NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

8 Nov 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

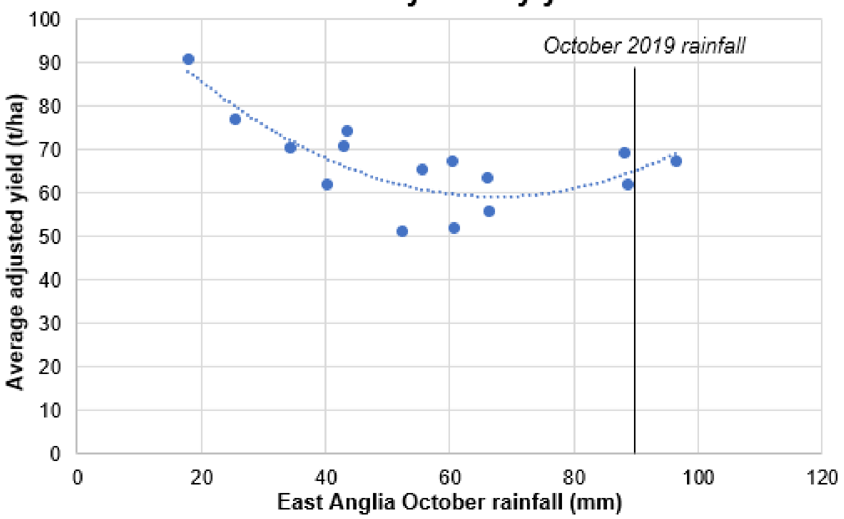
- The average EU white sugar price in September 2019 was €328/t, unchanged from the previous month
- Wet weather impacting harvest across northern Europe while dryness still prevailing elsewhere
- Difficult drilling conditions in much of Europe likely to lead to more spring cropping, potentially beet, in 2020

The average EU white sugar price in September 2019 was €328/t, up from €320/t the previous month but still reflecting the tail end of the 2018/19 campaign pricing. A higher price level continues to be expected for 2019/20, but it will be another month before the first EU average sugar price for the 2019/20 campaign is published. In the meantime, the reports we do have continue to point towards this, with Platts reporting spot sugar prices at €450/t delivered in the main continental beet producing countries up to €520/t in peripheral regions of the EU.

It will come as no surprise that the Met Office has confirmed 2019 was the wettest October in East Anglia since 2013 and the East/North East England since 2008. This has meant average sugar content to date in the campaign is now 17.03%, compared to 18.02% by the same date last year. However, the consensus (without firm evidence to confirm it) is that the lower sugar content is due to roots bulking up in the wet weather, rather than actual sugar yields dropping. Indeed, there is only a very weak correlation between rainfall in October and final adjusted yields, and none at all between rainfall across the campaign and yields. Strip out 2014, on the other hand, and a slightly stronger pattern emerges in some factory areas (especially Cantley and Bury). As shown in figure 1, higher yielding years in Cantley tend to come with dry Octobers, while the lowest come in relatively wet years, but the trend implies a slight upturn in yields in years with a very wet October.

The wet weather is not restricted only to the UK, but spread in a belt across northern Europe (see figure 2 overleaf). This is having an effect on beet lifting and sugar content throughout the region—for example, Suiker Unie in the Netherlands reported average sugar contents in mid-October beet deliveries at only 16.2%. However, while beet lifting and deliveries are being delayed, this will not necessarily impact the total volume of crop that will be lifted and delivered eventually, although it does open up the crop to greater risk whether from greater exposure to winter weather or from actual sugar yields ultimately falling.

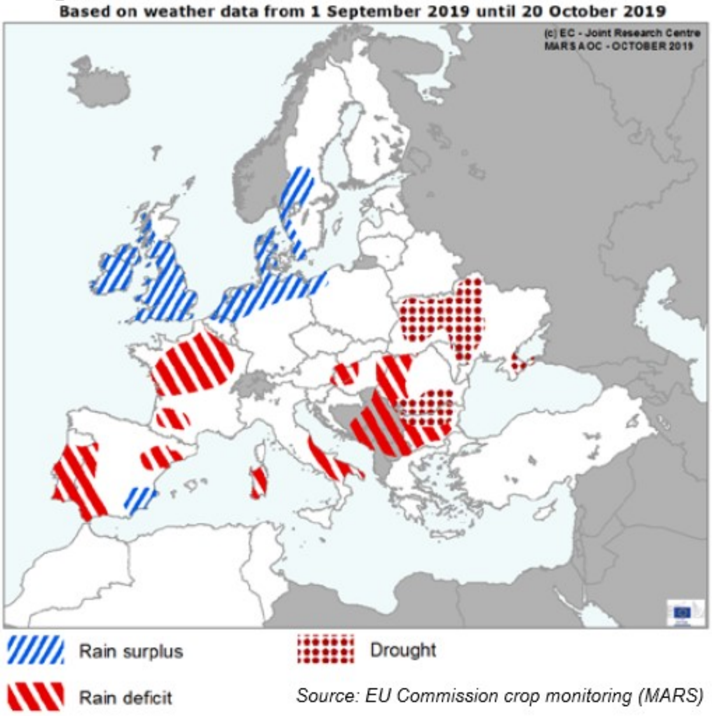
Figure 1 Correlation between October rainfall and Cantley factory yield



