NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

10 Nov 2017

UK beet price tracker					
£/adjusted tonne	**Base price, £/t**	**Bonus, €/t (latest month)**	**ECB £/€ rate (monthly average)**	**Bonus, £/t (latest month)**	**Bonus, £/t (cumulative to date)**
2017 one-year contract	**£22**	-	-	-	-
			Information to be provided when available		
2017 three-year contract	**£22**	-	-	-	-

Prices before adjustments. Bonuses apply when EU price >€475/t, and are liable to exchange rate fluctuations.

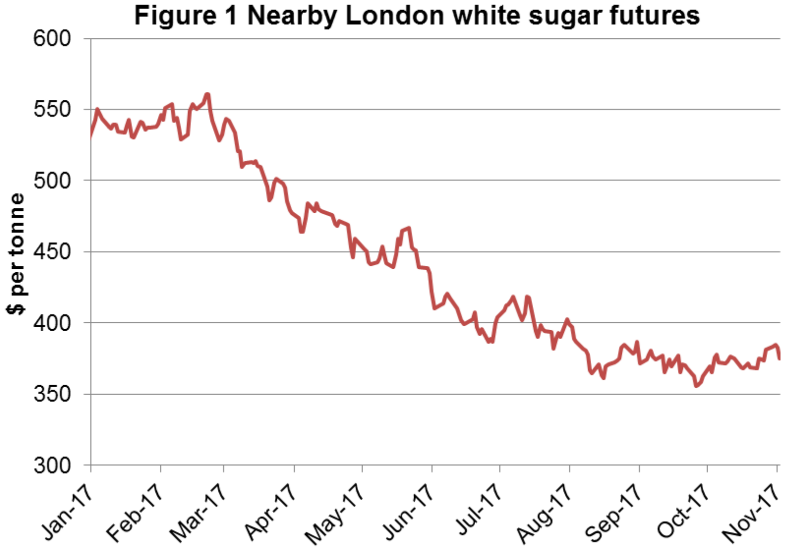
Highlights

- EU spot prices remain flat around €400/t delivered
- Recent reports suggest a greater shift from sugar to ethanol production in Brazil this campaign than forecast
- Defra Secretary of State announced that the UK will now support a total ban on neonicotinoid use

The average EU white sugar price in August remained €501/t. We continue to creep inexorably towards the start of price reporting for the 2017 campaign, but will still need to wait two more months before prices for October (the first to affect the market-related uplift) are available.

Meanwhile, the world market has not moved a huge amount for the past three months. Current prices for London white sugar futures have stayed in the $350-$400/t (€300-€350/t) range since early August (see figure 1), with the anticipated return to a world surplus in 2017/18 priced into the market and little else to make prices fundamentally deviate from the current range.

Figure 1 Nearby London white sugar futures



Source: Sugaronline

This inertia seems to be reflected in EU spot price quotations that have also somewhat stabilised over the past six weeks just under the €400/t delivered mark, which would translate to ex-factory prices around €360-€370/t in the main beet producing regions.

These are only spot prices though, and in the expectation of a larger exportable surplus this year some sugar producers may well have locked in sales in the first half of 2017 when world prices were much higher. Recent reports suggest that the amount hedged in this way could be higher than previously presumed, which would support the average EU white sugar price if these include sales into the internal market.

Also, the more sugar sold in this way for export prior to the campaign, the less unsold sugar remains looking for an EU home within the campaign. As with average prices, we will have to wait another couple of months before the first export data for the 2017 campaign is available which will also give a clue as to how much impact this might have.

Nonetheless, the proportion of sugar forward sold at higher prices would have to be substantial to outweigh the much lower prices currently available in the market. Market signals continue to point towards average prices below the trigger point for the first months of the 2017/18 campaign.

Recent reports from Brazil have suggested a larger shift out of sugar and into ethanol production than last campaign given the lower world sugar prices available. A greater proportion of sugar cane is expected to be used for bioethanol in 2017/18 than in 2016/17, indicating that Brazil may well be one of the first major sugar producers to react to lower prices. The size of this reaction is likely to affect world prices going forwards.

Brazilian sugar mills are able to switch between sugar and ethanol production relatively quickly easily. With a much larger amount of ethanol usage in their fuel mix compared to many other countries, there is the commercial as well as technical flexibility to respond to market signals from both sugar and ethanol.

At the same time as sugar prices have been hovering at their relatively low levels, ethanol prices have been supported by rising oil prices. As a result, it has been reported that ethanol production is now more attractive than producing sugar for export onto the world market, which in turn has made the balance of production in Brazil steadily shift towards ethanol and away from sugar.

The impact of this is likely to be a reduction in forecast world surpluses and a reduction in Brazilian sugar exports on the world market. Current forecasts from the USDA factor in a growth in Brazilian exports in 2017/18, so if the latest reports prove correct then a change to this could have a real impact on the market.

A reduction in supplies heading onto the world market compared to forecasts is likely to support prices, but this factor alone is probably not enough to support prices to the extent that the bonus is triggered. As is always the case, market direction never comes down to a single factor. Nonetheless, some commentators do view this as something that could break the world market out of the rut referred to overleaf and shown in figure 1, which could at least begin to move the market upwards if only slightly.

Breaking news: Defra Secretary of State, Michael Gove, announced on 9th November that the UK will now support a total ban on neonicotinoid use in all uncovered crops, including sugar beet. It is anticipated that the EU Commission will seek a vote for the ban across Europe in December.

NFU Sugar has been working closely with AB Sugar/British Sugar, BBRO and colleagues at the NFU to persuade the UK government to vote against the ban. This has included a meeting with the Secretary of State himself. Working with our European sugar beet growers association (CIBE) and other producer groups across Europe we will continue to lobby for the proposed ban to be opposed at EU level, and for sugar beet to exempted from any ban.

The NFU has issued the following statement on the issue: "Farmers are acutely aware that bees play a crucial role in food production. Farmers rely on bees to pollinate crops and have planted around 10,000 football pitches of flower habitat across the country to support a healthy bee population and give them a good home.

We deeply regret the decision the Government has taken on this issue as we don't believe the evidence justifies this abrupt change in policy. We will continue to speak to the Government about how the impact of the decision can best be mitigated so that farmers can maintain sustainable and productive cropping systems."

Your NFU Sugar:
Helpline: 0370 066 1974

Written by **Arthur Marshall**
Arthur.Marshall@nfu.org.uk 02476 858 796

Michael Sly | Simon Smith | James Northen | Donald Hume | Diane Armitage | Arthur Marshall | Bethan Williams
Chairman | Vice Chairman | Head of Sugar | Beet Intake Manager | Sugar Adviser | Commercial Analyst | Grower Engagement Coordinator