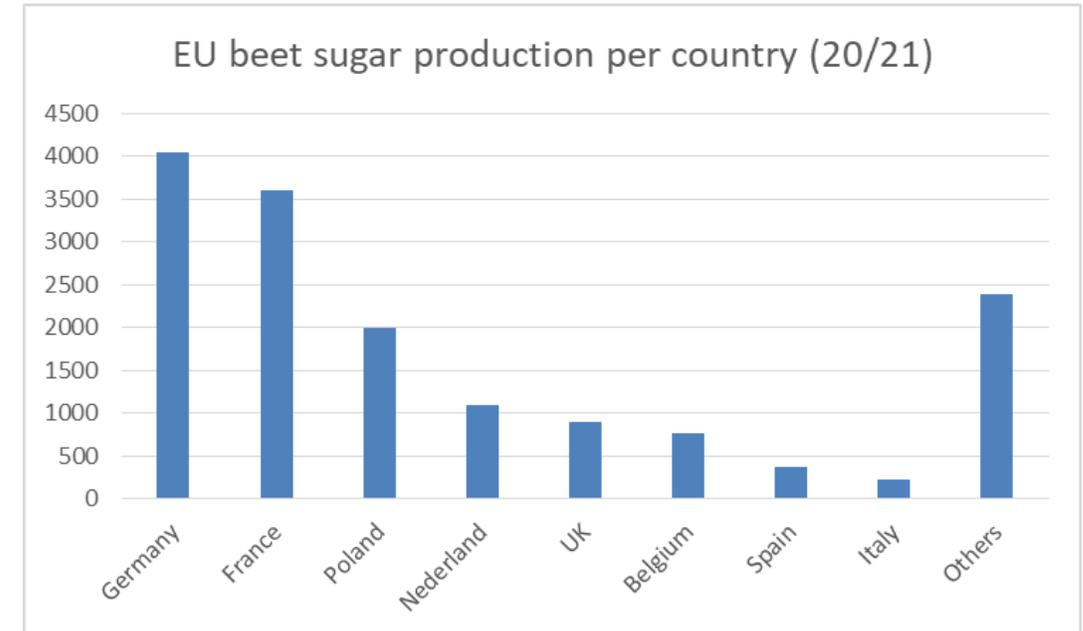
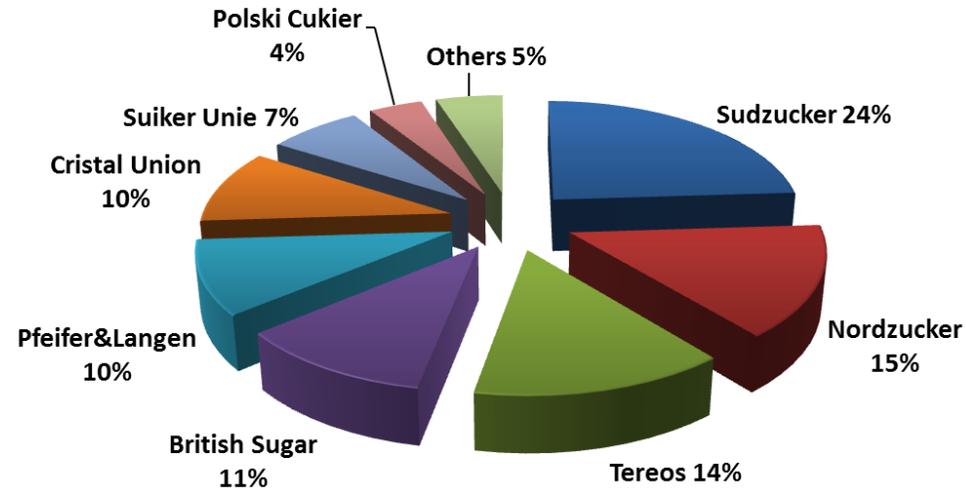
Leading to export growth –
over the last 5 years exports
have grown by 60% for
chocolate, confectionary and
biscuits

