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EU/UK and Ukraine: Situation and Outlook

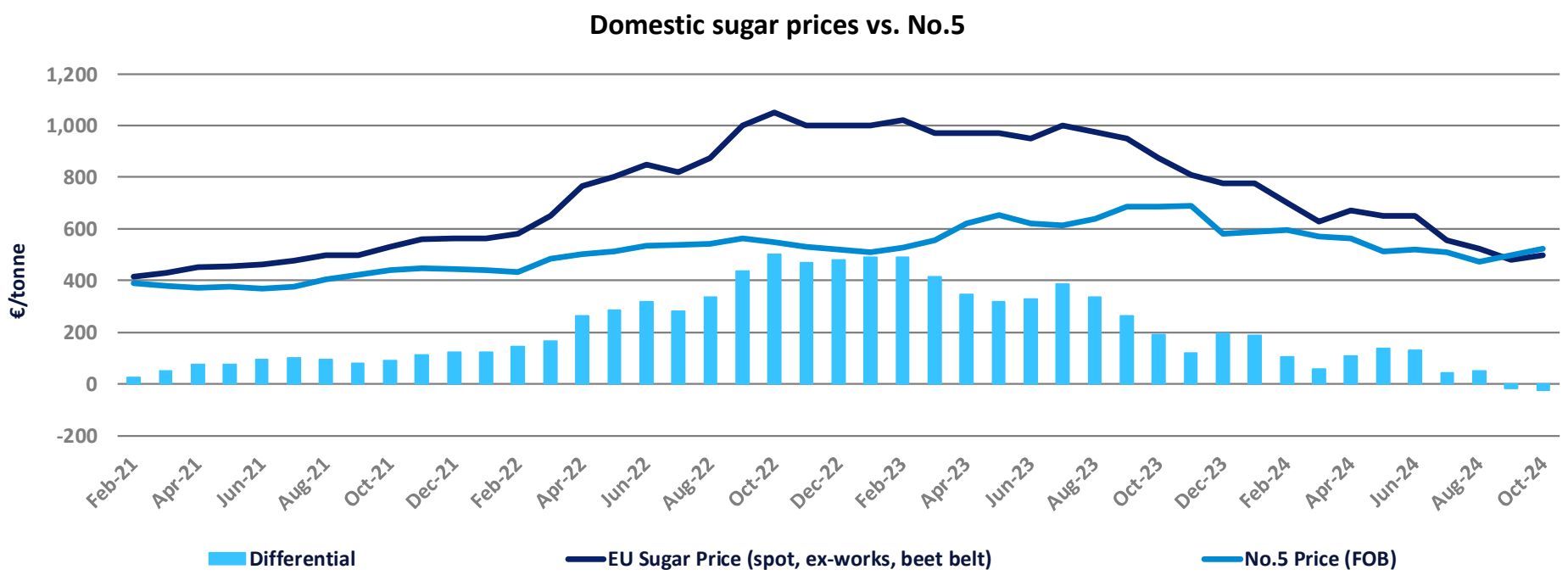
Gareth Forber, WABCG meeting, November 2024





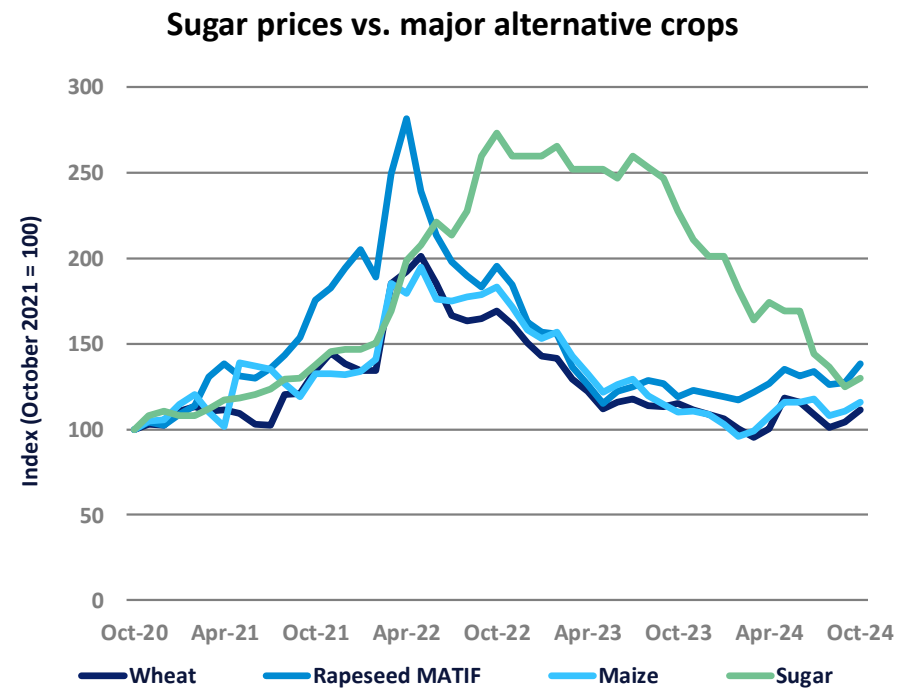
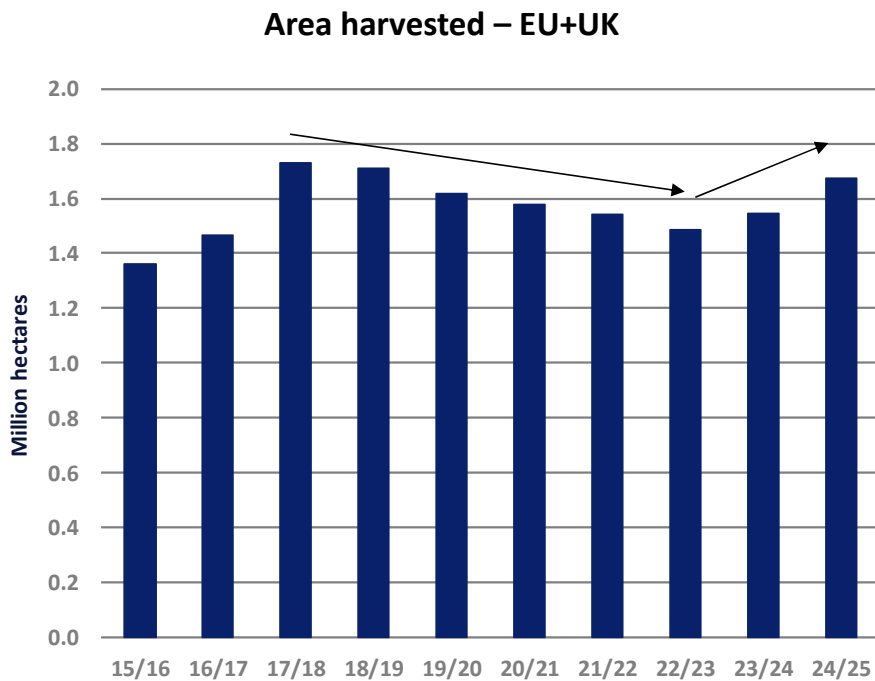
A tough year for EU sugar prices

