



Meeting summary

30 June 2020

- o The ninth meeting of the Sugar Market Observatory (SMO) took place on 30 June 2020 through videoconference. Ms Silke Boger, Head of Unit, DG AGRI Unit G.4 chaired the meeting, which gathered representatives of organisations from the sugar and bioethanol sectors.
- o **The main point of the agenda was again the impact of the Covid-19 crisis** on sugar and ethanol markets. Experts acknowledged that **no major changes** have occurred since the meeting in May.
- o ASSUC's presentation focused on the latest information available at world level. Fundamentals in the sector remain stable and **new developments will mainly depend on macroeconomic changes**. Adequate rain conditions in the Northern Hemisphere and a promising start of the Monsoons will support good yields for marketing year 20/21. Raw sugar prices have recovered to a certain extent, from the lowest levels in April. However, the white premium no longer trades above EUR 100 per tonne, as demand at world level decreases. Due to lower consumption at world level and higher sugar production in Brazil, which is switching substantially from ethanol production, experts expect a **surplus of 2 million tonnes for this marketing year, instead of a 9 million deficit initially estimated**. A final figure on consumption is still difficult to forecast.
- o **At EU level**, DG AGRI informed that **imports remained low** during the last quarter and well below the same period last year. **Exports have been stable** at around 30 to 50 thousand tonnes a month since the beginning of 2020. Expected stock figures have slightly increased during the month of April, most probably because of lower consumption. The market presentation included the last revised EU balance sheet for 2019/20. **Experts considered that the figures presented during the last meeting in May were still relevant**. A provisional area notification was presented at 1.516 million hectares, 2.3% below last year. The **official EU average price** further increased to **EUR 379** per tonne in April 2020. This increase was especially significant for Region 2, the region of main producing Member States, from EUR 364 to EUR 371 per tonne.
- o **Consumption** is still the biggest unknown. As lockdown measures are being eased in most Member States, and tourism resumes, an estimate decrease of 250 000tonnes at EU has been proposed, in line with other market experts. Some expert considered that the fall of consumption could be between 200 000to 500 000tonnes.
- o In relation to the current crop in the EU, drier than average weather conditions in parts of Europe caused concerns in spring and may have affected growing conditions. Abnormal pest problems (aphids) in some EU regions are likely further harm yields. In this context, experts make the lack of viable alternatives to neonicotinoids responsible for possible yield drops.
- o Participants also discussed the ongoing negotiations on the future relationship with the UK and shared their concerns on the UK allocating a zero duty quota of 260 000 tonnes of raw sugar, in the middle of the negotiations with the EU.
- o In **AOB**, DG AGRI presented a preliminary version of the short-term outlook. Participants highlighted again the possible negative impact on yields, which DG AGRI will consider in its short-term outlook to be published beginning of July.
- o The next meeting of the SMO is scheduled for November 2020, but given specific circumstances of the COVID-19 pandemic, an ad-hoc virtual meeting may be organised after the summer break, if deemed necessary.