NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

6 Sep 2019

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)
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 June 2019 was €321/t, €1/t up from May
- Root digs in the mainland EU beet belt continue to show yields generally below average
- World sugar prices fallen due to weaker crude oil prices and Brazilian real, despite the forecast deficit

The average EU white sugar price in June 2019 was €321/t, €1/t up from the average value in May but still little changed from values earlier in the season. The average price in NW Europe (UK, FR, DE, NL, BE), at €311/t, was the joint highest average value this campaign, though again not substantially above price levels in earlier months. No large change to average prices is expected until the new campaign begins, at which point the signals continue to point towards a higher price.

Provisional 2019/20 campaign start dates

Bury: Intake 16 Sep, slice 18 Sep
Cantley: Intake 30 Sep, slice 2 Oct
Newark: Intake 16 Sep, slice 18 Sep
Wissington: Intake 20 Sep, slice 23 Sep

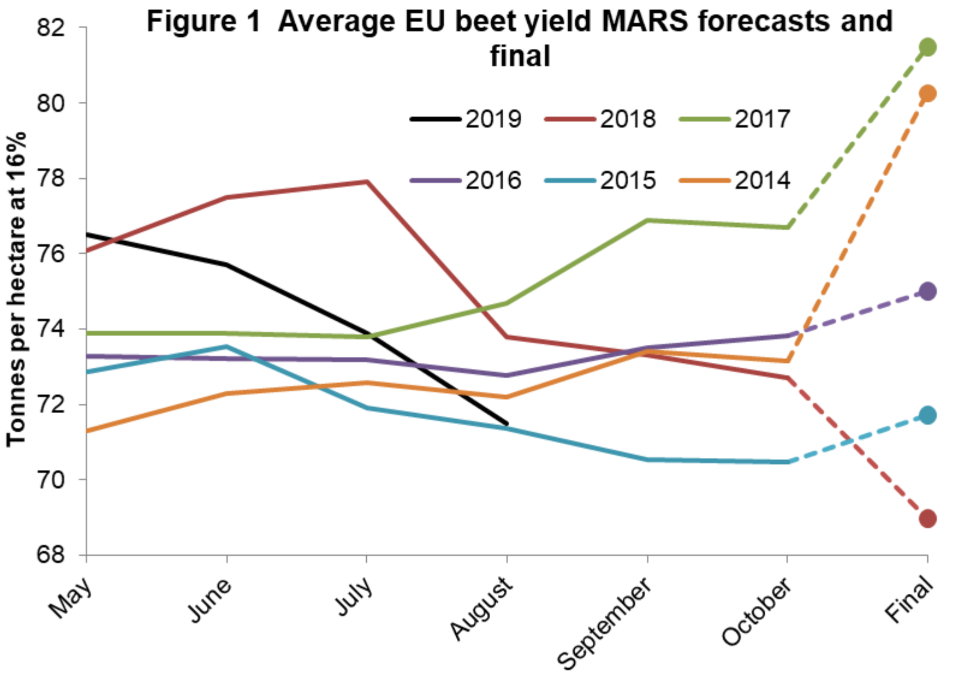
Surplus beet will be paid at min £15/t

Platts report hearing a contract for French sugar sold at €420/t ex-works for 2019/20 with a source also quoting €420-€450/t. Other reports we have heard suggest a range of prices between the low and high €400s, though we have also heard reports of multi-year contracts agreed last year that price 2019/20 sugar in the mid to high €300s. The 2019 one-year contract will accumulate a bonus in any month average EU prices (incorporating all these sales, whether made last year, this year or spot) exceed €375/t. At current exchange rates it would exceed the value of the 2018 one-year contract if values across the year reach or exceed €475/t on average.

Spot delivered prices for remaining 2018/19 sugar, meanwhile, are reported by Platts at €450/t on the near-continent with a €20/t premium to the UK. A new price monitoring service from Sugaronline has been launched this week, reporting spot sales in NW Europe currently at €420-€440/t ex-works (tallying with Platts' reports of €450/t delivered on the continent) while it also pegs average values in July in line with the EU Commission methodology at €324/t. Over the next few months, this new reporting can be monitored to measure how accurate an indicator it is for EU average prices reported by the Commission.

