NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

1 Feb 2021

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)	€0.008	€1 = £0.896038	£0.007	**£0.018**
2018 three-year contract	**£22.50**	0	-	0	**0**
2020 three-year contract	**£21.90** (contracted at £20.45	0	-	0	**0**

Bonuses apply when EU+UK price >€475/t (2018 contract), >€400/t (2020 3-year contract) or >€375/t (2020 1-year contract).

Highlights

- The average EU+UK white sugar price in November 2020 was €379/t, down €2/t from October.
- World market prices firming but impact on 2021/22 European prices depends on selling strategies.
- Slight drop in European area expected, with 13 EU countries plus the UK granting EAs for neonic use.

The average EU+UK white sugar price in November 2020 was €379/t, down from October's figure and leading to a less than one pence per tonne increase in the cumulative market bonus on the 2020 one-year contract. Due to underlying sugar contracting structure, reported average prices don't typically move much between October and December. Larger price movements are more likely in January as new calendar-year contracts filter in.

Meanwhile, for growers on the futures linked contract pilot this year, available beet prices reached a recent high of £23.54/t earlier in the month. Growers who opted onto this contract have been able to lock in beet prices much in the same way as with selling wheat forward, with the opportunity to price some or all of their beet tonnage at the market price at any time.

This rise in world sugar futures has been underpinned by the shortfall in European and Thai sugar crops and the smaller Indian subsidy programme than last year. However, it has been driven in particular by funds buying sugar futures (as part of their financial strategies), in anticipation of making a profit when these are sold again. The flip-side to this record amount of fund buying in the market is that the data suggests there has been a record level of forward selling of futures by sugar processors, particularly in Brazil. Czarnikow reports some millers are already over 90% hedged for 2021/22, and having locked in profitable sugar prices, will already be planning to maximise sugar output over ethanol for 2021/22.

While this might appear to be bearish for world prices, the fact that a high level of sugar output from Brazil has already been sold and accounted for in the market price could mean it has the opposite impact. With most futures purchases having been made by speculative funds, many physical buyers are yet to secure sugar for 2021/22. As and when they do come to market, with Brazilian mills having already sold, this means buyers have fewer suppliers to draw from, as many sellers in the market at that point will in fact be funds unwinding their positions.

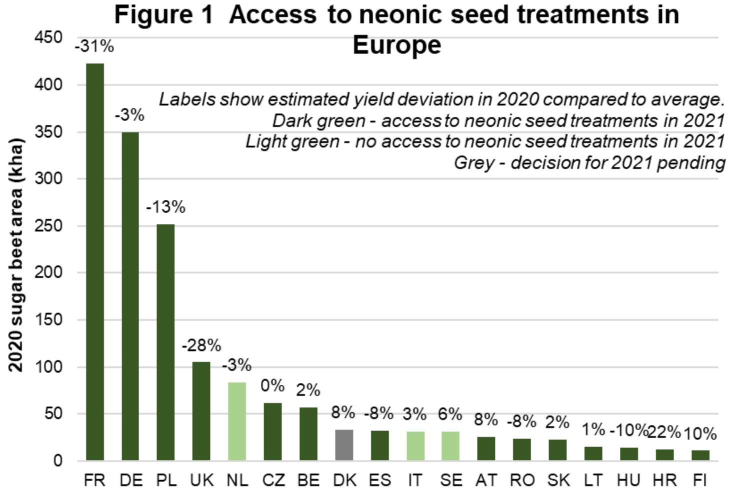
Unlike in Brazil, with less use made of the forward market in contract arrangements, European sugar sales for 2021/22 will not necessarily be priced yet. However, a firming world price will nonetheless be driving up the price at which sugar could be imported into the UK and EU. Without a major surplus expected in the European market—most forecasters are anticipating a rebound in production (as detailed overleaf) but one which would keep the wider European market relatively balanced–the rising price of imported sugar would be expected to lead to higher market prices in the European market. Recent experience, however, shows that beet processors' selling strategies can be their own worst enemies, so this cannot be banked upon to happen.

As well as in the UK, Emergency Authorisations have been granted in 2021 for neonicotinoid beet seed treatments in 13 of the 18 EU beet growing member states. This is up from the 11 countries that granted them last year, with a 2021 decision still pending in Denmark (where it was granted in both 2019 and 2020). This includes authorisations for neonic use for this first time since 2018 in the two largest beet growing countries France and Germany. As far as we are aware, the authorisation in the UK among the most controlled and limited of any authorisation granted anywhere in Europe—in particular, it includes the joint lowest application rate, tight restrictions on following crops and it is the only authorisation that is dependent on winter conditions to establish need. A reminder of some of the conditions is below.

As shown in figure 1, with most of the largest, highest yielding countries now having granted authorisations, forecasters are generally expecting a rebound in EU yields back to a more normal range in 2021/22.

Looking to 2021 plantings, the total European beet area is currently expected to fall only slightly year-on-year, driven mainly by area reductions in the two hardest hit countries in 2020 (UK and France). With no other major area changes expected in Europe in 2021 (save for a substantial area increase in Austria), most forecasters expect EU sugar supplies to rebound this coming year assuming yields return to average. However, in the case of France this may be mitigated somewhat by incentive packages being offered by processors on top of a €100m compensation package announced by the government to partly offset income losses for growers who lost over 30% of their yield.

Figure 1 Access to neonic seed treatments in Europe



Sources: EU Commission, LMC (2020 area/yield estimates)

The Betteravier magazine in France reported in January the packages being offered by French processors:

- Cristal Union (large co-op): €1/t premium for growers who maintain area at 2020 levels + €2/t premium for the final 25% of a growers' contract tonnage in 2020/21 (i.e. for tonnage delivered between 75% and 100% of a grower's contract).
- Ouvre Fils (independent sugar factory): Guaranteed minimum €2/t price increase in 2021 compared to 2020, potentially higher again, including a loyalty bonus for growers maintaining area.
- Lesaffre (independent sugar factory): Bonus of €2/t on all contract beet tonnes provided a grower plants a necessary area and delivers at least 90% of contract volume in 2021/22.
- Saint Louis Sucre (medium size German owned group): Same base price as 2020 but market linked bonus shifted from Sudzucker group's average price to EU average price, which is likely to pay out more.
- Tereos (large co-op): No news yet as management has recently changed.

Meanwhile, with no similar support package proposed by British Sugar for UK growers, and indications of a sizeable cutback in plantings, this leaves a substantial risk of a lasting decline in the size of the UK industry.

Ensure you follow the conditions of the Cruiser seed treatment Emergency Authorisation

As an industry, we must all collectively ensure the rules for use of Cruiser treated sugar beet seed are followed. Please refer to the NFU-BS letter issued earlier in January for full details. As a reminder, these include:

- For the first 22 months following drilling of Cruiser-treated sugar beet seed, only cereal crops may be grown in that field
- No oilseed rape may be grown in the same field for 32 months following drilling of Cruiser-treated seed.
- No redrilling of Cruiser-treated sugar beet seed is allowed.
- Seed must be drilled at a seed rate to target establishment of no more than 100,000 plants per hectare.

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