- EU sugar prices have been more volatile than world prices over the last few years.
- Prices have been higher than €1000/tonne and lower than €500/tonne.
- *Why have prices moved so much?*



Area has bounced back

- Prior to 2023/24, beet area was falling, driven down by low sugar prices and rising alternative crop prices.
 - Since then, high sugar prices have encouraged farmers to plant more beet.
- *Area in 2024/25 was at its highest level since 2018/19.*

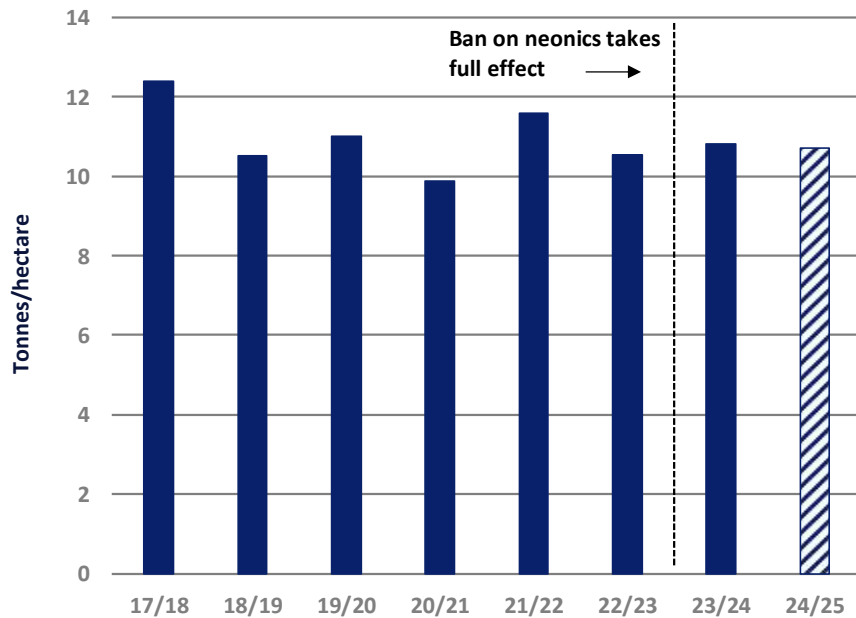


Despite disease challenges, yields have held up

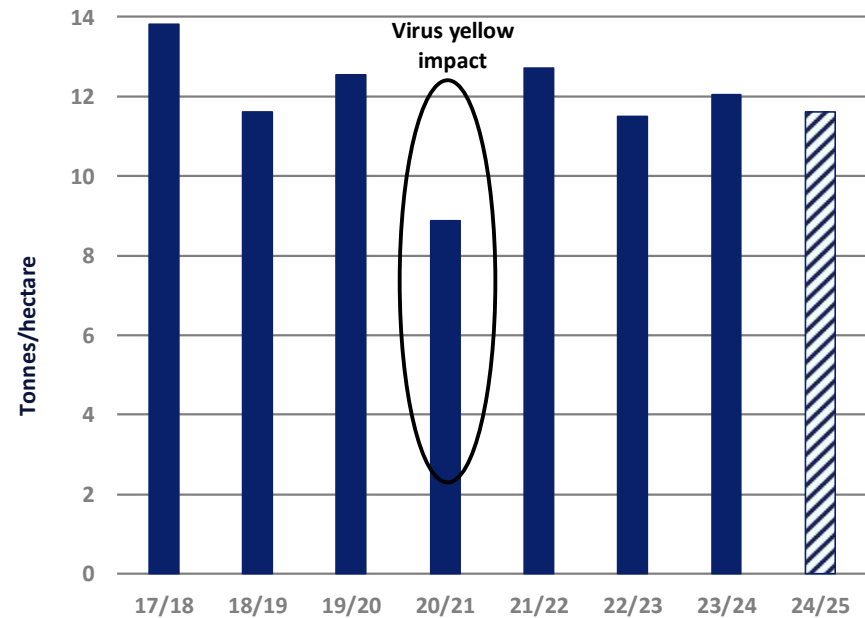


- In 2023, the European Parliament upheld a ban on the use of neonicotinoid seed coatings.
- Better management and, possibly, good fortune (?) has avoided major problems in 23/24 and 24/25.
- *Despite other disease problems – cercospora, SBR and RTD – we have not seen a repeat of 2020/21.*