2003-2018, excludes 2014. R^2=0.6722 Sources: Met Office, British Sugar yield data

Only slightly further south, however, including in the main French beet growing areas there continues to be a rainfall deficit (see figure 2). Lifting has progressed far more normally with fewer issues in France and central and eastern Europe. Yield-wise, though, this is where the EU's crop monitoring body, MARS, continues to view the greater risks to be. Very hot and dry summer weather, which we mostly escaped in northern Europe, followed by continued rainfall deficit has led MARS to forecast below-average yields in swathes of the main European beet belt (see figure 3), with further month-on-month reductions in their latest forecast. As has been shown in the Beet Brief before, where MARS lower their yield forecast during the season, yields are indeed generally low and vice versa.

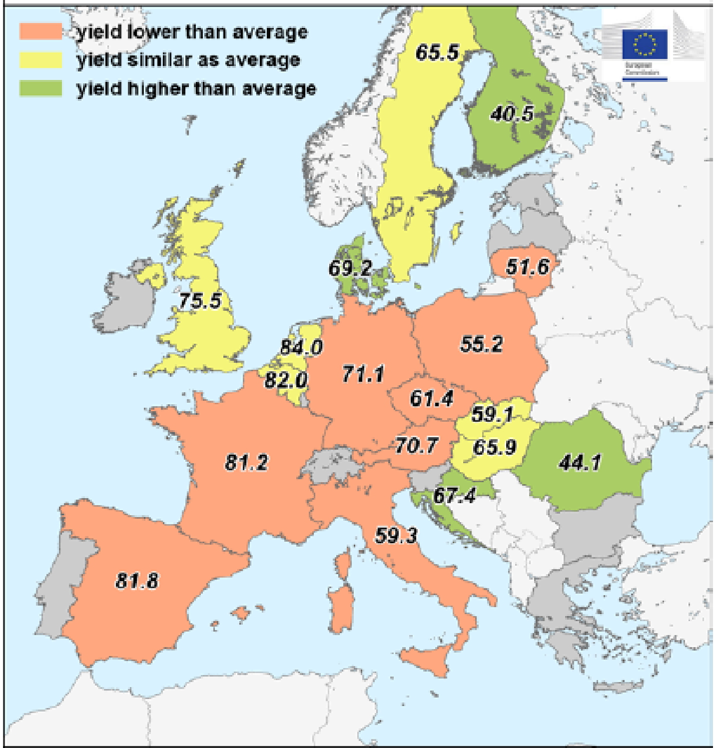
Figure 2 Areas of concern - extreme weather events
Based on weather data from 1 September 2019 until 20 October 2019



Source: EU Commission crop monitoring (MARS)

Nonetheless, in almost all areas MARS are reporting delayed winter crop planting, with most regions either excessively wet or excessively dry with little in between. Rapeseed emergence, in particular, has been hampered in those regions suffering excessive dryness, while poor conditions for seedbed preparation have caused issues mainly for winter cereal drilling in the areas suffering frequent and abundant rainfall. Added together, these conditions mean that growers across Europe are unlikely to have drilled as much winter crop area as intended, leaving a greater area to be drilled in spring, potentially with sugar beet.

Figure 3 Sugar beet yield forcasts
MARS forecast versus average yield (t/ha) 2014 - 2018



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The potential impact of winter planting issues aside, early LMC forecasts for the 2020 European crop suggest a very similar production again to 2018 and 2019. This would keep EU supply close to balance with demand and would be expected to keep prices around duty-free import parity. At current world prices, this would sit somewhere in the low €400s ex-works.

However, it is important to stress that these are early forecasts, based on an assumption of EU area which is seen to be 4% down year-on-year, due chiefly to the beet contracts available combined with the 7 beet factories set to close. On top of that, yields can only ever be forecast as average at this point given that we have no way to foresee 2020 weather. Rather than hang too much weight on the exact numbers, the significance at this point is that, unlike the first three years post-quota, the expected further cut in area means the EU market is not expected to be in a surplus of any substantive volume at average yields. While generally poor yields have led to that outcome in 2018 and 2019, by definition yields will not be below average every year.

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