NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

9 Nov 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**
2018 one-year contract	**£22.50**	*0*	-	*0*	**0**
2017 three-year contract	**£22**	*0*	-	*0*	**0**
2018 three-year contract	**£22.50**	*0*	-	*0*	**0**

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

Highlights

- The average EU white sugar price in August 2018 was €350/t
- European and worldwide production forecasts for 2018/19 falling
- British Sugar online grower Beet Account taken down—update

British Sugar have been experiencing technical issues with their online Beet Account which have led them to take this offline. They have told us that while they work to investigate and fix the system, they cannot confirm when it will be accessible again.

NFU Sugar is extremely concerned about the impact on growers of British Sugar's decision to take down its online grower portal for an indefinite period in the middle of the sugar beet campaign.

Chairman of the NFU Sugar board, Michael Sly, said: "I think I speak on behalf of all growers in expressing my disappointment and frustration that this has happened. This portal provides the information that growers and hauliers need to get beet into British Sugar factories. It isn't just a nice to have – it's business critical.

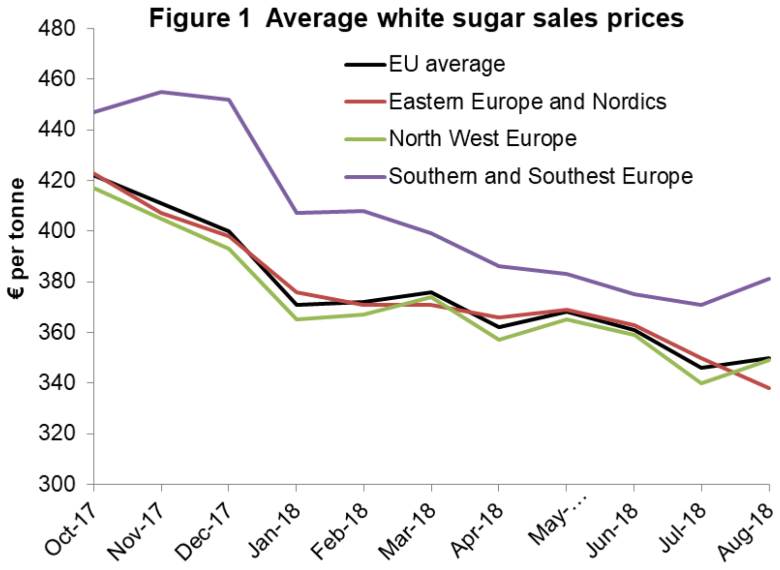
"NFU Sugar will closely monitor the effectiveness of the interim measures British Sugar puts in place to communicate with growers and hauliers.

"More generally, we are concerned about the continued, historic, lack of investment by Associated British Foods into British Sugar. Until greater investment is forthcoming, the home grown sugar industry will struggle to compete effectively in the post-quota world."

Interim measures from British Sugar include Grower Services being open for extended hours (8am-8pm Mon-Fri; 8am-12pm Sat/Sun), in order to provide any data required that would normally be available on the Beet Account. We have also been told that contract managers should be able to provide any information required. Please let NFU Sugar know if you have any difficulty accessing what you require via these channels.

The average white sugar price in the EU edged up in August to €350/t, with a widening spread in prices across the EU. In what could be a sign of the growing disparity in crop conditions in eastern and western Europe, average prices were lower in Eastern Europe than North-West Europe for the just the second time in 12 months (see figure 1). Meanwhile the premium paid in southern Europe over the lowest priced EU region reached its highest since December.

Rainfall in many European beet regions (France through to Poland) in September and October was below half the usual level, creating difficult harvest conditions. French yield estimates have continued to drop as the campaign has started, with CGB (the French beet growers' association) lowering forecast average yields from 86t/ha expected a month ago to 80t/ha, taking production in the EU's largest producer down to 5.3Mt of sugar—0.3Mt lower than the latest EU Commission forecast. Lower yields than previously forecast have also been indicated in Germany, Poland and the Netherlands, the next largest producers in order. The latest EU Commission balance forecasts a 1.3Mt export surplus in 2018/19; if yield reductions turn this to a deficit the EU price is likely to rise relative to the world market to attract imports.