Sugar yields – EU+UK



Sugar yields – France

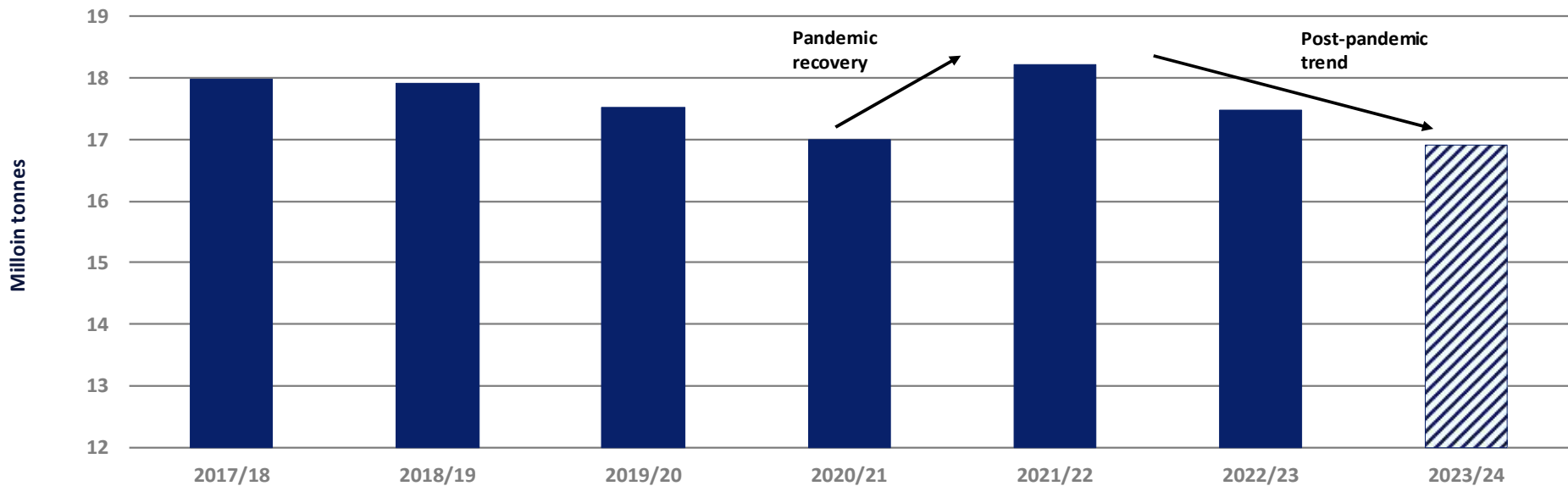


Consumption has struggled



- **Structural changes:** Changing dietary habits and government taxation.
 - **Short term factors:** High sugar prices, the 'cost of living' crisis and a decline in demand from exports of SCPs.
- *Consumption fell sharply in 2022/23 and again in 2023/24.*

