



The Beet Brief

6 Jul 2018

UK beet price tracker

£/adjusted tonne	Base price, £/t	Bonus, €/t (latest month)	ECB £/€ rate (monthly average)	Bonus, £/t (latest month)	Bonus, £/t (cumulative to date)
2017 one-year contract	£22	0	-	0	0
2017 three-year contract	£22	0	-	0	0

Prices before adjustments. Bonuses apply when EU price >€475/t, and are liable to exchange rate fluctuations.

Highlights

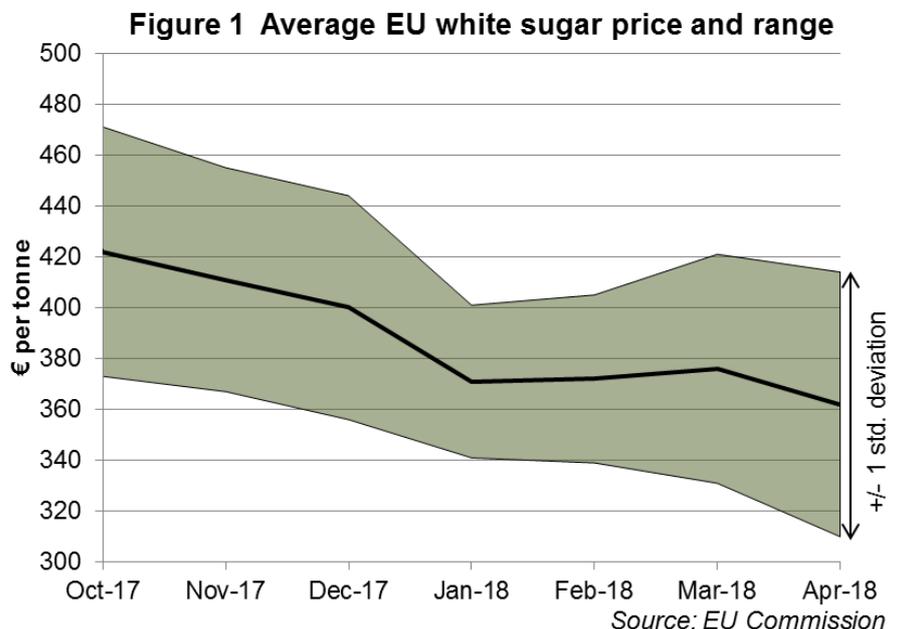
- Average white sugar prices in the EU were €362/t in April, but with variation within the market rising
- Results of 2017/18 variable beet price contracts emerging and announcements regarding 2019 beginning
- Looking back, there has been a clear relationship between June rainfall and final beet yield levels

The average white sugar price in the EU was €362/t in April, a decline in price once again from the month before. However, the variation in the prices EU sugar producers are selling at is growing, with the largest standard deviation in prices recorded since the early part of the 2014/15 campaign. As shown in figure 1, this suggests that while the average price has declined again, a portion of prices remain stable above €400/t (most likely those on contracts, or from processors in some deficit regions), while the lower end of the band continued to fall more rapidly reflecting spot prices at the time (which processors in the larger surplus regions will be more exposed to).

The results of the variable price contracts agreed for 2017/18 are starting to become known. In its first year deducting no crown tare, Saint Louis Sucre in France has announced a final price of €21.75/t (£19.25/t), following negotiations with CGB after initially announcing a much lower €18.65/t. Meanwhile for 2018/19, Cristal Union in France has dropped its commitment to a 'pivot' price of €27/t (nominally reported as a minimum price but in reality only a guideline), citing the need to ensure the sustainability of the co-operative.

Looking ahead to 2019, announcements in Germany and Denmark imply sustained production. Südzucker has incentivised growers to maintain production at 2017 levels by paying a €4.15/t premium on top of the 2017/18 variable price - on the condition that they contract the same volume of beet in 2019.

While paying a premium now, this ensures a high throughput for the processor to keep processing costs per tonne of sugar down. Meanwhile, Nordzucker has announced new 1-year variable-price contracts only, using the same formula as before although now with a floor price. Nordic Sugar in Denmark has agreed unchanged 1-year fixed and variable prices, with improved variable terms, alongside new 3-year contract prices marginally lower than existing three year offers. In both these cases, offers at least as attractive as those for 2018 are unlikely to reduce area. Contact us if you'd like more details.



Looking back, yield performance has had a clear relationship with June rainfall—particularly wet or dry years in June have almost always resulted in poorer beet yields on average. Following the record-breaking June weather, which for many regions has been one of the driest Junes recorded, beet crop development in many parts is behind where it should be. A look back at the historic relationship between June weather and yields bears out what many suspect—that 2018 is unlikely to be a high yielding year.

Figures 2-4 show the relationship between June rainfall in East Anglia, as recorded by the Met Office, and the deviation of average beet yields in the three East Anglian factories from the trend, since 2003. This measure of yields helps strip out the impact of ongoing genetic and agronomic improvements—the relationship is skewed otherwise by the fact that yields since 2003 have significantly improved.

In each case, it can be seen that almost all years with a high yield (above the trend at that point) have come when June rainfall has been between 40 and 80mm. Whenever rainfall has been outside this range, yields have performed below trend except in one case in Wissington—in other words, particularly dry or wet June weather has almost always meant low yields.

With June rainfall in East Anglia this year a mere 6.5mm—the driest since 1962—the historic pattern would suggest that yields are unlikely to exceed the trend in 2018 and a lower yielding year is likely to be on the cards.

