NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

11 May 2018

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**	*0*	-	*0*	**0**
2017 three-year contract	**£22**	*0*	-	*0*	**0**

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

Highlights

- Average white sugar prices in the EU were €372/t in February
- Planting progress has been significantly delayed across northern Europe, affecting yield potential
- Member States have endorsed the Commission's proposals to ban all outdoor uses of neonicotinoids

The average white sugar price in the EU was €372/t in February, from the revised January price of €371/t. With estimates of production from this year's campaign continuing to climb around the world, especially in India, market sentiment remains weak. Subsidies for Indian cane growers announced last week have further affected world prices. While EU processors had been expecting prices to drop following the end of quotas, many have admitted that prices dropped further and faster than they had expected.

The weak market sentiment extends through to the coming campaign also. High world stock levels are expected from this season, which will carry forwards into next, while due to the nature of cane planting cycles and support measures in various countries around the world, most industries are unlikely to reduce planted areas in the short term in response to low prices. A major weather related upset can, of course, never be ruled out, but there would have to be a large enough impact on yields to trigger a significant effect on price.

Such was the sentiment we picked up while attending and speaking at the Platts Kingsman EU Sugar Seminar in Geneva last month, bringing together many in the European sugar trade—from growers to processors and traders to end-users. This gave us an opportunity to remind those attending that the real sugar factories are in the field, and that despite the complacency towards supply levels in the coming few years, the risks posed by both the poor planting conditions his season and loss of neonics further forward could have a sizeable impact on production.

In the EU specifically, planting progress has been significantly behind normal across northern Europe, including in Sweden, northern Germany, Netherlands, Belgium, France, Poland, Finland and Denmark as well as the UK—together accounting for the majority EU beet production. This is in contrast to more normal progress further south in areas such as southern Germany and Austria. As BBRO advice says, drilling after 10th April could lead to yield loss of over four adjusted t/ha per week on average, leading many to expect EU yields to be impacted.

Nonetheless, reports to date suggest EU buyers are feeling comfortable about sugar supplies for the 18/19 campaign, not in a rush to secure tonnage, and seeking lower prices than they contracted at for 17/18. While there are potential yield issues brewing due to planting delays, it is not yet the major weather upset the market would need for prices to rise. Forecasters such as LMC continue to expect the EU to produce enough sugar to be a net exporter even taking account of yield reductions due to the late planting. For price sentiment in Europe to really turn around, it would require EU production to fall to the extent that it is no longer a net exporter sugar.

On Friday 27th April, Member States endorsed the Commission's proposals to completely ban the outdoor uses of the three neonicotinoids imidacloprid, clothianidin and thiamethoxam. The proposals were adopted in full, without exemptions, with a clear qualified majority of 16 Member States in favour.

NFU Sugar board chairman Michael Sly said: "NFU Sugar is extremely disappointed by the decision to extend the ban on the use of neonicotinoids to sugar beet. We believe it is a regrettable decision that is not justified by the evidence available. The ban will have far-reaching impacts on beet growers as there are currently no sustainable alternatives to neonicotinoids. As a result, it is likely there will be significant impacts on sugar beet yields in the UK, exacerbated by our maritime climate that enables significant pest and disease pressure.

"Farmers are acutely aware of the crucial role bees play in food production and take extensive measures to provide habitats for wildlife on their farms. However, there is a real risk that these restrictions will do nothing measurable to improve bee health while compromising the effectiveness of crop protection. As a matter of urgency, the home-grown sugar industry will now be working with the government to try and secure solutions for beet growers ahead of the 2019 crop."

British Sugar and NFU Sugar announced on 30th April a series of improvements to the Industry Harvest and Haulage Scheme (IHHS). The scheme was set up by British Sugar in 2010 to provide harvesting and haulage services to sugar beet growers.

Following some concerns expressed by growers about the operation of the scheme, in 2017 British Sugar and NFU Sugar jointly funded an independent assessment of each stage of the haulier appointment process and to identify where greater transparency would benefit growers and hauliers alike.

The Douglas report (click to view—also available on the NFU Sugar website) has made a number of specific recommendations to improve transparency and understanding and British Sugar will now implement a number of changes ahead of the 2018/19 sugar beet campaign. The nature of these changes will be communicated to growers in due course.

NFU Sugar and British Sugar have also agreed three principles that the scheme must operate to and will now work together to make the changes.

The principles are:

- Maximise value to the industry: focussed on maximising yield potential from farm to factory and continuing to drive efficiencies
- Perceived by industry to be well run and operated fairly: organised appropriately and operated transparently; with clear, open, honest and timely communication
- Encourage and reward best practice: define, communicate and reward best practice

NFU Sugar board chairman Michael Sly commented: "NFU Sugar has maintained for some time that the Industry Harvest and Haulage Scheme (IHHS) has focused on cost reduction at the expense of value to the industry.

"Talking with growers there are plenty of examples of fragmentation in the most recent campaign, which not only goes against the core aims of the Scheme, but has been a real financial and logistical burden.

"To remain competitive in the post-quota world, our industry must focus on maximising yield potential from farm to factory. I am pleased that British Sugar has committed both to implementing the 'Douglas' recommendations, and to work with NFU Sugar to make further changes necessary for it to operate against the agreed principles. Only by doing both of these things can we ensure that the IHHS will be fit for the future."

Next Issue: Friday 8 June 2018

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