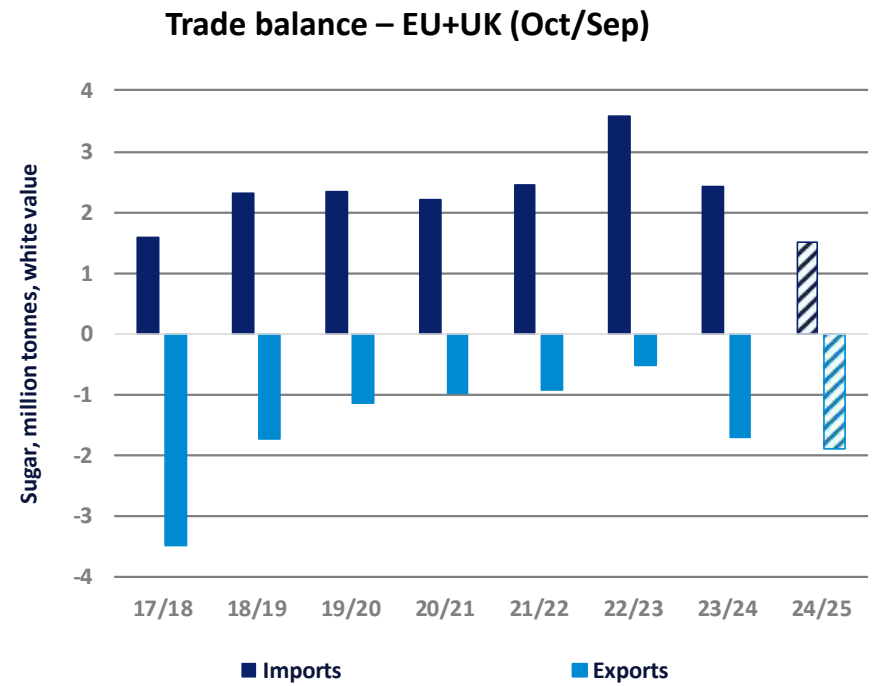
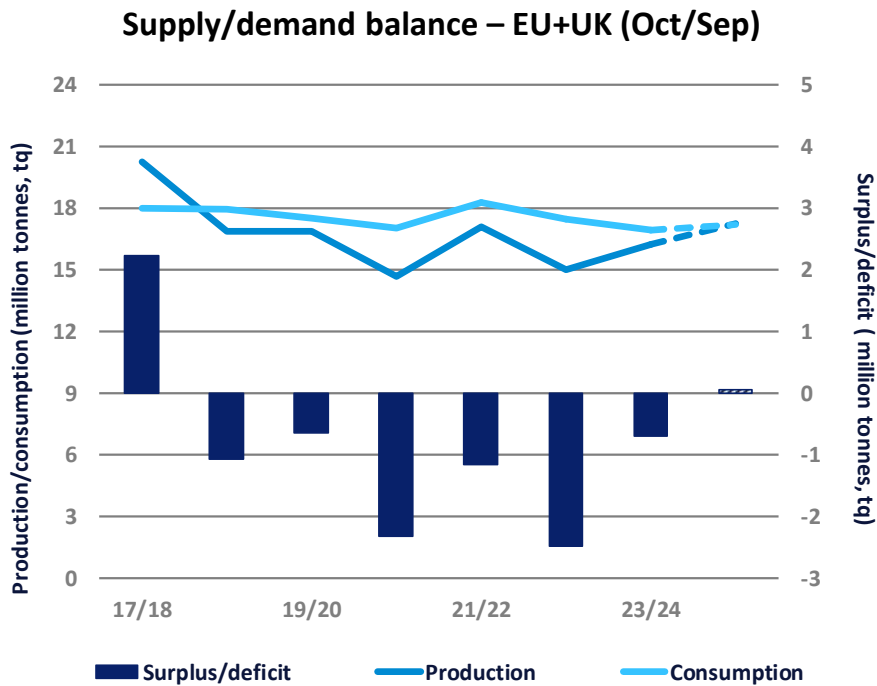
Sugar consumption – EU+UK



EU+UK market looks balanced in 2024/25



- We expect a close balance between supply and demand in 2024/25.
- Low prices mean that imports look set to fall back towards ~1.5 million tonnes.
- If exports rise towards two million tonnes, there is potential to draw down stocks.

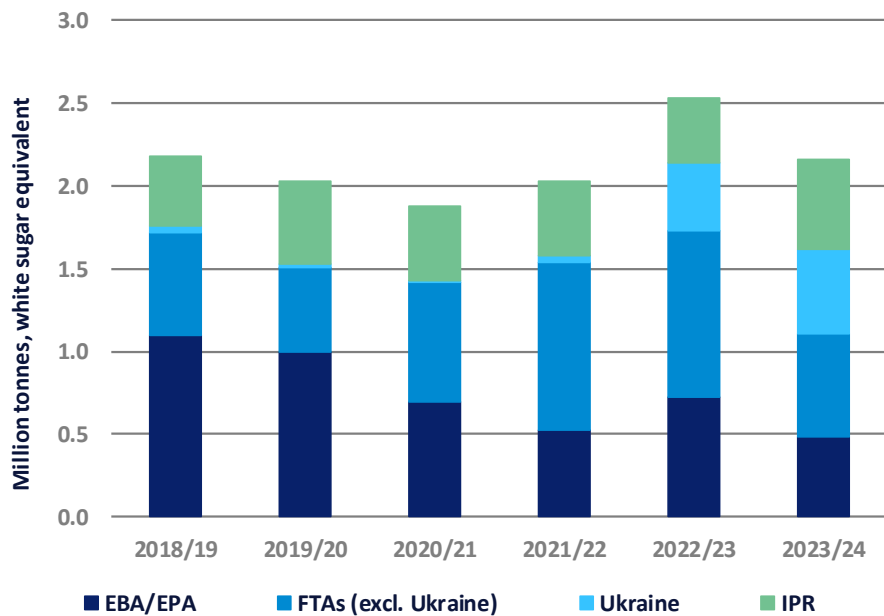


The EU's supply base depends on preferential imports

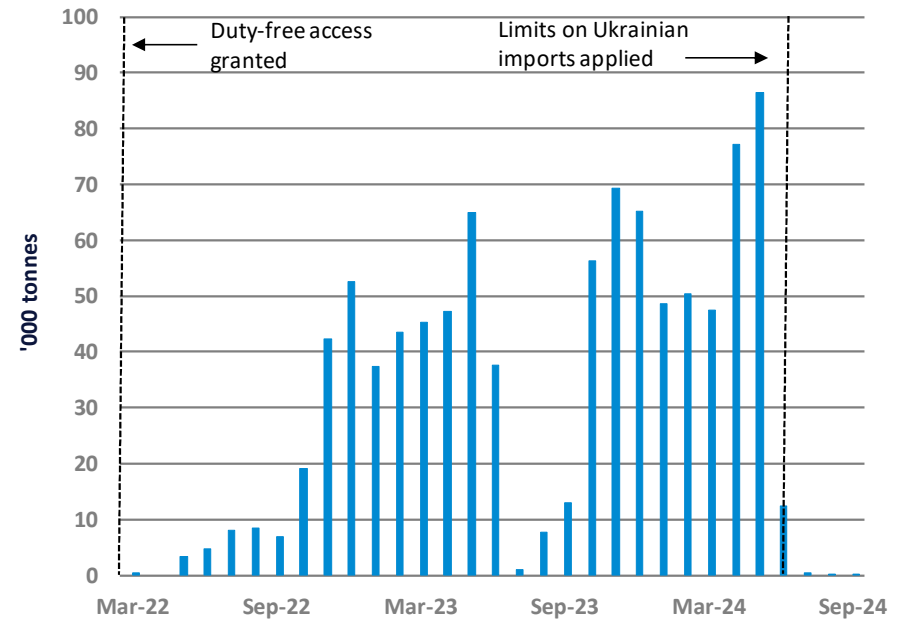


- Duty-free availability is declining, particularly from EPA/EBA origins.
- But new FTAs in the UK since Brexit and Ukraine have boosted preferential supply.
- Limits on Ukrainian imports are now being applied.

