NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

15 June 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** *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.*			£0.018
2018 three-year contract	£22.50				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 Mar 2021 was €394/t, up €4/t from the month before.
- Crops development across Europe delayed in May but coming on well in June.
- British Sugar's 2019/20 accounts show a £57.7m operating profit, equal to a £7/t+ margin on beet.

The average EU27 white sugar price in March 2021 was €394/t, €4/t up from the previous month. As always at this time of year, month-on-month changes are not substantial due to the majority of sales having been made at prices already agreed on contracts.

Over the last month, a cool, wet May has delayed development but there is confidence that improving weather will help the crop. Although there is no clear correlation between these conditions and final crop impacts (given amount of growing season still to come), spring this year has of course been less than ideal so a spell of good weather will be required simply to bring the crop back to where it should be. Colder than average weather has extended throughout much of Europe including all major beet belt areas, with reports from all our European counterparts in the World Association of Beet and Cane Growers (of which NFU Sugar is a member) agreeing that the cold spring has delayed emergence and crop development.

Although these delays will have shaved the top off the crop's theoretical yield potential compared to warmer springtime conditions, there is optimism in many areas that the warm, sunny June with generally moist soils could more than offset the slow start.

Further afield, we heard a number of drivers likely to support world prices at the recent WABCG annual congress. The Brazilian cane growers emphasised the growing concerns for their crop as very dry weather continues there. They also noted that as mills need to maintain ethanol supply, all reductions in the forecast cane crop volume will come out of sugar production. Looking ahead, attractive prices mean soyabeans are becoming more attractive than sugar cane for some growers. The Australian cane growers, meanwhile, noted new legislation brought in in Queensland making it more difficult to bring any new area into cane, alongside increasing competition for land from crops such as avocados and macadamias.

The risk faced both in the UK and in continental Europe is that the delays to the crop thus far expose it to greater pest pressure as many crops remained young heading into June. In particular, the aphid flight is on many UK growers' radar but there could be impacts from a range of pests across Europe. This risk is likely to be especially acute in France where well over 10% of the beet area had to be redrilled following heavy frosts in April (as reported last month), meaning those crops will be even younger and more vulnerable.

BBRO aphid monitoring data is showing aphids having been found at some point at 24 of the 53 monitoring sites, including a number of wingless aphids, with 16 sites having breached spray thresholds at least once since the beginning of June. You can keep an eye on BBRO aphid monitoring on BBROplus, but please continue to monitor your crops closely and act accordingly if thresholds are breached.

British Sugar's latest accounts show £57.7m operating profit with further improvement expected

- After a long delay compared to previous years, British Sugar's 2019/20 accounts were finally published at the end of May.

- Revenue was 17% higher than last year and the company recorded an operating profit of £57.7m. *This equals a margin of over £7/t on every tonne of beet.*

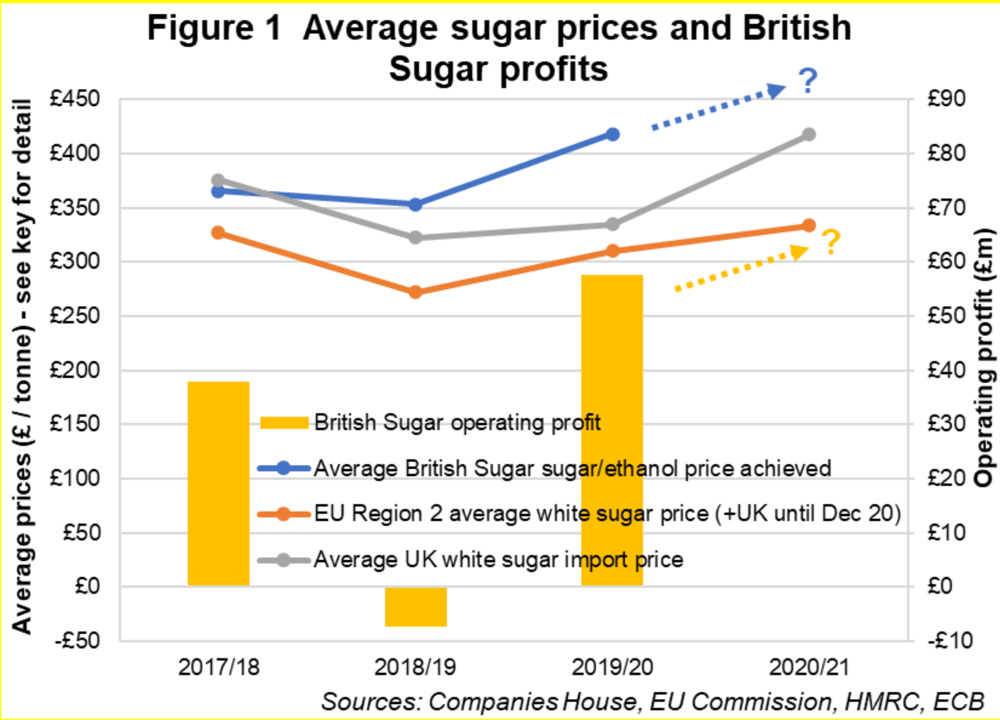
- For 2020/21, ABF announced in February that operating profits across their sugar division were significantly ahead of last year, driven in part by further improvements in British Sugar, at the same time as we estimate growers lost over £43m in income from yield losses (excluding the value of any forgone bonuses/allowances):
    - "AB Sugar revenue is expected to be marginally ahead of last year in the first half primarily due to higher average sugar prices for British Sugar and higher prices in Illovo. Operating profits are expected to be significantly ahead for the half year driven by a strong recovery in Illovo and further improvement in British Sugar."

- Prices have continued to rise since the period in question, underpinning the expectations of further gains.

- On top of this underlying market price improvement, analysis of British Sugar's accounts suggests their commercial sales performance has improved relative to others through the post-quota period, obtaining a steadily increasing premium both to the 'Region 2' average (UK, FR, DE, NL, BE) and the average UK import price.

- Both of the above are likely to further support profitability (see figure 1).

- Despite the attractive sugar prices now available compared to previous years, UK beet area has shrunk by c.12-13%, meaning British Sugar will have approximately 120-160kt less sugar to sell (compared to previous years' beet area) and so will not be able to take full advantage of the favourable market conditions



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