

Meeting summary

15 November 2019

- o The seventh meeting of the Sugar Market Observatory (SMO) was chaired by the Adviser to Director G of Agricultural Markets and Observatories.
- o The main points of the agenda were: **sugar market situation and recent developments at EU and world levels, medium-term outlook, update on Brexit preparedness and the state of play of the Market Transparency initiative.**
- o ASSUC's presentation focused on **price stagnation despite an expected world deficit of 5 million tonnes** for the current marketing year. The situation is similar to 2016/17 but world stocks at that time were lower than current **record stocks for 2019/20**. Less favourable weather conditions are the reason behind a smaller harvest in India and Thailand, in particular, but this situation may not repeat next year. These expectations keep prices low. The expert also highlighted an expected **reduction in consumption** putting pressure on prices, as sugar taxes are increasingly used by governments to promote healthier lifestyles, resulting in reformulation processes.
- 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 the net import status could even be higher than expected.** At EU level, production is estimated at 17.4 million tonnes, imports at 2 million tonnes and exports at 1.4 million tonnes, with final stocks of 1.5 million tonnes. The last official average price available increased but still remains low at EUR 328 per tonne in September 2019, while spot prices continue to be above the reference level (EUR 404 per tonne). In the discussion, some experts considered that imports could further increase, up to 2.3 million tonnes, and exports be around 1.1-1.2 million tonnes. For other experts, the predicted stocks, which could be lower than 10% of consumption would create supply shortages in some regions of the EU. More information was required on the Inward Processing Regime.
- o A presentation of the conclusions of the recently held **medium-term outlook** by DG AGRI, with a strong focus on drivers behind consumption, was included on the agenda. The main projections for the ten-year period up to 2030 at EU level are: area stabilisation, moderate increase in yields and average sugar production at around 18.5 million tonnes. Human consumption may decrease by 9%. Pressure on crop-based biofuels could also influence sugar uses.
- o A brief update on **Brexit developments focused** on the contingency plans designed to address the challenges, aiming to minimise the impact of a still possible no-deal scenario.
- o In relation to the **market transparency initiative**, opinions from experts were required on the content of the technical specifications to be developed. Some experts were sceptical about the effectiveness of the initiative as it may involve a higher administrative burden than the existing notifications with poor added value. For other experts the initiative was a good approach to better market information.
- o In AOB, CIBE asked to give information on the **impact of the ban on neonicotinoids after its first year of application for sugar beet**. Netherlands, Belgium and Germany are the most affected areas so far. Alternative products emerge but are costlier and less effective.
- o The next meeting has been tentatively scheduled for **April 2020**.