NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

28 Aug 2020

UK beet price tracker					
£/adjusted tonne	**Base price, £/t (crowned equivalent)**	**Bonus, €/t (latest month)**	**ECB £/€ rate (monthly average)**	**Bonus, £/t (latest month)**	**Bonus, £/t (cumulative to date)**
2019 one-year contract	**£20.42** (contracted at £19.07 / zero crown)	€0.008	€1 = £0.89877	£0.007	**£0.014**
2017 three-year contract	**£22**	0	-	0	**0**
2018 three-year contract	**£22.50**	0	-	0	**0**

Prices before adjustments. Bonuses apply when EU+UK price >€475/t (2017 & 2018 contracts) or >€375/t (2019 contract).

Highlights

- The average EU+UK white sugar price in June 2020 was €379/t
- EU+UK 2020/21 sugar production is now forecast below 2019/20 levels
- The 2021/22 contract has been announced, including a ground breaking VY compensation fund and an innovative pilot contract linked to white sugar futures.

The average EU+UK white sugar price in June 2020 was €379/t, recouping the value lost in May and nudging it back above the market bonus trigger on the 2019/20 one-year contract. This has now triggered a cumulative bonus of just over 1p per adjusted tonne on the contract, with three more months of the marketing year to run.

The latest forecasts for the 2020/21 EU+UK crop from various sources now put sugar production below the 2019/20 level, driven primarily by the extensive yellowing visible in particular in France and the UK. However, the impact being forecasted is highly varied between analysts—LMC now estimate production c.200Kt down year-on-year while Agritel forecast a 1.2Mt drop in production. Even taking the lower figure, LMC expect this to lead to the most imports since 2016/17 and exports below even those in most years when quota operated. This would lead to prices trading at the point at which ‘CXL’ sugar imports (world market raw sugar paying a €98/t tariff) become attractive in peripheral parts of the continent, meaning that ex-works prices in the main continental beet belt would be expected to trade in the low €400s.

2021/22 Contract announcement

NFU Sugar and British Sugar have announced the 2021/22 beet contract agreement. This includes:

- A one and three year contract option
- An opportunity to participate in an innovative pilot pricing mechanism linked to world sugar futures
- An assurance fund to partially compensate against losses suffered following Virus Yellow infection
- Looser performance rules and the option for growers over 50 miles to exit multi-year contracts in Newark
- Changes to the LDA rate paid after 1 March

More detail is available overleaf, in the British Sugar contract pack and on the NFU Sugar website

Seed is once again available in a choice of pellets, with Germains Enrich 200 now fully available. The joint NFU-British Sugar Seed Working Group has brought average seed costs down by approximately 5% this year, with competitive raw seed pricing combined with further pelleting cost savings realised in negotiation with both main suppliers. Limited volumes of seed in alternative pellets will again be available in seed stores, while these technologies continue to go through independent BBRO trials.

The 2021/22 one year and 2021-2023 three year contracts

The one year and three year contracts available for 2021/22 have the same base price as in 2020/21, but with a reduction in the market bonus shared with growers on the one year deal from 15% to 10%. At the current EU average price of €379/t, this would mean a monthly bonus equal to £0.005 rather than £0.007, while taking the example of a €400/t market price over the year, the annual bonus would differ by £0.17 as shown in figure 1.

Figure 1 Annual market bonus on the 2021 one-year contract compared to the 2020 one-year contract

Average white sugar price	2021 one year contract (£20.30/ €375/10%)	2020 one year contract (£20.30/ €375/15%)
€ 300	£20.30	£20.30
€ 325	£20.30	£20.30
€ 350	£20.30	£20.30
€ 375	£20.30	£20.30
€ 400	£20.64	£20.81
€ 425	£20.98	£21.32
€ 450	£21.32	£21.83
€ 475	£21.66	£22.34
€ 500	£22.00	£22.85
€ 525	£22.34	£23.36
€ 550	£22.68	£23.87
€ 575	£23.02	£24.38
€ 600	£23.36	£24.90

Based on €1=£0.89. 2020 price and bonus rebased to 2021 payment basis

VY assurance fund—A safety net

The Virus Yellows crop assurance fund introduced from 2021 will compensate growers for a proportion of yield losses suffered where a grower has Virus Yellows present in their crop. This is a three-year, £12 million fund, underwritten by British Sugar covering all new and existing contracts.

This is designed to be as simple and easy to use as possible, providing a safety net to growers by partially compensating for yield losses incurred when VY is present in the crop. The compensation (established as shown in below) will be automatically paid out at the end of campaign based on your tonnage delivered, provided you have met the conditions shown in figure 2, which have been designed to be straightforward to fulfil and avoid the fund being depleted by other factors such as failure to plant enough crop or deliveries to an alternative market.

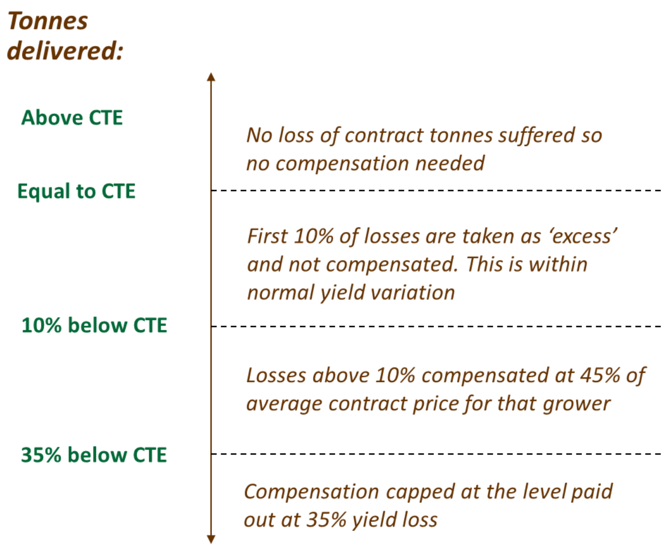

Figure 2 Conditions on receiving compensation from the Virus Yellows fund

- **Register presence of VY in your crop**
- **Provide evidence of VY and any sprays applied (e.g. spray invoices) in line with BBRO recommended practice if requested by British Sugar**
- **Declare establishment in crop declaration (compensation will be revised down if below 80k plants per hectare)**
- **Plant a sufficient area to fulfil your CTE at your 2015-2019 5-year average yield (compensation will be revised down if insufficient area planted to expect to meet contract)**
- **Deliver the crop you have produced on your declared fields to British Sugar**
- **Be contracted to grow beet for the following year and not in breach of contractual obligations**

Futures linked pilot contract—Grower Economic Empowerment

This pilot contract will, for the first time in the UK, give growers access to a beet price defined in relation to the white sugar futures market. It will allow you to manage your own pricing decisions, through an app developed by our partner Czarnikow, and fix your sugar beet at any point in the pricing window. The price will vary daily, and exposure to the volatility of sugar futures means that you could potentially face a beet price far below or far above the standard contract price. **NFU Sugar, British Sugar and Czarnikow will be running virtual sessions for interested growers on 8th September at 8am and 4pm. Please email Charlie.Parkin@nfu.org.uk to register.**

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