EU SUGAR MARKET



- EU is N°1 WW beet sugar producer
- Total EU production : from 15 to 22 Mio T (10% of WW production)
- Competitive production cost, in line with Brazilians cane sugar producers, which should have led to EU being a net exporter as pre-quota period
- Consumption in food, non-food and for ethanol production
- Beet sugar production concentrated in the “**beet belt**” area (North Fr, ben, Ger, Pl, UK)
- Main **deficit countries** (Iberia, Italy, UK, South east Europe, Scandinavia) depend on beet producers and imports (refined raw sugar and white sugar)
- Refiners mainly concentrated in deficit regions (i.e Portugal, South Italy, South East Europe)
- Isoglucose only represent 5% of EU sugar market

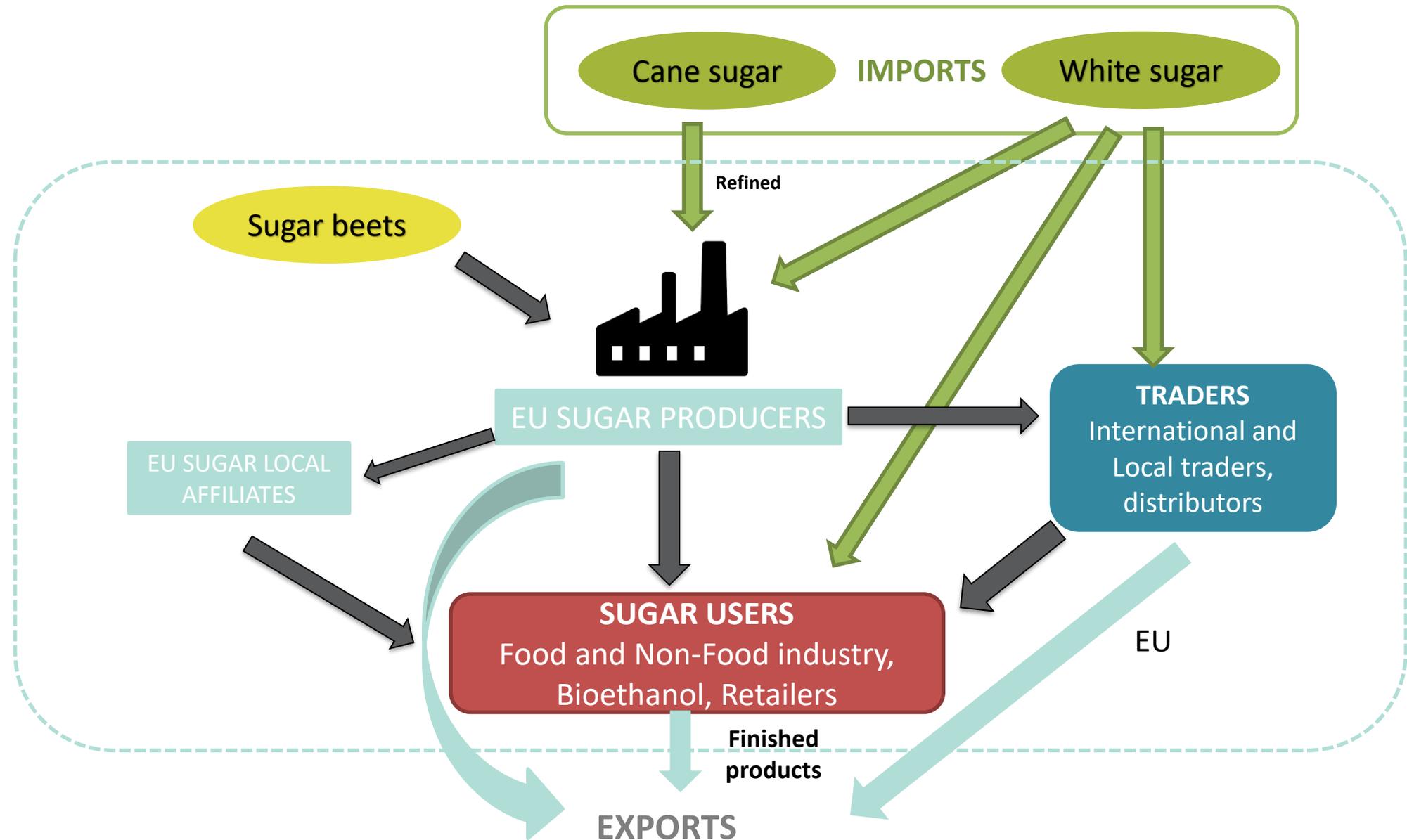
EU SUGAR MARKET – HIGHLY CONSOLIDATED



Concentrated market :

