NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

23 Dec 2020

UK beet price tracker					
£/adjusted tonne	**Base price, £/t (inc. crown tare)**	**Bonus, €/t (latest month)**	**ECB £/€ rate (monthly average)**	**Bonus, £/t (latest month)**	**Bonus, £/t (cumulative to date)**
2020 one-year contract	**£20.99** (contracted at £19.60 / zero crown)	€0.012	€1 = £0.907423	£0.011	**£0.011**
2018 three-year contract	**£22.50**	0	-	0	**0**
2020 three-year contract	**£21.90** (contracted at £20.45 / zero crown)	0	-	0	**0**

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

Highlights

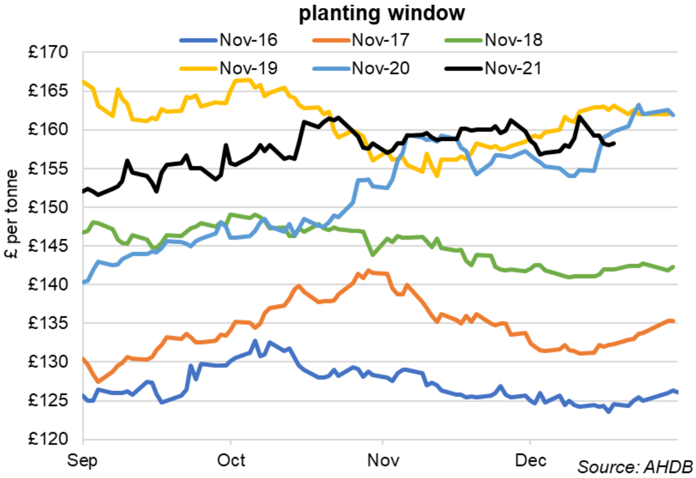
- The average EU+UK white sugar price in October 2020 was €381/t, up slightly from September's figure.
- 260Kt tariff free raw sugar import quota announced despite most consultation respondents opposing it.

The average EU+UK white sugar price in October 2020 was €381/t, up €6/t from September. This means the 2020 one-year contract has triggered a 1p/t bonus in the first month of the marketing year, which will be paid in the first instalment after the campaign is concluded alongside any other bonus that has accumulated by that point. The rise in prices, although very slight, could indicate that the price trends identified in last month's Beet Brief may be broken this campaign. As a reminder, we saw that in almost all campaigns, due to the contracted nature of the European sugar market, price movements between August and September foretold those between campaigns as a whole. If this pattern held, prices would be lower in 2020/21 than in 2019/20. Nonetheless, the rise in prices into October was only marginal, so it could yet point to only a modest increase in prices over the campaign on average compared to last.

While 2020/21 will see a substantial deficit in the European sugar market due to yield losses in the UK, France and Poland, uncertainty is growing over planting intentions for 2021/22 across Europe. Earlier in autumn, a small decrease in area had generally been expected though one which could easily be outweighed if yields revert closer to average, but developments since have pulled in opposite directions.

On one hand, the extreme scale of yield losses this year particularly in the countries mentioned above has become apparent, bringing home to growers the risks being taken in planting beet and therefore reducing confidence to plant the crop next year. Furthermore, forward wheat prices in the UK (figure 1) and EU have been firm relative to previous years, coupled with more favourable weather for autumn drilling than last year, meaning that some growers will have planted alternative crops on land originally intended for beet.

Figure 1 Forward UK wheat futures during autumn planting window



On the other hand, an increasing number of the few European countries that enforced the ban on neonicotinoid seed treatments are permitting them in 2021. At the time of writing, an authorisation for 2021 is in the pipeline in France and has been granted in three German states, on top of the anticipated renewal of authorisations in the 11 EU countries that granted them in 2020.

NFU Sugar board chairman Michael Sly has criticised the government's decision to ignore the results of its own consultation and introduce a 260,000 tonne tariff-free quota for raw cane sugar imports. This will allow imports of sugar produced in ways that would be illegal in the UK and could lead to permanent decline of the UK sugar beet industry.

The quota, which will be introduced regardless of whether we reach a deal with the EU or not, will put significant pressure on sugar producers at a time when they are already dealing with the impacts of significant pest pressure.

Mr Sly said: "It is clear that the government has paid no attention to its own consultation and completely ignored the feedback from the home-grown sugar sector. It's inconsistent and contradictory justification for introducing this quota shows no appreciation of the wide range of objections expressed in its consultation.

"The government claims that this quota will have no impact on UK beet growers as the sugar price will not be affected. This is clearly wrong. Sugar beet growers will undoubtedly be affected by this quota allowing imports of sugar produced in ways that would be illegal here.

"The government itself admits this in its own policy by saying the quota 'allows the importation of food products that have been treated with pesticides containing active substances that have not been approved for that use domestically'.

"The UK is one of the most efficient sugar producers in the world. That is something we should be proud of and looking to enhance in the years to come. If we are to do that, we must be able to compete on a level playing field with growers elsewhere.

"I would urge the government to rethink its decision on this quota and abandon its introduction, considering the devastating impact it could have on the thousands of sugar beet growers in the country."

In reacting to the implementation of the wider UK tariff schedule to apply from 1 January, Minette Batters also said in relation to sugar: "I am incredibly disappointed that the government is pressing ahead with an enormous tariff-free quota for raw sugar imports, which will have an extremely detrimental effect on the home-grown sugar sector by undermining them with imports produced in ways prohibited in this country.

"The government's justification suggests that the price of sugar 'would be no different' as a result of the tariff-free quota but also that it 'is in the interests of UK consumers'. It is hard to square these two assertions, and it is very difficult to understand what exactly this quota serves to achieve, apart from harming a successful home-grown industry."

The Government released the results of its consultation on a 260Kt tariff-free sugar quota last week, confirming no changes to the planned policy. This means that, in 2021, there will be an additional 260Kt of sugar that can be imported tariff-free into the UK, above all existing channels, equal to about 15% of total UK demand.

The results from the consultation show that 79% of respondents opposed the now-introduced quota. It also shows that the same percentage of respondents felt that any quota should take into account the standards used to produce the sugar, something DIT has not introduced.

There were 84 responses to the consultation, 39 of which came from businesses in the agriculture sector, while 14 further businesses did not provide details of their business sector.

Next issue expected: Friday 29 January 2021

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