NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

9 Apr 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 Nov)
2020 one-year contract	**£20.99** (contracted at £19.60 / zero crown)	**EU+UK prices no longer being reported**			**£0.018**
2018 three-year contract	**£22.50**	*Market bonus from December onwards will be based on British Sugar's sales price compared to the EU average, relative to British Sugar's existing premium/discount pre-Brexit.*			**0**
2020 three-year contract	**£21.90** (contracted at £20.45 / zero crown)				**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

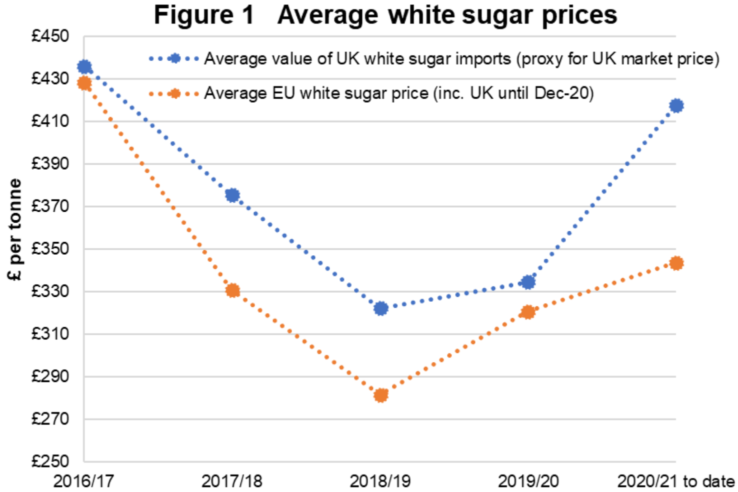
- The EU27 average white sugar price in Jan 2021 was €388/t, up €9/t from the Dec 2020 figure.
- The average value of UK white sugar imports has currently been £418/t to date, £80/t over last year's.
- European planting dates have been around average, with a slight reduction in European area expected.

The average EU27 white sugar price in January 2021 was €388/t, up €9/from the December 2020 figure. As the UK figure is no longer being included within this, it is not possible from this alone to calculate the impact on the market bonus but, all else being equal, it suggests a further small increase in the cumulative monthly bonus could be possible.

The average value of white sugar imported into the UK in January 2021 returned to over £500/t for the second month this season, but with small monthly volumes being imported this needs to be treated with caution. Nonetheless, the average price of all white sugar imported into the UK this season has been the highest since the end of quotas, and over £80/t higher than the 2019/20 average, as shown in figure 1.

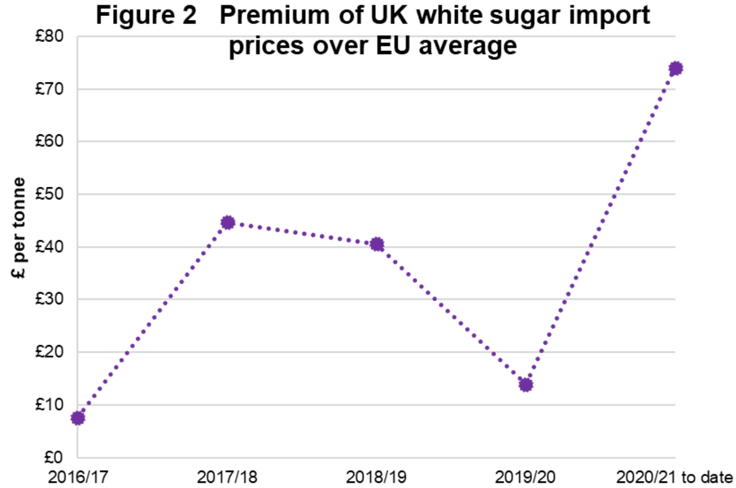
This does imply that there is an increasing premium in the UK market which the two UK-based sugar processors should be benefitting from this year. As shown in figure 2, the average price of white sugar being imported into the UK is now over £70/t above the average EU price, the highest the premium has been since market liberalisation (an indeed, likely higher than it would have been during the managed market, since this would have limited the ability for prices to deviate in this way). Provided British Sugar has managed to commercially take this opportunity, growers should gain a small share of this value through the post-Brexit bonus mechanism.

Figure 1 Average white sugar prices



Sources: HMRC, EU Commission

Figure 2 Premium of UK white sugar import prices over EU average



Sources: HMRC, EU Commission

After a fairly cold start, preventing early beet planting, drilling has been progressing well in much of Europe with most crops expected to be drilled at a fairly 'normal' time. French growers reached the 50% drilled mark between 28 March and 2 April, only one to six days later than average, according to ARTB (French beet research association), with UK planting dates likely to be similarly around average, anecdotally having progressed rapidly once it began despite most growers being unable to drill early. Planting in Germany is reported to be well underway in good conditions according to the industry association WVZ while Poland's grower organisation reports slight delays due to colder weather, though with their more continental climate average drilling dates are usually later than in Western Europe anyway.

Planting at fairly average times in generally decent conditions means that there is all still to play for in terms of European production for 2021/22. According to analysis by LMC, this implies that the timing of planting will not have any significant bearing on the prospects for the 2021 crop. Good seedbeds and planting dates should benefit the crop, but many growers (at least in the UK) are also reporting that more rainfall soon would be helpful, while there is also caution from some growers about the impact the recent snowfall and cold snap could have had on young beets that had only just emerged. The ITB estimate that up to 7-8% of French area (up to 30Kha) could have been destroyed and need to be redrilled. On balance, there is no clear weather-based reason at this point for forecasting Europe-wide yields either above or below average, meaning that the only indication we currently have for looking towards 2021/22 European (inc.UK) market conditions is the area planted.

Here, analysts are mostly (but not all) forecasting a slight, though not substantial, reduction in European beet area across the continent. What is not in doubt is that the main reductions will come from the two countries hit hardest on yield last year, with a 10%+ reduction in UK beet area and a 5% reduction in French beet area. Smaller reductions in Poland and the Netherlands are also projected for various reasons, including in the Polish case yield pressures unrelated to the VY seen further west that nonetheless resulted in yields more than 10% below average last campaign. With various other increases and decreases in smaller beet growing countries, most forecasters are expecting European area to be around 0-2% below last year's, with Rabobank an outlier talking of a very slight increase.

In any scenario with area not far off last year's, the slight change in area could easily be offset by a return to average yields. In most forecasts, this would push European production back to levels around or slightly below 2019/20. This would mean very little change to the fundamentals of the European market, which would point to an import requirement of >2Mt in the EU27+UK (assuming the usual trickle of exports to premium nearby markets). Despite the introduction of the UK ATQ, this would imply pricing at a level to ensure ACP/LDC sugar enters the market though not high enough to attract duty-paying 'CXL' sugar. At current world prices, which are considerably higher than they were 6 months ago, it would mean European prices above the current reported averages, though futures values have started to come down again over the past month or so. If European yields are poor once again, the current indication is that the area has dropped to a level which could result in a scenario where the market exhausts available supply from duty-free origins, meaning the market would have to rise to a price at which refiners can profitably bring in CXL sugar paying the €98/t duty.

As is always the case, weather over the growing season will be critical but current indications are neither positive nor negative.

AB Sugar's Spanish business, Azucarera, has been found by a Spanish court to have breached its contracts with growers and the IPA, underpaying growers after unilaterally varying the pre-agreed price terms in 2019/20. Azucarera has been ordered to pay an estimated €10m back to the c.2,500 Spanish beet growers, equalling €4.20/t for growers' 2019/20 deliveries.

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