NFU SUGAR NATIONAL NEWSLETTER

13 Sep 2018

The Beet Brief

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

- 2019/20 guaranteed minimum beet price announced at £19.07/t with crown tare removed
- Market uplift will trigger at €375/t with at a rate of 15%, from €475/t and 10% on the 2018/19 contract
- The average EU white sugar price in June was €361/t, €7/t down from May.

The 2019/20 UK beet price one-year contract has been announced, with a guaranteed minimum price of £19.07/adjusted tonne for the 2019/20 crop on a zero crown tare basis.

The market-related bonus for this contract has a lower trigger point, kicking in at an average EU white sugar price of €375/t sharing 15% of sugar revenue, resulting in an overall value above that of the current 1-year contract should the market price rally above €475/t (unless there is a rally in the value of sterling) as shown in figure 1.

NFU Sugar has negotiated the permanent removal of crown tare on all new contracts signed from this point forward, which, with whole beet delivery, amounted to a 6.61% reduction on all tonnes of beet grown and delivered. The contract price quoted without crown is, for the first time, a more transparent price that is paid on the entire crop you deliver, rather than the inflated price quoted while crown tare existed.

Due to technical limitations in British Sugar's payment systems, for the next 2 years while the existing multi-year deals run their course the 6.61% crown tare will remain on the invoice, which will mean you receive a 'paid' price of £20.42/t on this contract. This is the equivalent price for comparison under the current crown tare arrangements—the difference between £19.07/t and £20.42/t reflecting how much the price is inflated when crown tare is deducted, as demonstrated in figure 2.

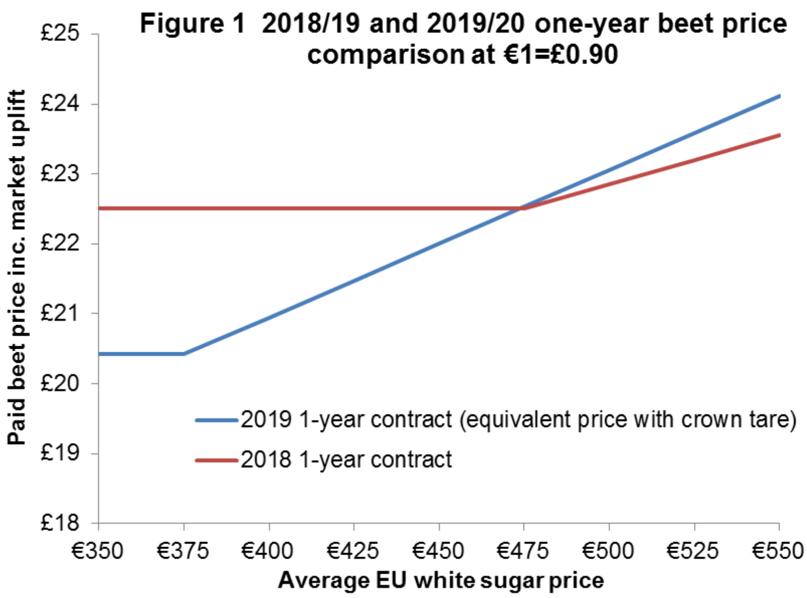
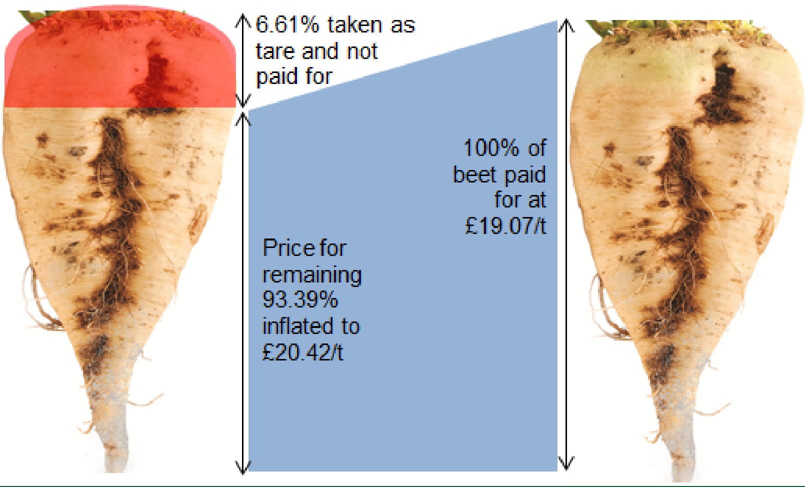


