



Meeting summary

6 May 2020

- o The eighth meeting of the Sugar Market Observatory (SMO) took place on 6 May 2020 through videoconference due to the confinement measures imposed following the outbreak of the Covid-19 pandemic. 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 the impact of the Covid-19 crisis** on sugar and ethanol markets. Experts acknowledged that a number of factors related to the current crisis bear serious risks for the recovery process of the EU sugar sector, which started at the beginning of the current marketing year.
- o ASSUC's presentation focused on the main reasons behind the sharp world **price decline of recent months**. It highlighted the **strong correlation between sugar prices, oil prices and Brazil's real**. Depressed oil prices and demand, as lockdowns measures were imposed, push producers in Brazil to increase sugar production significantly to the detriment of ethanol. Lower production in Thailand and India will ease global availabilities and overall, a slight deficit at world level is expected for the current marketing year. Yet, the **5 million tonnes deficit forecast for 20/21 has been transformed in 2 million tonnes of surplus** as a consequence of higher sugar production in Brazil and an expected recovery of production in India. Surprisingly, the **white premium increased** from USD 80 to USD 124 per tonne, indicating that demand for white sugar is still strong for the moment.
- o The market presentation from DG AGRI included the last revised EU balance sheet for 2019/20. **There was general consensus on the figures presented, with the understanding that exports could even be lower than expected.** At EU level, production is estimated at 17.36 million tonnes, imports at 2 million tonnes and exports at 1 million tonnes, with final stocks of 2 million tonnes. Some experts considered that imports could further increase, because of international low prices, and exports be lower than 1 million tonnes. Some experts mentioned that higher imports and lower exports and consumption could increase stocks above 2 million tonnes. However, others do not see a change in EU import dynamics because of low international prices. The **official EU average price** further increased to **EUR 375** per tonne in March 2020.
- o **Consumption** is subject to many **uncertainties**, linked to the duration and intensity of lockdown measures in the EU. Industrial consumption is stable for the time being. Demand for processed products has increased for some categories but closed out-of-home activities will reduce sugar demand, in particular through reduced soft drink and ice-cream consumption. In touristic areas, the negative impact could be more substantial.
- o In relation to the **current crop, dry weather conditions caused alarm** after the sowing period but thanks to recent rain in main producing regions, the situation is back to normal. Experts mentioned the impact of pests (aphids), as lack of viable alternatives to neonicotinoids forces farmers to spray insecticides more often, with economic and environmental implications.
- o In **AOB**, information was requested on **FTA negotiations between EU and the UK**. There was also the request of an update on the review of **EU Generalized System of Preferences** from 2024, currently undergoing an impact assessment.
- o In view of the high uncertainty related to the sugar market and the rapidly changing market conditions, participants agreed to

hold the next meeting of the SMO
Economic Board around end of June by
videoconference.