It is not possible to make a similar comparison for Newark, as Met Office data aggregates Lincolnshire with Yorkshire and the North East, and Nottinghamshire with the remainder of the East and West Midlands, meaning that neither region is a good measure of the Newark beet catchment alone.

Figure 2 June rainfall and yields - Wissington

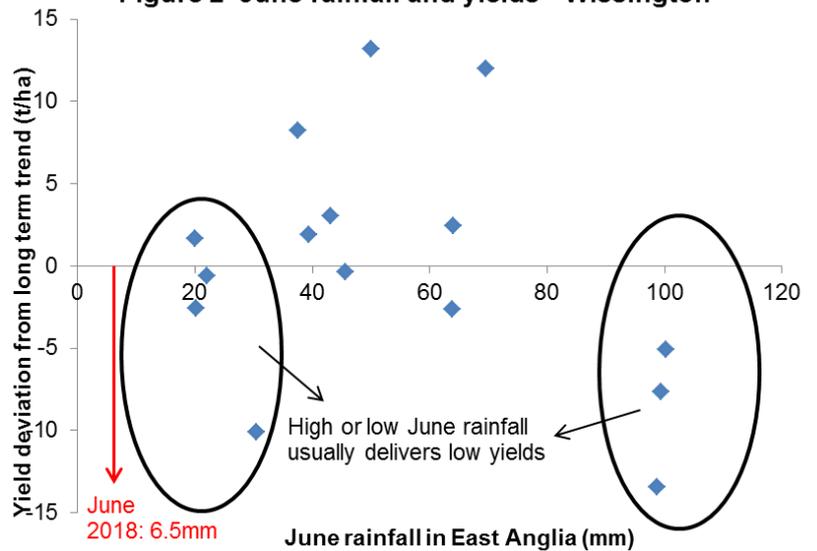


Figure 3 June rainfall and yields - Cantley

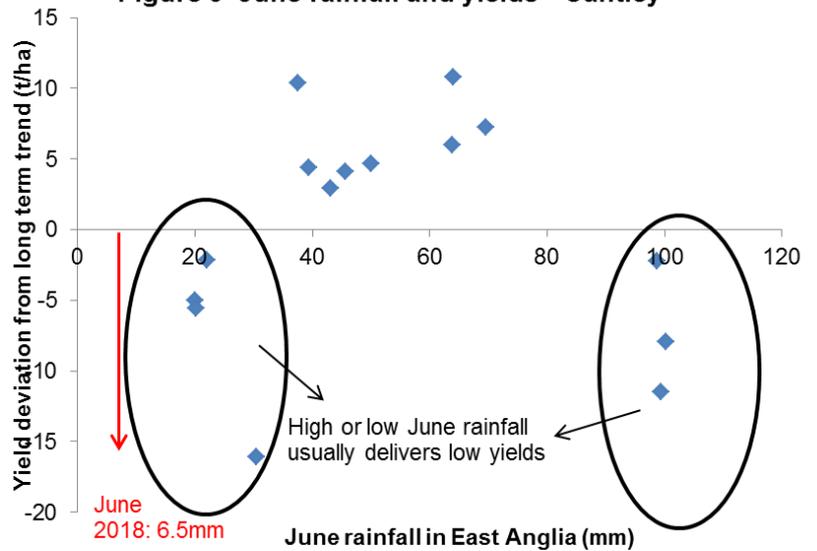
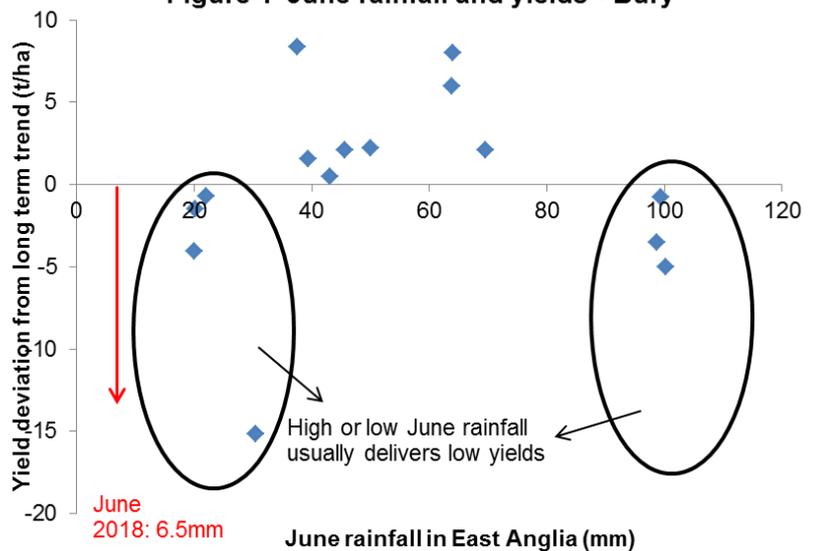


Figure 4 June rainfall and yields - Bury



Next Issue: Friday 10 August 2018

NFU SUGAR Your NFU Sugar:
Helpline: 0370 066 1974

Written by Arthur Marshall
Arthur.Marshall@nfu.org.uk 02476 858 796

Michael Sly | Simon Smith | James Northen | Greg Brighthouse | Diane Armitage | Arthur Marshall | Bethan Williams
Chairman | Vice Chairman | Head of Sugar | Beet Intake Manager | Sugar Adviser | Commercial Analyst | Grower Engagement Coordinator