NFU SUGAR NATIONAL NEWSLETTER

The Beet Brief

9 July 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 Apr 2021 was €395/t, up €1/t from March.
- British Sugar announced on 30 June a 'minimum price for the 2022/23 beet crop'
- NFU Sugar responded with an 'offer we believe to be fair, balanced and in the industry's collective interest'

The average EU27 white sugar price in April 2021 was €395/t, up €1/t from March. The variation of prices across the continent, as shown by the standard deviation, continued to narrow, with average prices very similar across the main beet producing regions in western, central, northern and eastern Europe. Southern Europe remained at a premium to other regions. As shown in last month's Beet Brief, there are signs of the UK market trading at a premium to the EU average but without any market reporting covering the UK it is not completely clear.

British Sugar announced on 30 June a 'minimum price for the 2022/23 beet crop', setting out 'the latest proposal from British Sugar to NFU Sugar' within the negotiation process. Clearly, this is a change from previous years where negotiations have not been conducted in public, but in light of this NFU Sugar has responded with an 'offer we believe to be fair, balanced and in the industry's collective interest', as shown in figure 1.

Figure 1 Comparison of 2022/23 price offers

	British Sugar announced minimum price	NFU Sugar offer
Beet price	£25/t, 1 or 2 year contract, including 'a' market-linked bonus on unspecified terms	£27.75/t fixed, 1 or 2 year contract.
Futures linked pilot rollout	-	Open to all growers for up to 25% of individual CTE.
Upgrade conditions for growers already contracted	Requirement to add additional year. Growers adding 2024/25 would do so at £23.50/t	Requirement to contract to 2023/24, if not already.
Options to exit contracts in the event of a change in conditions	-	If a Cruiser Emergency Authorisation is not granted on equal terms to the 2021 authorisation
Virus Yellows assurance fund terms	British Sugar's contribution increased from 45% to 70%. Opt-out in return for an additional 50p/t.	British Sugar's contribution increased from 45% to 70%.
Local premium	£2/t for growers within one mile reducing on a linear scale down to £0.10/t at 20 miles.	-

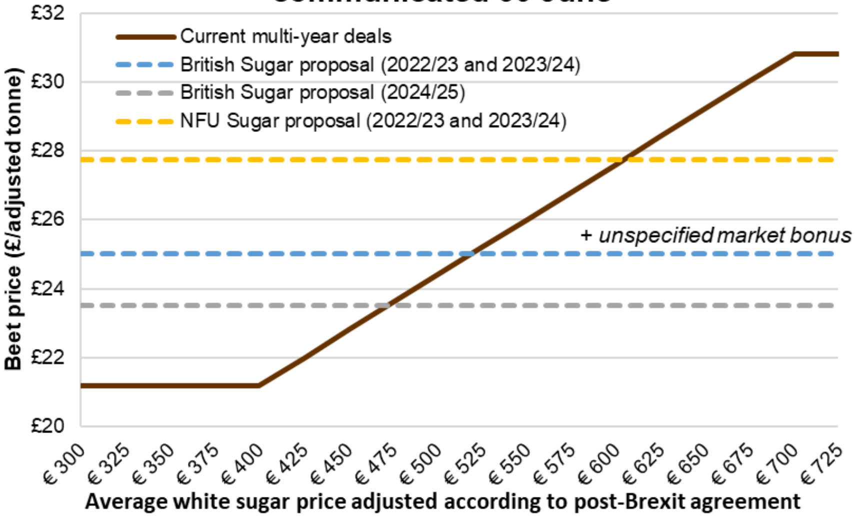
Taken from information in the communications sent to growers on 30 June 2021

Comparison of beet price negotiation positions

In contrast to the offer British Sugar has made which retains a market bonus, NFU Sugar's offer rolls greater value into a fixed price. This reduces British Sugar's upside risk and adds certainty and cash-flow benefits for those growers who prefer the assurance of receiving a known price entirely within the campaign period. For those growers who would like market exposure, NFU Sugar has continued to maintain the need for further roll out of the futures-linked contract pilot—a contract which offers opportunities for both growers and the processor, without one side's gain coming at the other's expense. This contract recently breached £30/t for 2021/22.

Both negotiation positions detailed in figure 1 allow an option for growers on existing multi-year deals to upgrade, but in the case of British Sugar's offer this comes with a requirement to commit for a further year. As shown in figure 2, there are price levels at which the current contracts pay a price comparable to, or even potentially greater than, the figure offered by British Sugar. If the final contract offer allows an upgrade option, as both parties' current positions do, those on these contracts will need to make a judgement around the balance of potential market upside on their current deals compared to the conditions placed on taking an upgrade offer.

Figure 2 Comparison of beet price proposals communicated 30 June



Sources: NFU and British Sugar communications to growers

Detail on VY assurance positions

As was shown in figure 1, both parties have aligned on a change to the payment parameters to strengthen the Virus Yellows assurance fund. NFU Sugar has not agreed to British Sugar's proposed opt-out, however, given it is effectively a mutual fund with a set budget underpinned by British Sugar. This is in order to maintain the cohesiveness of the fund for the longer term and ensure it delivers the loss mitigation it is designed to provide for hard-hit growers when a bad year strikes.

Figure 3 shows the loss mitigation provided by British Sugar's increased contribution rate. As can be seen, the fund would pay out more than 50p/t for anything above a 12% yield loss.

Figure 3 Example payments from the Virus Yellows assurance fund at various yield loss levels

Percentage of contract delivered	Example yield assuming 75t/ha planning yield	Beet value per hectare	Example fund payment per hectare - current	Example fund payment per hectare - proposed	Effective beet price
100%	75	£2,081	£0	£0	£27.75
95%	71.25	£1,977	£0	£0	£27.75
90%	67.5	£1,873	£0	£0	£27.75
85%	63.75	£1,769	£47	£73	£28.89
80%	60	£1,665	£94	£146	£30.18
75%	56.25	£1,561	£140	£219	£31.64

Based on the NFU Sugar proposed price of £27.75/t, excluding any allowances. Assuming conditions for fund payment met.

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