



The Beet Brief

15 Oct 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	<i>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.</i>			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

- 2022/23 one year contract price at £27/t
- Futures linked contract for up to 10% of CTE allowing growers to make independent pricing decisions
- Existing multi-year contracts can be extended and fixed at £25/t

NFU Sugar and British Sugar have agreed prices and terms for 2022/23 beet contracts. Contract Packs have been issued by British Sugar and the contracting window is expected to open soon (at the time of writing). The agreement includes a one-year contract option, an extension option for growers already contracted on multi-year deals, a futures-linked contract and a low mileage premium. Figure 1 illustrates the prices associated with the options that are available.

The 2022/23 one-year contract price is £27/t, up from £20.30 plus bonus in 2021/22. As with previous years, any multi-year contracts and tonnage committed to the futures linked contract will count before this in delivery order. For most growers, with a combination of single and multi-year contracts held under one contract number, this means you will need to deliver enough tonnage to fulfil these other commitments before beet is paid at £27/t.

Figure 1 Contract prices based on different options

	2021/22— crop being delivered	2022/23	2023/24	2024/25
One year contract	£20.30 + market bonus	£27	-	-
2020-2022 three year contract— without additional commitment	£21.18 + market bonus	£21.18 + market bonus	-	-
2020-2022 three year contract— with additional commitment	£21.18 + market bonus	£25	£25	-
2021-2023 three year contract— without additional commitment	£21.18 + market bonus	£21.18 + market bonus	£21.18 + market bonus	-
2021-2023 three year contract— with additional commitment	£21.18 + market bonus	£25	£25	£25
Futures linked contract	c.£20-£35	<i>Unknown, market currently c.£30</i>	-	-

All prices per adjusted tonne

Although this is the highest contract beet price since 2014/15, for on-farm decision making it sits in the context of many other rising commodity prices. As shown in figure 2 (see overleaf), with a Nov-22 UK wheat futures price of £189/t at the start of October, the price of £27/t remains lower relative to wheat and OSR than £22/t and £22.50/t were in 2017 and 2018 respectively.

Figure 2a Beet price relative to wheat

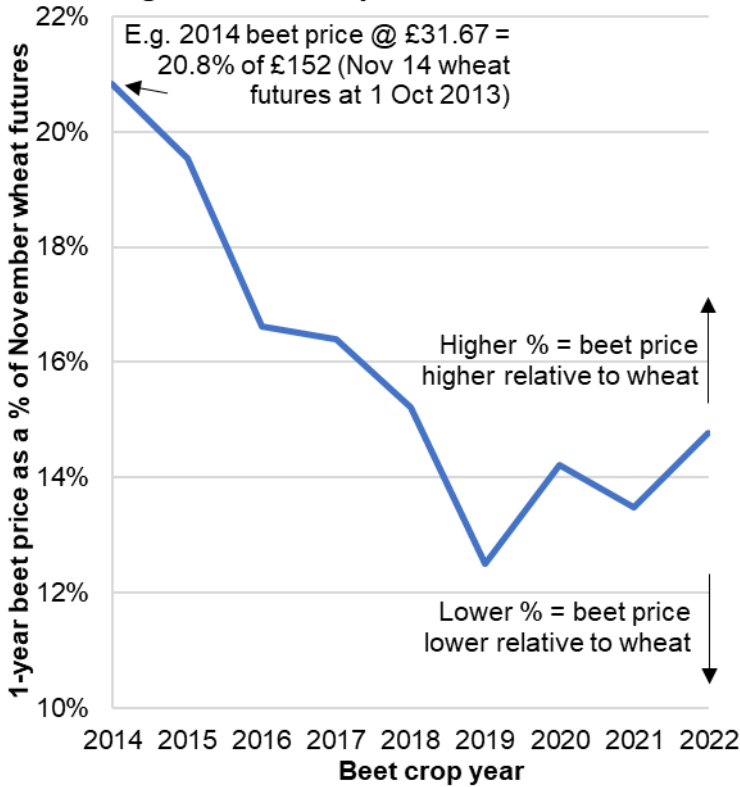
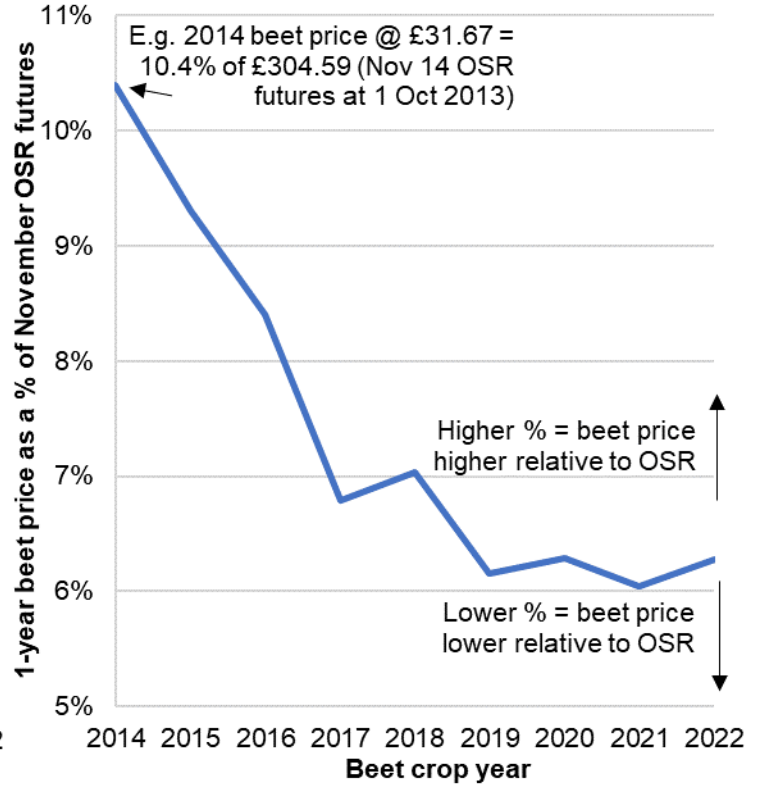