- 50% produced in France (Tereos, Sudzucker, Cristalco) and Germany (Sudzucker, Nordzucker, Pfeifer & Langen)
- Top 7 suppliers represent 81% of EU market
- Limited competition in each country / high impact of transport cost
- Further supplier and production consolidation not expected by sugar users, after additional factory closures in 2020-2021
- **Sustainability of refiners** (Tate & Lyle, SFIR, RAR) **at stake** as beet sugar more competitive than refined raw imported sugar

THE WHITE SUGAR ROUTE – MAIN FLOWS



SUPPLY STREAMS FOR SUGAR USERS

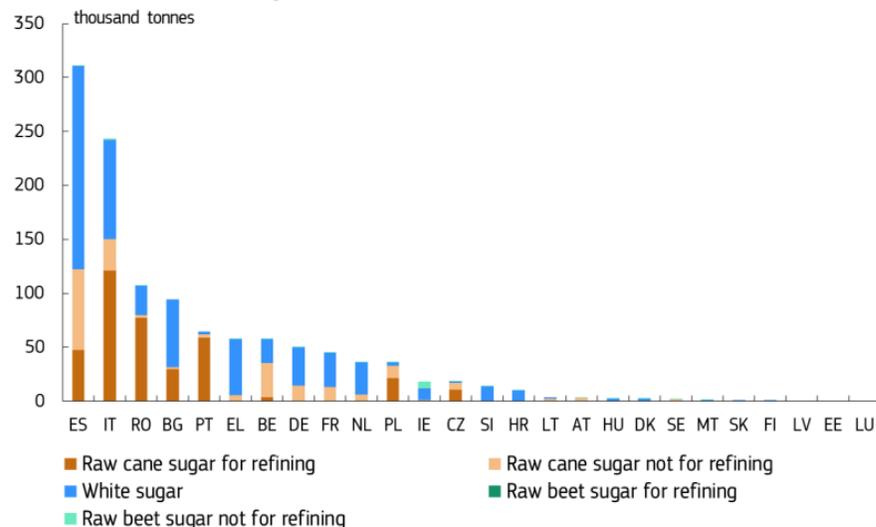


- 1. Community preference: European sugar beet**
2. Refined cane sugar
3. Direct imports of quality white sugar
4. Isoglucose

LACK OF ACCESS TO VOLUMES FROM IMPORTS

- Except through IPR system, which is crucial to maintain for sugar users competitiveness on export market, sugar users do not have very limited direct access to sugar imports.
- Imports are mainly managed by cane refiners or co-refiners, sugar producers or traders, and are restricted by high import duties and quotas.
- Sugar users have always expressed their willingness to source their sugar at competitive prices. It is not a question of price but a question of volumes.
- Freight cost is a key variable today. Container freight costs have risen sharply and have an important impact on imports, as shipments are deferred / delayed.
- The COVID pandemic triggered a desire for stock holding, which is still reverberating.

EU Total imports (2020/2021 - 11 m. - 1.178 m t - EU 27 MS)



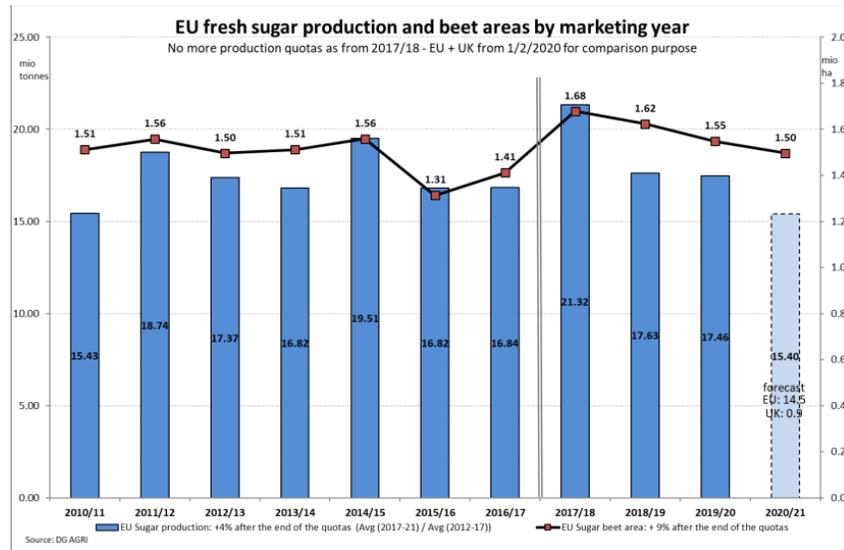
Top five importers of sugar (70% share)