Figure 1 2018/19 and 2019/20 one-year beet price comparison at €1=£0.90

Figure 2 Effect of crown tare on paid price



There will be restrictions on leasing in 2019/20, which will limit the ability for non-farmers to hold on to CTE. If you are leasing out any tonnage in 2018/19, you will have the option to make that a permanent transfer of CTE to the leasee. If you do not transfer that tonnage or grow it yourself, a joint NFU-British Sugar panel will assess the situation on a case-by-case basis, and if you are not actively farming you may permanently lose that CTE. However, the option to lease out/in tonnage between active growers remains, although British Sugar will not act as intermediary to match growers seeking to lease out tonnes with those seeking to lease in tonnes.

Performance rules from 2019/20 onwards will become more flexible, requiring only one of two criteria to be fulfilled in order to retain CTE. Either 95% of contracted tonnage will need to be delivered over a two year average, as per existing rules, or a sufficient area will need to have been planted (calculated as the area required to grow contracted tonnage at a grower's 5-year average yield plus 5%).

Taking effect as of the 2018/19 campaign are two further agreements. Firstly, all LDA payments will be calculated based on the highest guaranteed minimum contract price active during the campaign—in 2018/19 and 2019/20 this will mean they are based the agreed percentage per day of £22.50/t, regardless of whether you are delivering contract beet at £22.50/t, £22/t, £19.07/t or surplus beet. Secondly, all new mileage calculations for growers receiving the transport allowance will be calculated on the distance from the centre of field to the factory weighbridge, bringing greater consistency and transparency to the process.

As of 2021/22, the sugar scale will also be changing to a linear scale benchmarked at 16% sugar. The current scale provides additional rewards to beet with high sugar concentration and significantly greater penalties to beet with lower sugars. The sugar scale converts clean tonnes to adjusted tonnes based on the sugar content of the load, with the new scale as of 2021/22 meaning that growers will be paid in direct proportion to the actual sugar grown. This change will further align with the principle of being paid on a transparent basis.

The average white sugar price in the EU in June was €361/t, down €7/t from May. The Commission recently began reporting regional sugar prices in the EU, backdating these to October 2017. Average prices in NW Europe (FR, DE, BE, NL, UK) have tracked very closely with the EU average price (€359/t in June) and are also very similar to values in Northern/Eastern Europe. It is only in Southern and SE Europe that the average sugar price is more significantly different (€375/t in June).

European beet test results have been giving indications of crop conditions in Europe. Unsurprisingly, early tests in many countries (especially north west Europe) showed root weights typically down but sugar contents relatively high. Given the very low root and foliage growth earlier in summer, the effect of rainfall having arrived has been plants using up (some of) this sugar now in growing additional foliage and roots, meaning that actual sugar yields have generally not been rising at the same rate per week as usual in the main beet growing countries of north-west Europe.

For crop size reductions to really impact EU prices (aside from a rally in world markets), yields would have to be hit significantly enough for the EU sugar surplus to come close to turning back to a deficit. Current forecasts from a range of analysts and trading houses project overall EU yields down by up to 10%, although root digs in some individual countries are showing much greater yield reductions than this. Given the scale of EU surplus from 2017/18 and planted area in 2018 (and depending on import levels), the yield impact would likely need to be close to 20% in order for EU markets to come close to balance, and therefore for prices to likely benefit from the poorer yields.

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