Figure 2b Beet price relative to OSR



1-year beet contract price compared to Nov UK feed wheat futures at 1 Oct the previous year. Wheat prices from AHDB.

1-year beet contract price compared to Nov Paris rapeseed futures at 1 Oct the previous year. OSR prices from AHDB.

Growers with an existing three-year contract have the option to fix the price at £25/t for all years from 2022/23 onwards, subject to contracting for an additional year. This provides price certainty over an additional length of time, taking away the upside and downside price risk for those years. Clearly it is impossible to predict the beet prices that will be available in 2023 and 2024, as they will be dictated by market conditions at the time (for sugar, other crops and commodities in general).

The value of this contract relative to the alternative of allowing your existing contract to run its course therefore depends on your view of the likely market conditions in the additional year you would contract, as well as your appetite for risk either side of that. Bear in mind also that because existing contracts come with a market-linked bonus on top of the £21.18/t, as shown in figure 3, the more you expect the bonus to pay, the less relative value a fixed £25/t has.

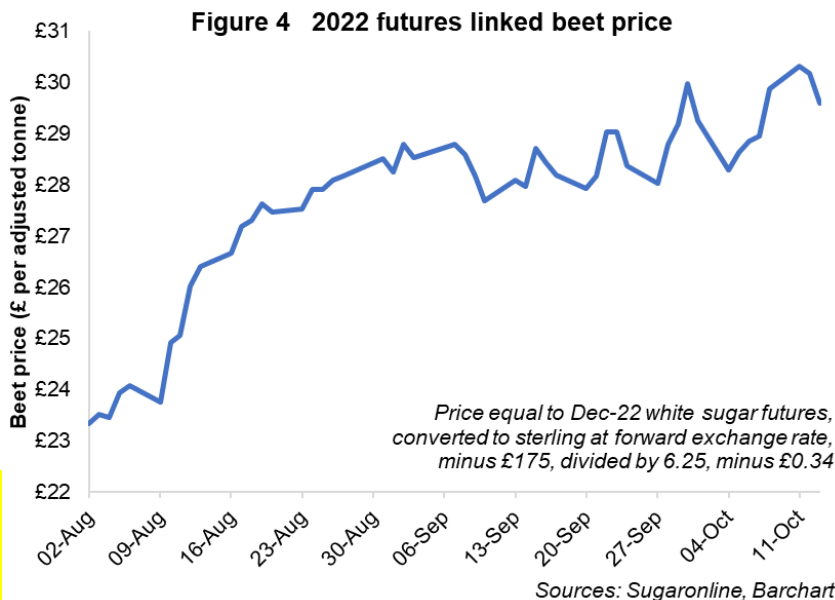
Figure 3 Comparison of the value of upgrade option for multi-year contracts

	2021 3 year contract				2020 3 year contract			
	With fixed upgrade	Without upgrade / average white sugar price <€400	Without upgrade / average white sugar price =€450	Without upgrade / average white sugar price =€500	With fixed upgrade	Without upgrade / average white sugar price <€400	Without upgrade / average white sugar price =€450	Without upgrade / average white sugar price =€500
2022/23	£25	£21.18	£22.78 (£1.60 bonus)	£24.39 (£3.21 bonus)	£25	£21.18	£22.78 (£1.60 bonus)	£24.39 (£3.21 bonus)
2023/24	£25	£21.18	£22.78 (£1.60 bonus)	£24.39 (£3.21 bonus)	£25	Value equals £25 / 2 years if £28.82	Value equals £25 / 2 years if £27.22	Value equals £25 / 2 years if £25.61
2024/25	£25	Value equals £25 / 3 years if £32.64	Value equals £25 / 3 years if £29.44	Value equals £25 / 3 years if £26.23	-	-	-	-

All prices per adjusted tonne

The futures linked contract, piloted last year, is now open to all growers (subject to having CTE available to contract). This allows growers to take pricing into their own hands, exposing up to 10% of CTE to the white sugar

futures market based on a set formula. This formula is currently paying around £30/t, but in the two and half months since the beginning of August would have varied from £23/t up to the current level (see figure 4). It is vital to understand the risks and opportunities this contract presents if considering it, as until you price your beet it is fully exposed to upward and downward price movements with no caps or floors. Beet prices can be secured on this contract at any time between completing the necessary contractual paperwork and 1 September 2022.