Duty-free imports into the EU+UK



Monthly imports from Ukraine

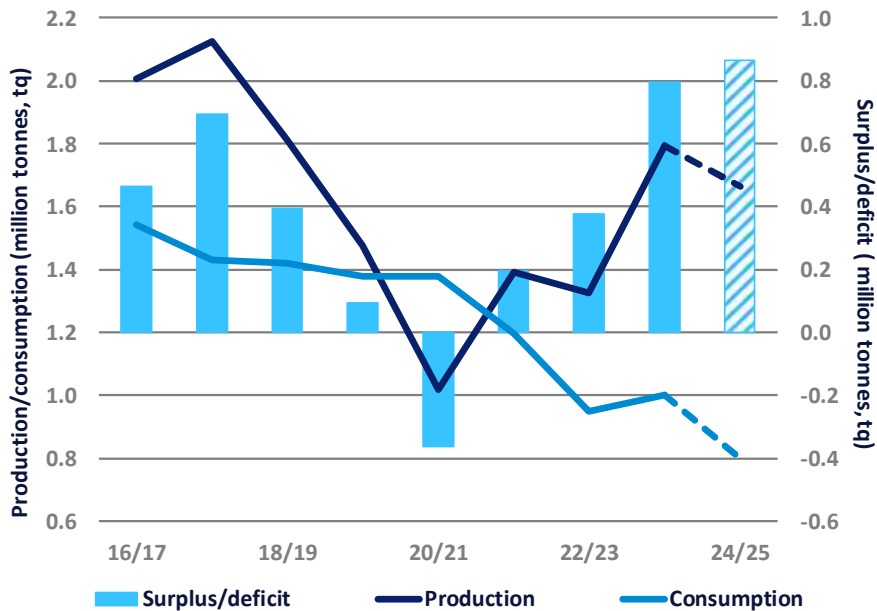


Ukraine: More sugar available for the world market

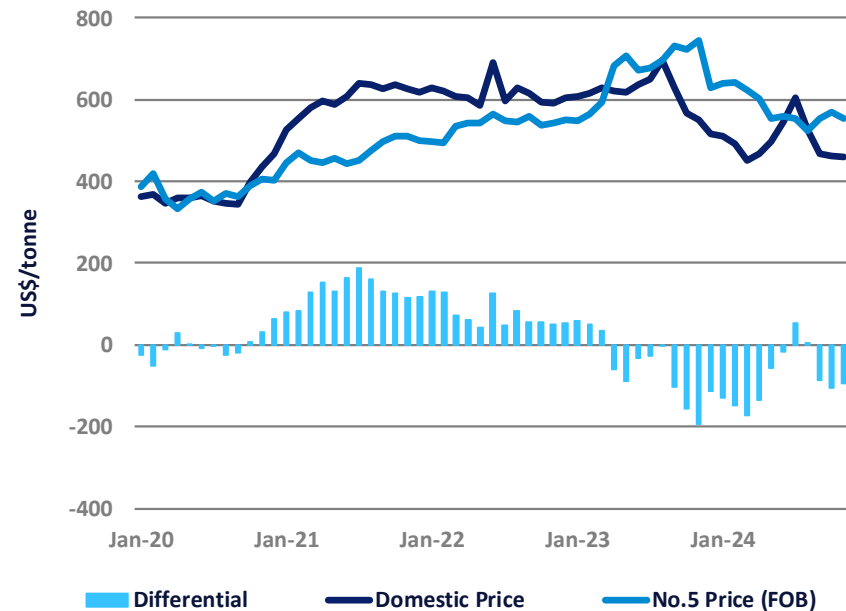


- Falling consumption and limited EU access/low prices means that Ukraine will export more to the world market.
- Beet area is expected to fall in 2025/26 due to limitations on exports to the EU.
- *Ukraine is likely to have around 0.8 million tonnes for export this year.*