	Volume ('000 tonnes)	Share (%)
Spain	311	26
Italy	244	21
Romania	107	9
Bulgaria	94	8
Portugal	65	5
Total EU	1,178	



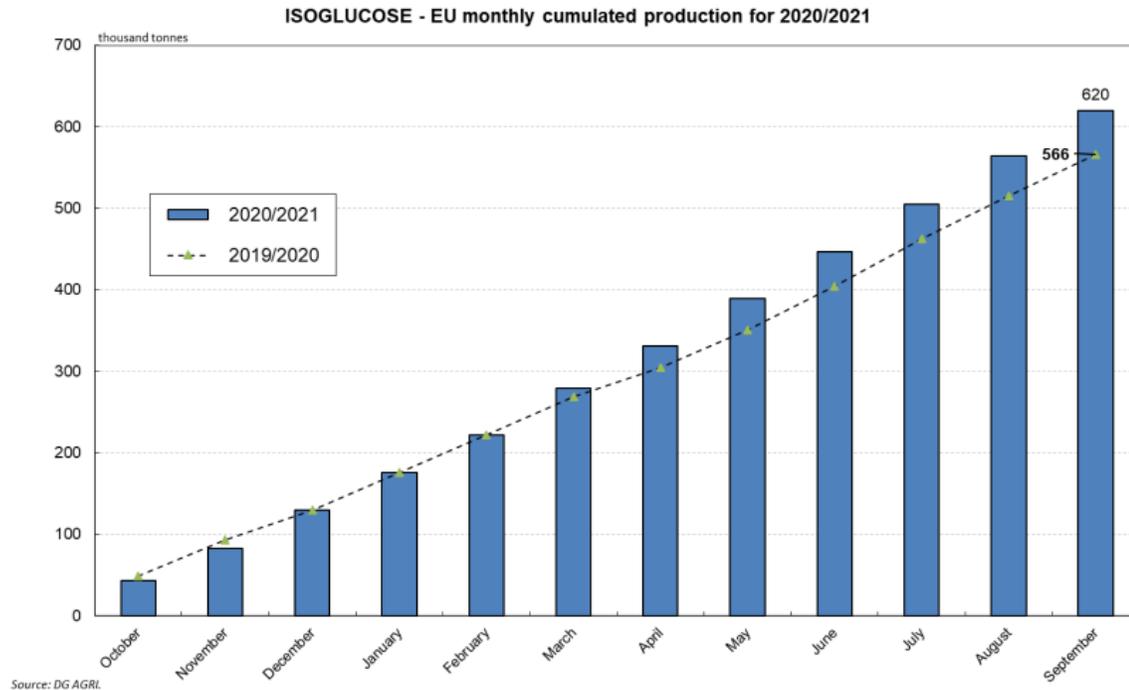
EU SUGAR MARKET – 4 YEARS OF DEFICIT & LOT OF UNCERTAINTIES !

- Since massive production in 17/18 seen after the end of the quota, corresponding to a low WW / EU sugar price period, **beet areas have been drastically reduced and some factories have been closed**
- Despite an increase of 25% of sugar price, beet areas continue to decline with again reductions expected for 22/23 campaign
- **Competition with other crops and very limited visibility for farmers about future beet prices is causing switch to other crops**
- Yields heavily impacted by weather conditions and neonics ban : **yield/production levels become very difficult to predict**
- **Stocks level has reached its lowest since 10 years**, representing less than 5 weeks consumption
- EU beet sugar industry focused on the upstream chain (relation with farmers, sugar profitability, reducing stocks through exports or ethanol production), not on securing supply to EU users



=> TOO LOW STOCK / SECURITY OF SUPPLY IS AT STAKE FOR EU USERS !

ISOGLUCOSE / DEXTROSE MARKETS – EXTREMELY TIGHT SUPPLY



- Increased demand combined with production issues and changes in the WW trade flows have led to the biggest supply crisis in this industry
- Most of the markets, in particular for dextrose, are dry !
- Users are desperate to find products on the market, many industries impacted and could not produce all requested orders
- No instruments for users or producers to anticipate the situation

=> HOW CAN WE BETTER ANTICIPATE AND ENSURE EU SUPPLIES ?