Following the early root dig results reported last month, further results have come in from around Europe, showing yields generally struggling in the main European beet belt. In Belgium, Iscal sugar reported results ahead of last year but below average in mid-August, while Raffinerie Tirlemontoise tests in late-August showed yields on a par with last year. Strube's root digs in southern and eastern Germany have been showing yields below average in all locations, and in many cases below last year's, a pattern repeated in the Rhineland although not in the north. Swiss root digs in late August also showed yields below both last year and the 5-year average. In the Netherlands, Suiker Unie expects a recovery in yields from last year's 5-year low to a figure closer to the average, albeit with significant variation as crops on heavy soils are reported to be in very good condition while those on lighter soils are doing less well.

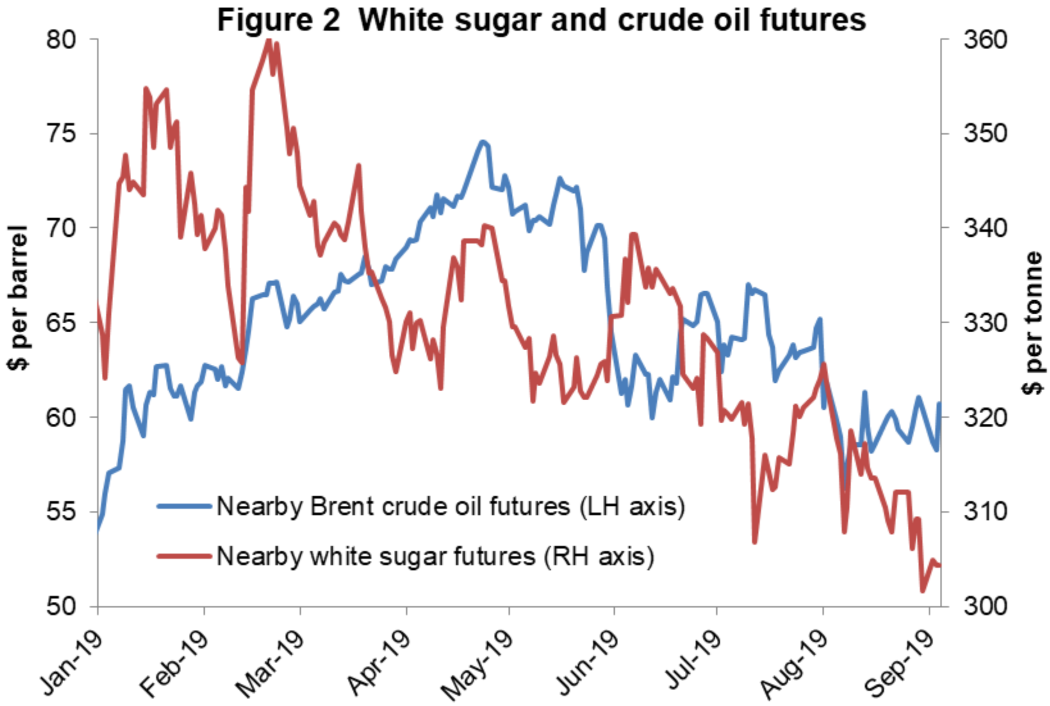
The generally below average outlook is reflected once again in the latest EU crop monitoring MARS update, with forecast yields cut again from last month's outlook. As shown in last month's *Beet Brief* and again in figure 1, the direction of MARS's forecasts is generally correct—where forecasts have generally fallen through the summer and autumn, yields have performed less well, and where forecasts have generally risen, yields have performed better.



Sources: EU Commission MARS crop monitoring, Eurostat

Despite the optimism for the medium term reported in last month's *Beet Brief*, world sugar prices have been falling in the last month, with London white sugar futures hitting contract lows at the end of August. This has come mainly due to falling crude oil prices and a weakening Brazilian real. As reported last month, a world sugar balance sheet tipping from surplus back into deficit in 2019/20 points to support for world sugar market prices, but this is always relative to crude oil given the ethanol market link. Furthermore, with Brazil such a major player in the world market, a weakening real allows Brazilian sugar to enter the export market more competitively, also weighing on prices.

Nearby crude oil futures hit their lowest level since the start of 2019 on 7 Aug, falling 13% in that week, before stabilising at levels akin to values in June (see figure 2). A tighter sugar balance allows sugar prices to rise compared to oil prices, but if crude oil values themselves fall then sugar prices are affected; otherwise, with two-thirds of the Brazilian cane crop currently going into ethanol, a drop in oil and hence ethanol prices without a fall in sugar prices would lead to a large increase in the amount of Brazilian cane being used for sugar production.



Sources: ICE futures, IEG Vu

Next issue expected: Friday 11 October 2019

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