Supply/demand balance — Ukraine



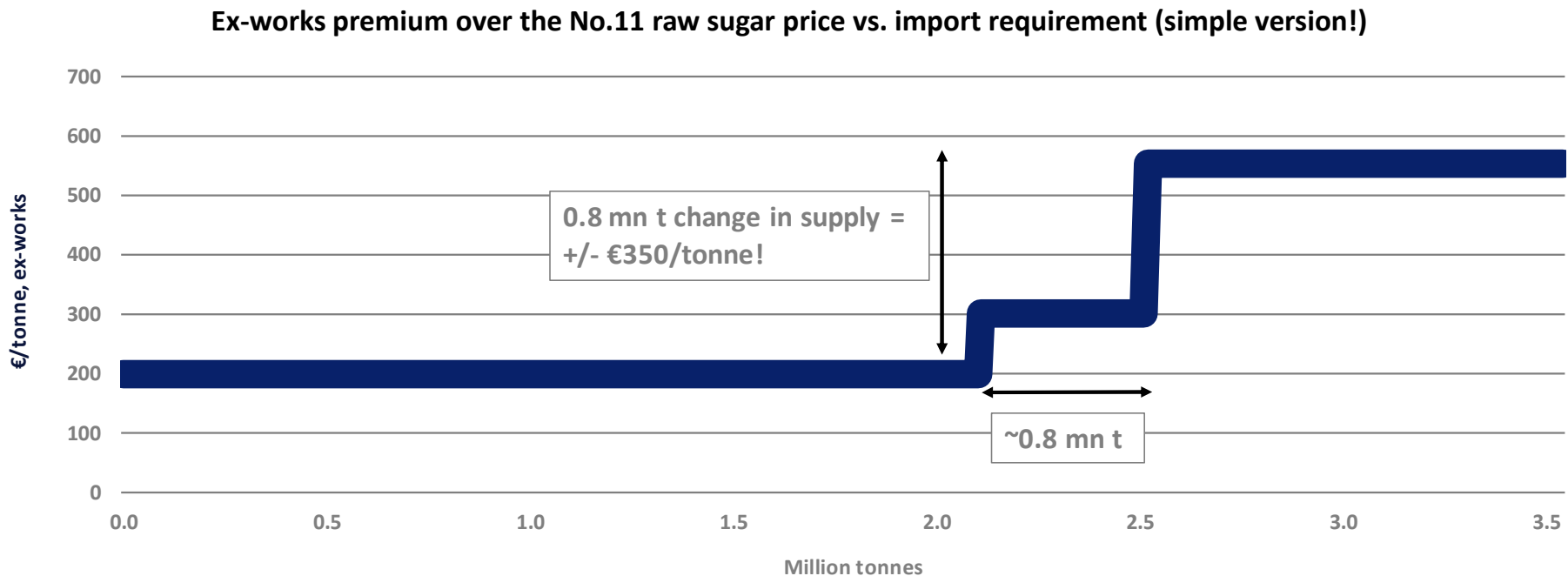
Domestic price vs. No.5 - Ukraine





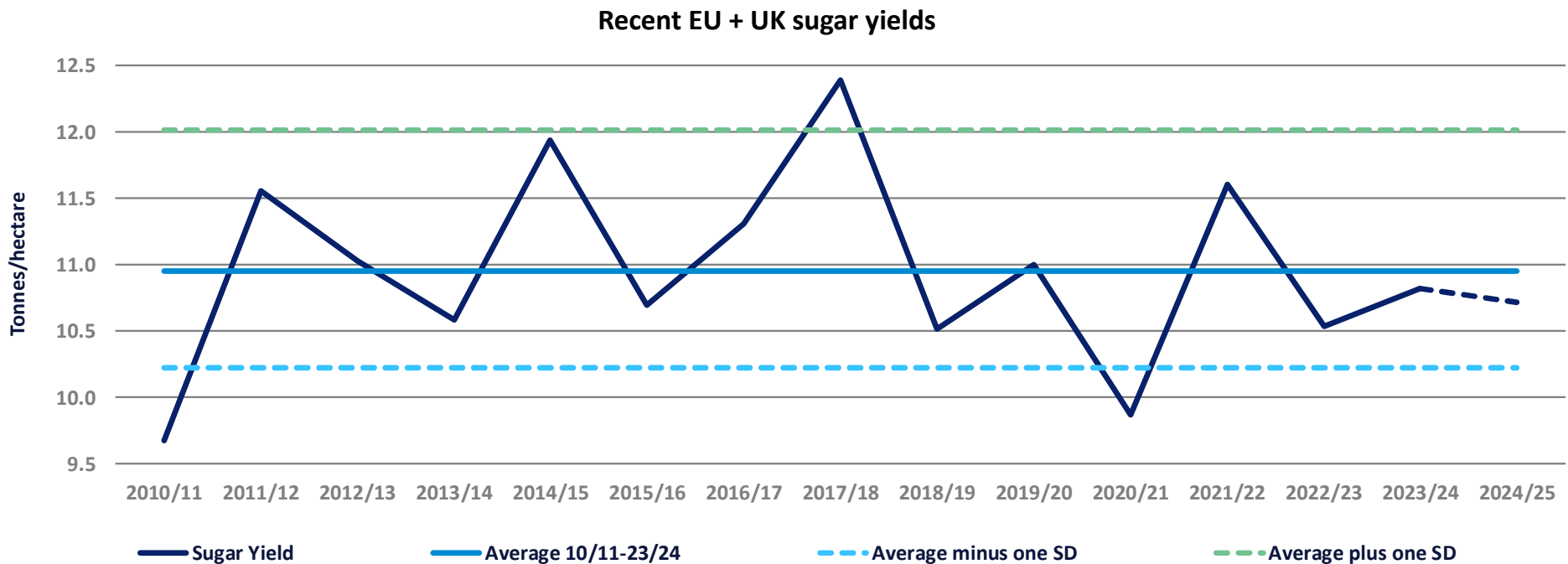
The EU price depends on the size of its import requirement

- If the import requirement can be met by duty-free sugar, a premium over No.11 of ~€200/tonne is sufficient.
- If duty-paying sugar is needed, the premium rises to ~€300-550/tonne.
- Only ~800,000 tonnes difference in production (0.5 tonnes/ha) could mean a difference in price of €350/tonne!



