



Meeting summary

12 November 2020

- o The tenth meeting of the Sugar Market Observatory (SMO) took place on 12 November 2020 by videoconference.
- o In the opening of the meeting, Mr Michael Scannell, Deputy Director General of DG AGRI informed the participants on the latest political developments.
- o Thereafter, DG AGRI's representative provided an update of the EU sugar market situation. For marketing year 2019/20, EU27+UK final trade figures show imports of 1.869 million tonnes (-3% y/y) and exports of 800 000 tonnes (-50% y/y). End September total stocks were 200 000 tonnes above last year's level. DG AGRI also presented the sugar production forecast for marketing year 2020/21, currently estimated at 15.3 million tonnes (-6% y/y and the lowest in five years). Some board members considered the forecasted production too optimistic. They emphasised the significant differences in yields at regional level, with some regions, particularly in France, seriously affected by pests and drought, recording production losses of up to 50% compared to previous year. As DG AGRI forecasts are based on Member States' inputs, the figures may be further revised downwards once new information becomes available.
- o The official EU average sugar price slightly decreased in September 2020 to EUR 376 per tonne, with the difference between regions reaching EUR 100 per tonne. The EU average beet prices for marketing year 2018/19 is EUR 23.2 per tonne.
- o ASSUC's presentation focused on the latest world market developments, including the recovery of prices close to pre-COVID levels and Brazil's massive shift from bioethanol to sugar production, leading to increased sugar exports from this destination. For marketing year 2020/21, the estimated deficit of 7.3 million tonnes has turned into an estimated surplus of 2.7 million tonnes. India's exports remain a concern, although no information is yet available on possible export subsidies for this campaign. Overall, the world market remains highly volatile.
- o Martin Todd, an LMC expert, was invited to give a presentation on the prospects of the world sugar market, with a focus on the COVID-19 crisis's impact on consumption and import demand. He concluded that despite a reduction of consumption due to lockdown measures, prices have been sustained by a higher import demand from certain countries, mainly China and Indonesia, that are building strategic reserves of sugar. The impact of the COVID-19 crisis on world consumption is estimated at around 5 million tonnes, although the exact figure is still difficult to assess. Other main drivers of the world market evolution in the near future are the possible export support measures in India and the decline in sugar production in the EU and Russia. At EU level, the expert considered that the 2020/21 production could be up to 300 000 tonnes lower than DG AGRI's forecast.
- o This meeting also included a presentation of the "Study on the adaptation strategies of the sugar supply chain after the end of the sugar quotas". The contractor described objectives, main study questions, and proposed methods and steps to be carried out in the coming months. Participants welcomed this comprehensive study and offered their collaboration.
- o Finally, participants were updated on recent developments concerning certain international trade issues (i.e. the sugar import ban imposed by Egypt and the WTO panel against India) as well as the state of play of the negotiations with the UK.
- o The next meeting of the SMO is scheduled for June 2021, although an earlier meeting could be organised if the market situation calls for it.