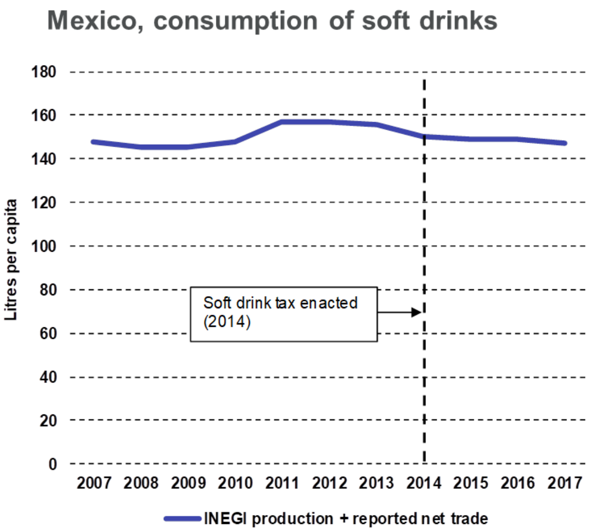


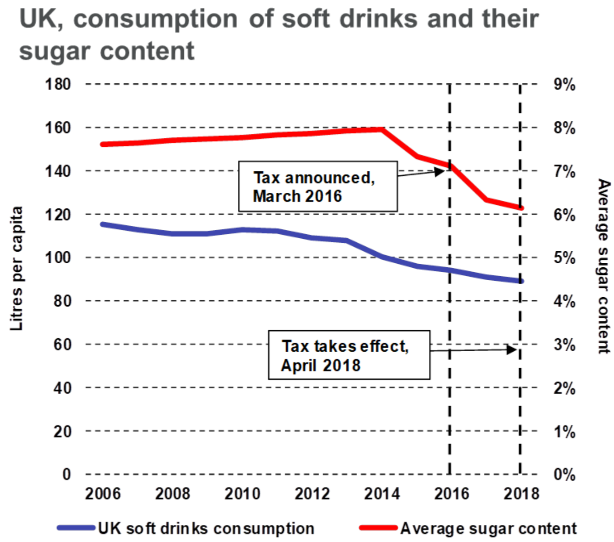
Forecasters are also reducing estimates of world sugar supply in 2018/19, and not just due to Europe. Weak monsoon rains and pest infestations in India (now the world's largest producer) have led to production forecasts by the Indian Sugar Mills Association being cut from a second consecutive record of 35.5Mt to 31.5Mt. In Brazil, attractive ethanol prices have continued to divert sugarcane out of sugar production.

These reductions are expected to eat into the sizeable surplus in the market coming out of 2017/18, and have even led Brazilian consultancy Datagro to forecast a global deficit once again in 2018/19.

With the introduction of 'sugar taxes' in a range of forms in various countries, work by LMC shows that the exact nature of any tax introduced will alter the effect on sugar demand. Soft drinks have often been the target of 'sugar taxes' to date, but the effects appear negligible where the tax is generically on soft drinks (e.g. Mexico) compared to where the tax targets the sugar content of soft drinks (e.g. the UK), as shown below. In both cases taxes seem to have made no difference to the trend in soft drink consumption so only those taxes that influence the formulation of products appear to affect sugar demand.

More widely, the UK public health target to reduce sugar content by 20% by 2020 across a range of foods highlights the ability to reformulate different food products. Public Health England's first year progress report, shows sugar reductions in breakfast cereals, yoghurts, spreads and sauces. On the other hand, very little change in sugar content was seen in biscuits, confectionery, puddings and ice creams. While sugar often acts as a sweetener in drinks, it performs many more functions in food products making policy pressure less likely to result in reduction.





Source: LMC's calculations using GlobalData sales data.

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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** | **Greg Brighouse** | **Diane Armitage** | **Arthur Marshall** | **Bethan Williams**
Chairman | Vice Chairman | Head of Sugar | Beet Intake Manager | Sugar Adviser | Commercial Analyst | Grower Engagement Coordinator