Normal yield variation is up to one tonne/hectare

- This yield variation translates into more than one million tonnes of production, i.e. enough to have significant implications for the EU price.
- *Most sales are made before yields are known!*

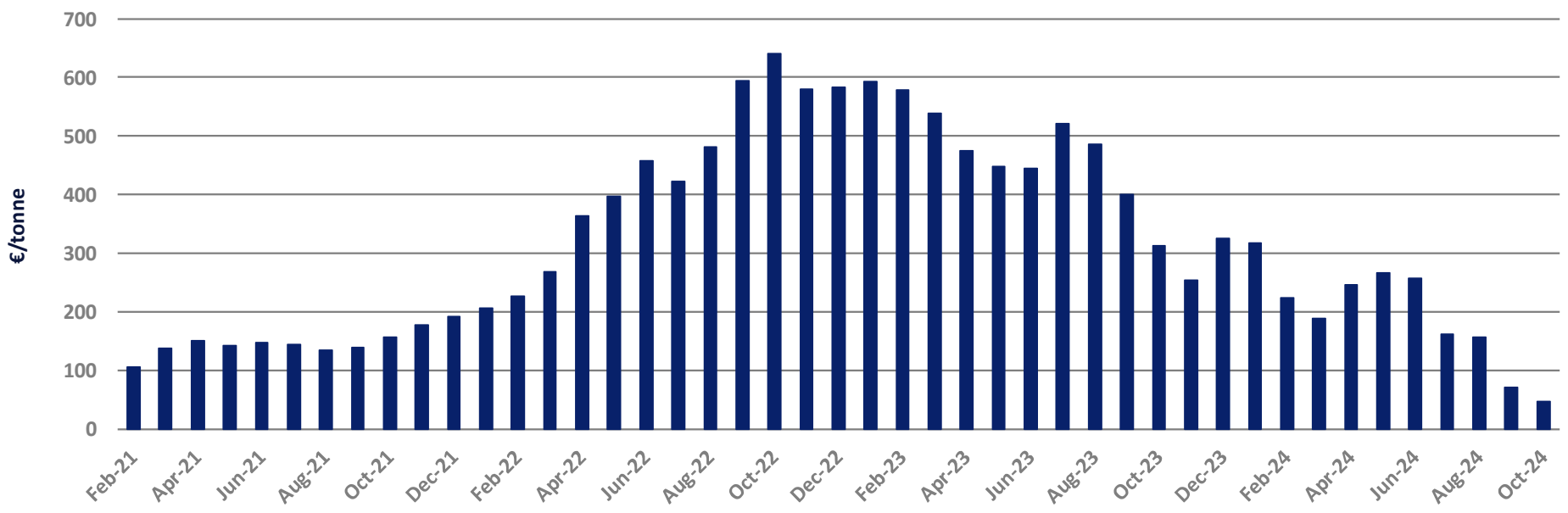




This explains why the EU price has moved so much

- In 2022 and 2023, tight supply conditions meant that prices were close to the level needed to attract full duty paying sugar.
 - Improved domestic supply means they have now collapsed below the level needed to attract duty-free imports.
- *Neither outcome looks to be a sustainable situation!*

Ex-works premium over the No.11 raw sugar price

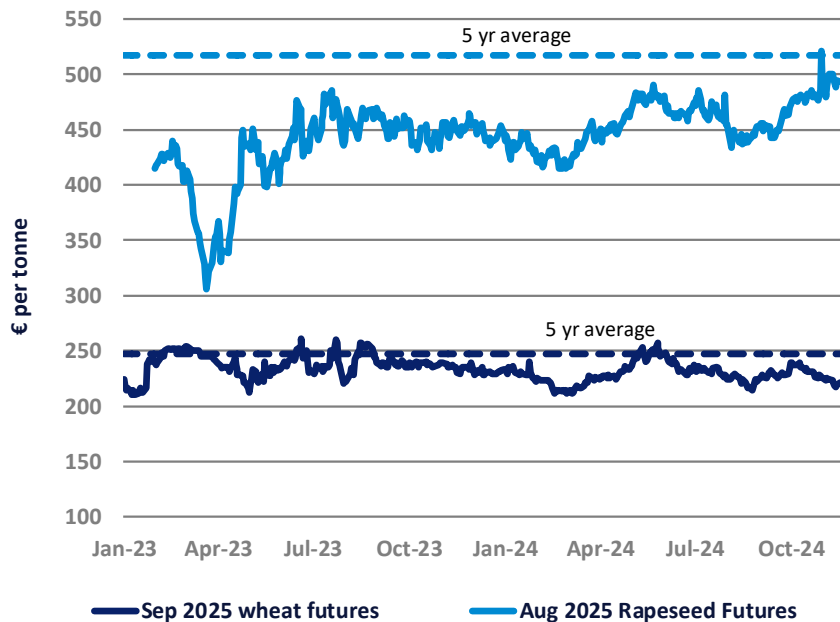


EU+UK: Area likely to fall in 2025/26 but by how much?







- Processors are offering lower beet prices and are likely to reduce their contracted tonnage for 2025/26.
- Area could fall by up to 7% (i.e., back to 23/24 levels).
- *Area looks likely to decline but alternative crops also offer mediocre returns. Will it limit the area response?*

Alternative crop prices



What have processors announced so far?

