Sugar Market Observatory

European Commission

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Meeting summary

9 February 2021

- The eleventh meeting of the Sugar Market Observatory (SMO) took place on 9 February 2021 by videoconference. This ad-hoc meeting was organised to discuss the first provisional sugar balance sheet for marketing year 2020/2021.
- In the opening of the meeting, Mr Michael Scannell, Deputy Director General of DG AGRI informed the participants on the latest political developments.
- ASSUC presented the recent developments and prospects for the world sugar market. Global commodity prices have risen, including the price of sugar. The Covid-19 pandemic makes it difficult to forecast the trends for 2020/2021, mainly due to high uncertainty about the consumption. Global sugar consumption increases with GDP growth and will depend on countries' economic recovery from the pandemic. This recovery is expected to be asymmetric. This is already visible in the strong rise in demand in Asia, especially China. India has approved export subsidies for 6 million tonnes, but the container crisis is affecting the deliveries. Thailand, who was the biggest exporter two years ago, has low exports this marketing year due to its smallest crop in 10 years. Low bioethanol demand leads to an expected high sugar/ethanol production ratio of 46%/54% in Brazil and increased sugar exports.
- Afterwards, DG AGRI's representative provided an update of the EU sugar market situation. The EU average sugar price for December has remained at EUR 379 per tonne, with a difference between regions of EUR 65 tonnes. This price is similar to November average, with the exception that the above the average price for December the UK is excluded. In the first provisional sugar balance sheet for marketing year 2020/2021, the UK is considered a third country, also for the months of October November and December. Brexit is expected to have an impact on the trade flows with the UK, mainly due to the application of the rules of origin. However, the import and export levels concerning all the other third countries are estimated to remain similar to the previous year, 1.4 million tonnes and 0.7 million tonnes respectively. A total production of 14.8 million tonnes is estimated (-9% y/y, lowest in five years). Some board members considered the forecasted consumption of 15.2 million tonnes as too optimistic, expecting no increase for 2020/2021. DG AGRI took note of the comments of the board and will adjust the sugar balance sheet where necessary.
- The next meeting of the SMO is scheduled for 2nd June 2021, although an earlier meeting could be organised if the market situation calls for it.