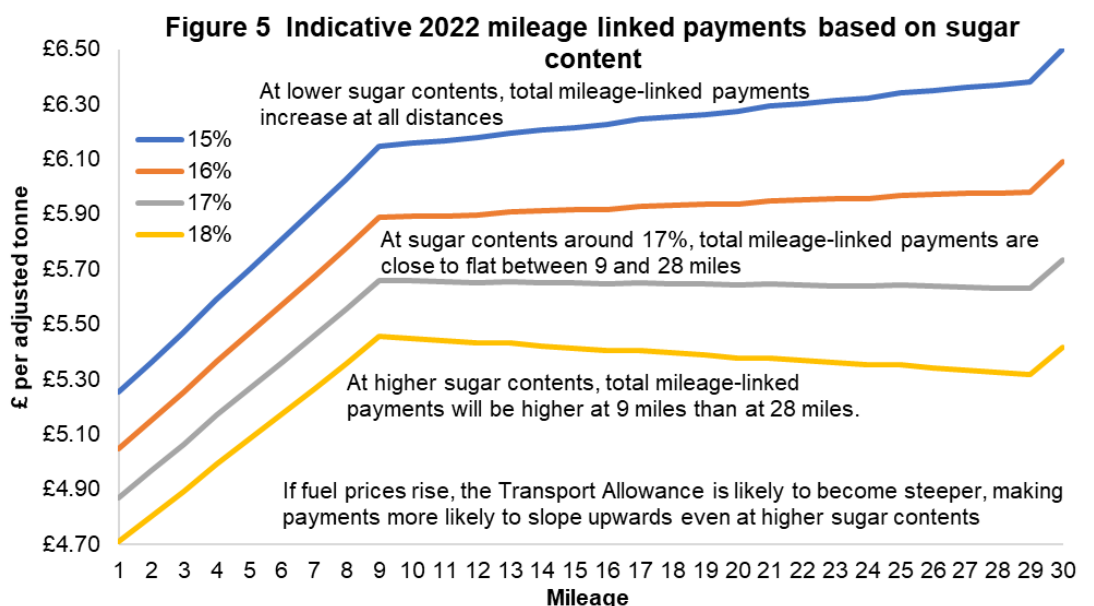


Further information will be available on the NFU -British Sugar-Czarnikow webinars being held at 4pm on 19th and 8am on 21st October ([joining details here](#)). We strongly recommend you

read the Contract Pack thoroughly and attend one of these sessions if you are considering this contract.

All growers with a contract distance of 28 miles or less to their closest factory, including those fully contracted on existing multi-year deals, are eligible for the low mileage premium. This is in addition to Transport Allowance which is paid based on contract mileage up to a cap of 50 miles (Newark contracts) or 60 miles (all other contracts). However, while Transport Allowance is paid per *clean* tonne, the low mileage premium is paid per *adjusted* tonne, meaning that the total mileage dependent payment will vary according to average sugar content.

Figure 5 illustrates the indicative mileage dependent payment for loads at 15%, 16%, 17% and 18% sugar, combining the low mileage premium with the provisional 2021 Transport Allowance (note that the 2022 Transport Allowance is not yet known but will vary from this). Growers with lower average sugar contents are likely to continue to receive higher payments at longer distances, as is currently the case. However, those with high average sugars may well find payments at low mileages exceed those at slightly higher mileages.



Indicative figure *per adjusted tonne* combining low mileage bonus and interim 2021 Transport Allowance. 2022 Transport Allowance will depend on haulage costs next year.

Late Delivery Allowance will be unchanged from 2021/22, rising at a single rate from 26th December onwards. There has been some misunderstanding of this change, but there is no cap on the rate. It is simply being paid at a slightly lower rate of increment late in the campaign compared to previous years.

Next issue expected: Friday 12 November 2021



Written by Arthur Marshall
Arthur.Marshall@nfu.org.uk 07827 291 684

Michael Sly | Simon Smith | James Northen | Greg Brighthouse | Charlie Parkin | Arthur Marshall
Chairman | Vice Chairman | Head of Sugar | Beet Intake Manager | Sugar Adviser | Senior Commercial Analyst