EU PRICE REPORTING

- EU reported prices are not reflecting the spot and forward market situation at all.
- The current EU sugar price report bases itself on data that is entirely historic and in no way representative of spot or forward market EU sugar values. **As an indicator of market conditions, EU reported prices are not fit for purpose.**

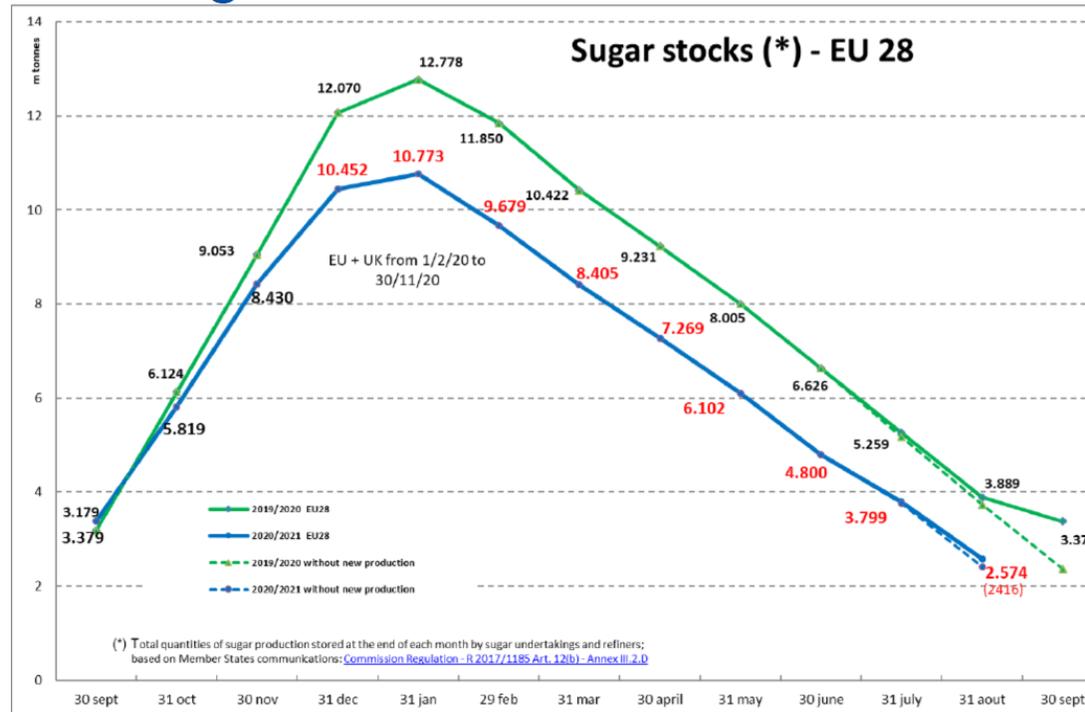
**=> PRICE TRENDS SHOULD BE
USED TO BETTER ANALYZE
MARKET SITUATION AND
PREVENT SHORTAGES**

LOW EU STOCKS – MY 20/21

The EU high-value added food and drink industry is impacted directly in times of sugar shortages. Consequences include:

- Temporary production line closures, factory closures and consequently temporary unemployment;
- Important penalties from retailers for late or no deliveries and consequently loss of turnovers;
- Loss of competitiveness vis a vis imports from third countries where manufacturers do not face such sugar supply problems and consequently distortion of competition for European manufacturers.

EU Sugar stocks



- Stocks since December 2020, correspond to EU27

ESTIMATED END STOCKS – MY 21/22



million tonnes wse September	2020/21 (EU + UK) (forecast)		2021/22 EU (27 MS) (DRAFT forecast)	
	Sugar	Isoglucose	Sugar	Isoglucose
Beginning stocks	2.2	0.01	1.1	0.01
Production	14.5	0.61	15.7	0.62
Imports	2.2	0.00	2.5	0.00
as such	1.45		1.7	
in processed products	0.75		0.8	
Total availability	18.8	0.63	19.2	0.64
Consumption/disappearance	14.6	0.53	14.8	0.54
Exports	3.2	0.08	3.3	0.09
as such	0.78		0.9	
in processed products	2.45		2.5	
End stocks	1.1	0.01	1.2	0.01
Total outlets	18.8	0.63	19.2	0.64

