NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

8 Dec 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

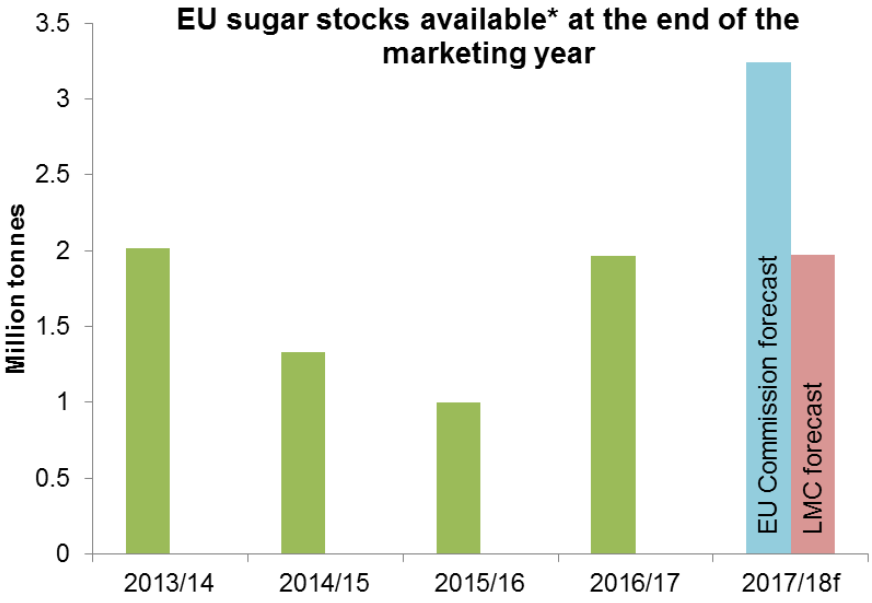
- EU white sugar prices fell in September to €490/t, as new crop supplies became available.
- EU supply forecast revised higher again for 2017/18 in latest EU Commission figures.
- Imports in 2017/18 to date have been lower than expected, which could partly offset this.

The average EU white sugar price in September fell to €490/t, back from €501/t last month as the first sugar of the 2017/18 campaign became available. While the September month's figures reflect the move to 2017 crop sugar, October figures, from which the bonus will start to be calculated, will be the first to fully reflect 2017/18 conditions.

Nonetheless, average prices at €490/t in September are a little higher than some analysts expected, since 2017 crop sugar produced in September could be sold in the EU free of quota limitations. The price is likely to have been supported by the fact that stocks were thought to be running short immediately prior to the new campaign (especially during the first half of the month), but equally the market knew the large forecast size of the 2017 crop.

The latest 2017/18 EU sugar balance from the EU Commission forecasts ending stocks at 3.2Mt, double the level previously forecast, and above the current LMC forecast of almost 2Mt. The higher the stock level of sugar available and looking for a home at the end of the marketing year, the more pressure there would be on prices. The latest forecast follows a much higher estimate of over-quota 2016/17 carry over stocks brought forward into this campaign than had been expected, suggesting supplies were not as tight at the end of 2016/17 as was thought.

Either of the two forecasts above would put stocks available to the market in the EU at their highest level in four years, suggesting that something major would have to change versus these forecasts to substantially move prices upwards. The consensus in reports suggests that EU sugar is currently being sold in the mid-€300s/t given these market conditions, with buyers reportedly booking purchases for around half the marketing year so far. This would suggest that, even should the outlook begin to change, the effects might not be seen until spring 2018.



*Includes only quota stocks up to 2015/16. Sources:EU Commission, LMC

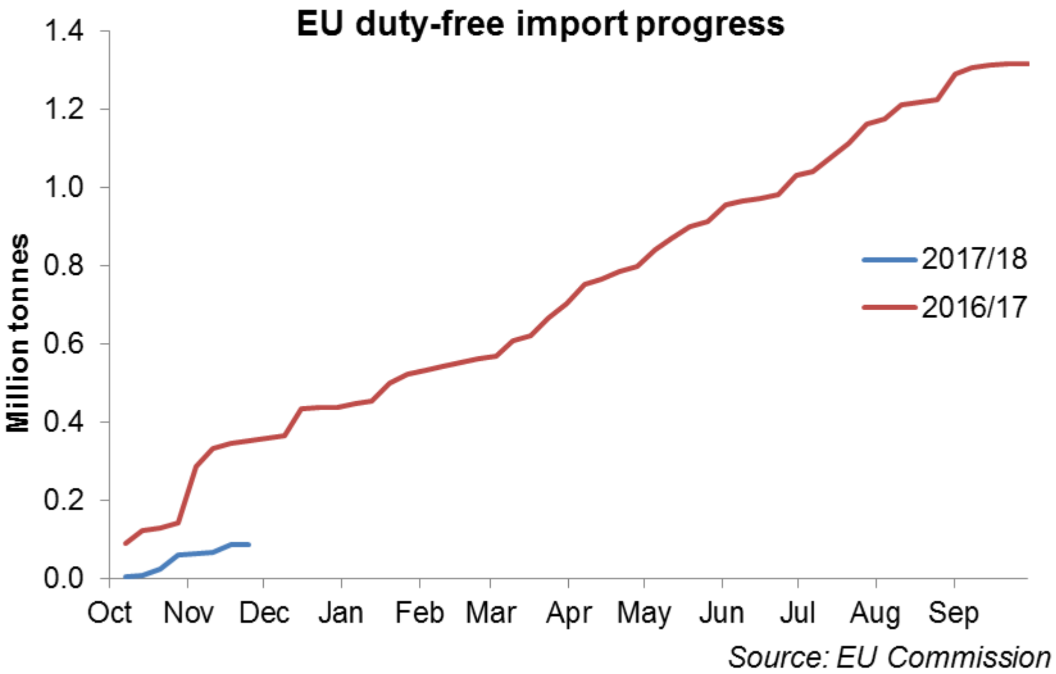
The first signs of divergence from the current balance sheet forecasts appears to be in imports, which are coming in even lower than expected. The two forecasts mentioned previously peg EU sugar imports at 1.3-1.35Mt, substantially down from the 2.5-3Mt imported in previous years. However, the amount of imports and license applications to date has been particularly low, even from duty-free origins, which could go some way to reducing expected supply in the EU.

Duty free imports into the EU from 1 Oct - 25 Nov were only 87,685t, less than a quarter of the 352,826t by this point last year, while barely any €98/t import quota has been applied for. Typically, the c.290Kt available under the €98/t 'erga omnes' quota is applied for and allocated very soon after it becomes available in October.

The prices reported earlier suggest the EU market is maintaining a small premium to the world market, but remaining below a level that would attract imports. At the bulk values reported, it would be very difficult to justify bringing in sugar while having to pay the €98/t duty, and even for duty-free sugar there is not much leeway to make a margin. Those imports coming in may well reflect sugar heading predominately for premium or speciality markets where values will be above the bulk price.

If duty-free imports continue to come in at the same rate, this would amount to less than 600Kt over the Oct-Sep marketing year. With only a small appetite for imports under the €98/t duty, total imports could feasibly amount to less than 1Mt for 2017/18 - though this is currently viewed as unlikely given that refiners can take advantage of any opportunity to purchase larger volumes should world raw prices move lower.

Another reason for the slow import rate could be the spread of world supplies this year—while production is up globally, Fiji and Mauritius, both among the main duty-free suppliers to the EU, have suffered difficulties with production. While world sugar supplies are expected to rise in 2017/18 compared to the year before, there are not necessarily greater supplies available that can come duty-free into the EU.



Next Issue: Friday 5 January 2018

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