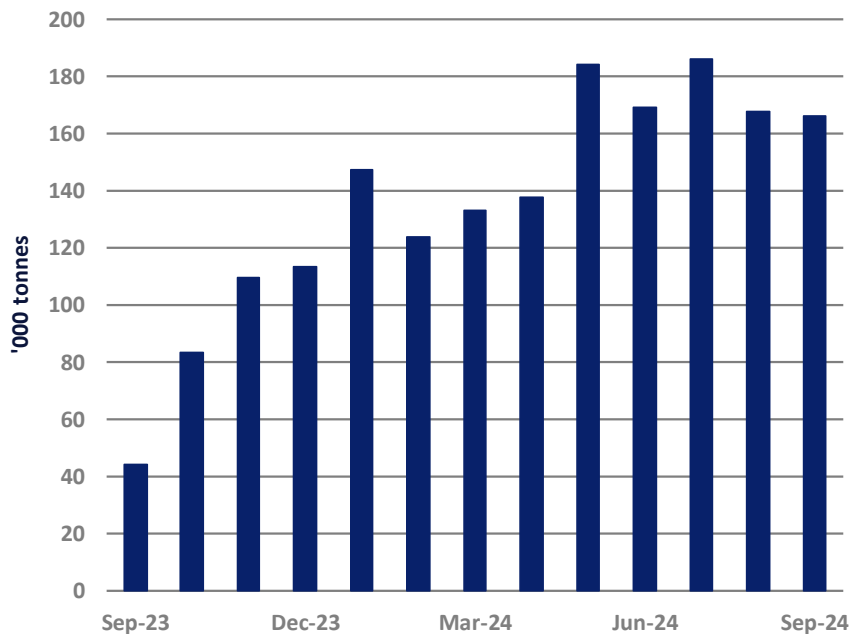
	Beet allocation lowered by 9% vs. 2024.
	Negotiated a lower beet price with growers for 2025/26.
	12% reduction in Sweden. 6% reduction in Denmark.
	15% reduction across all subsidiaries.

Points to watch

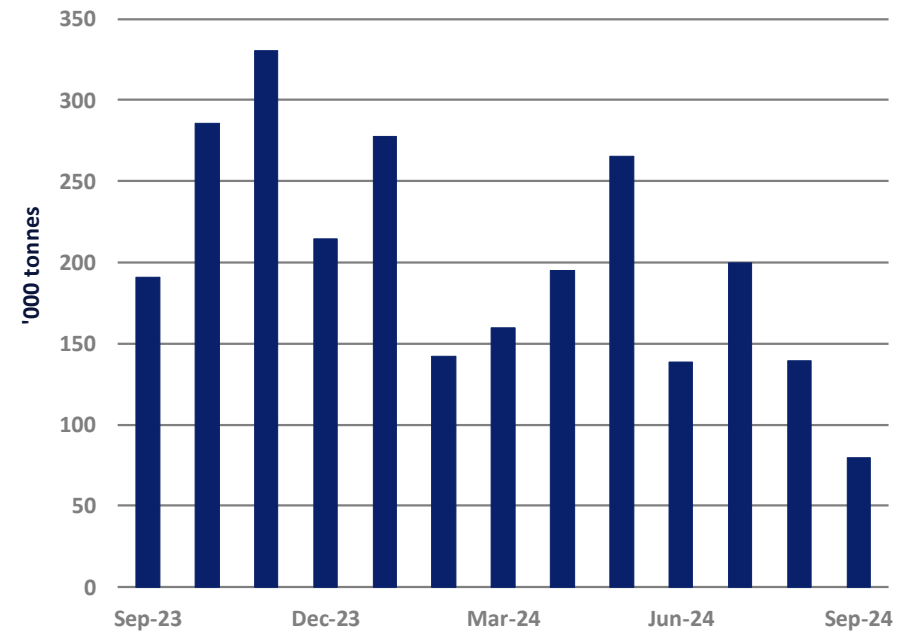


- **Exports:** will EU processors export enough to draw down stocks in advance of 2025 price negotiations?
- **Market access.** Ukraine and the EU-Mercosur trade agreement.
- **Disease.** There is a risk that SBR will continue to spread. What impact could this have on yields going forward?

EU+UK exports



EU+UK imports

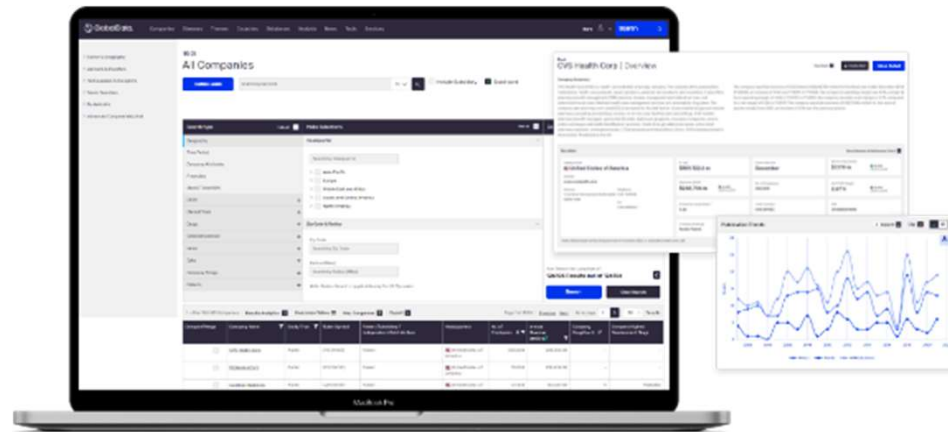


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