Source : DG AGRI, EUROSTAT

- Despite better expected yields in 21/22, EU sugar availability will remain extremely tight.
- Ending stocks in Sept 2022 is again too low to ensure security of supply

MARKET SITUATION



- **EU sugar balance in deficit for 4 years in a row**
 - Sept 21 beginning stock (1.3 MT) will be the lowest of the last years
 - 21/22 production expected to increase to 16.3 MT (+1,5 MT) but still below EU needs (17.5 MT) : EU will remain in deficit
- Despite rising sugar prices, **beet acreage are in constant reduction combined with bad or very bad yields.**
- **Sugar prices on the world market have increased to their highest levels since 2017**, combined with world market shortage and inflated price of freight containers - making imports very difficult.

MARKET SITUATION

Since June CIUS members have highlighted the shortages and tensions on the market throughout Europe, such as:

- Sugar suppliers informing their customers that they may not be able to supply as much as contracted;
- Sugar users testifying that they are unable to find additional volumes needed for manufacturing, as suppliers have refused to quote or have informed customers that they are already sold out;
- Sugar suppliers have expressed to companies that they will not be taking new customers for Marketing Year 2021-22.
- Sugar suppliers have put companies on quotas for Marketing Year 2021-2022



* Testimonials have been shared with the European Commission

UNRESOLVED SUPPLY TENSIONS ON THE SUGAR MARKET

CIUS is still receiving testimonies from sugar users across Member States on supply issues such as:

- Sugar suppliers informing their customers that they may not be able to supply as much as contracted;
- Sugar users testifying that they are unable to find additional volumes needed for manufacturing, as suppliers have refused to quote or have informed customers that they are already sold out;
- Sugar suppliers have expressed to companies that they will not be taking new customers for Marketing Year 2021-22.

It should be noted that not only small and medium-sized businesses are affected, but also medium-sized and large companies with several production sites. We are deeply concerned that we have entered in a longer-term deficit situation. If adequate measures are not put in place, the same situation will repeat itself this marketing year.

CIUS RECOMMENDATIONS:

We recommend the establishment of indicators (such as a stoplight system) that would allow European sugar buyers and producers to get a quick grasp of the stock situation.

- **Green zone:** The EU27 stocks are above 2MT
- **Orange Zone:** The EU27 stocks reaches 2 MT
- **Red Zone:** The EU 27 stocks go below 1,5 MT - **Measures to be triggered**

Better monitoring of EU sugar availability :

- EU Commission should have all tools to clearly identify and prevent supply issues, without depending on sugar users or producers warnings to report shortage risks
- Monitoring of spot prices should be a signal, as well as reported ending stocks and output by EU producers



CIUS RECOMMENDATIONS:

Variable parameters should also be taken into account to better analysis sugar balance. These including:

- Consumption seasonality (with high impact of weather conditions for specific sectors such as beverages, ice creams etc...)
- Beginning of new campaign dates
- Localisation of stocks in Europe and available packaging (bulk, big bags, 25 kgs bags)
- Heterogenous stock levels from one country/producer to the other
- Climatic conditions impacting beet sugar yield levels
- Producer minimum technical stock level
- Demand unpredictability with covid impact on consumer habits
- Ethanol production : what predictability ?

Additional access duty free imports of quality white sugar from neighbouring countries should be urgently envisaged in order to avoid dramatic consequences for the sugar-using food and drink industry.





Thank you!



CIUS MEMBERS DO

CIUS CODE OF CONDUCT

- ✓ Discuss topics relating to the regulation of sugar that have an impact on the conduct of their business;
- ✓ Agree on the actions and steps to address these issues;
- ✓ Meet and exchange views with other stakeholders of the sugar market;
- ✓ Issue opinions that express those views;
- ✓ Engage in an ongoing dialogue with the institutions of the European Union (European Commission - European Parliament, Member States of the Union)

CIUS CODE OF CONDUCT

- ✗ Discuss prices and exchange commercially sensitive information;
- ✗ Suggest holding discussions of a commercial nature;
- ✗ Share information about their purchasing strategies;
- ✗ Engage in any activity that would violate the rules of competition law in force.

