The average EU white sugar price in February 2020 was €370/t, only €5/t off the one year contract trigger. If the average price increases at the same rate again into March, the 2019 one-year contract market bonus would trigger, albeit at a very modest monthly value.

As shown in figure 1, the monthly value of the market related bonus on the one-year contract is less than 0.2p/t for every €1/t the price exceeds €375/t. Between March and September there are 7 months of the 2019/20 marketing year in which a bonus could yet accumulate, although it is worth noting that even if the price averaged €400/t across all 7 months the total value of any market-related bonus would amount to 30p/t at current exchange rates, meaning that the 2019/20 one-year contract is highly likely to remain one of the lowest beet contract prices paid (at least since decimalisation).

The world sugar market is forecast close to balance in 2020/21 but with large uncertainty on consumption. Expectations for European beet area in 2020/21 haven’t changed significantly with Covid-19 lockdowns or the associated drop in world market prices, but Covid1-9 could have a substantial impact on the EU price. Planting has continued across the continent and beet growers remain under contract to their processors, but the measures taken to combat Covid-19 do throw up the question of the market conditions the sugar produced in 2020/21 will have to be sold into.

Total EU+UK planted area is generally expected to decline due to cuts in the largest producers France and Germany, despite a stable or increasing beet area in many other countries. Here in the UK, for example, British Sugar are now reporting an area planted under contract of over 105,000ha for 2020, likely due to a combination of the improved contract prices on offer compared to 2019 and to the disruption to cropping patterns. A combination of similar factors is likely to have driven greater area planted across the continent and an overall decrease in the EU beet area for the first time in many years.
Partly as a result of Covid-19, the first forecasts of the 2020/21 world sugar balance have pegged supply very close to demand despite then world market coming from one of the largest deficits in many years in 2019/20. There are two Covid-19 related factors—a substantial shift from ethanol to sugar production in Brazil, on the back of the oil price collapse as covered in last month’s Beet Brief, and a much more disputed impact on total world consumption. As shown in figure 2, a range of forecasters are pegging the world 2020/21 balance at either a small surplus or small deficit.

There is much more uncertainty than usual in global 2019/20 consumption, and hence the stock that will carried forward into 2020/21. Forecasters have generally revised down anticipated 2019/20 consumption in their figures as a result of Covid-19, though the magnitude varies from case to case, but there is not yet any evidence to back up either whether there will be a lower consumption than expected nor how large this will be.

Czarnikow were one of the first to revise down figures, moving to virtually flat world demand compared to 2018/19, by making a ‘best-guess’ 5% reduction across those countries in lockdown as a result of supply chain disruption and the loss of out of home consumption.

A case against that is made by FO Licht, who expect consumption simply to shift into home, perhaps through different products. While falling out of home consumption is likely to particularly hit the soft drink sector, they point out that these are being increasingly formulated with other sweeteners as it is, while there is some evidence from the US of people stocking up on more sweetened convenience food (cookies, popcorn etc) than usual.

My personal view is towards the latter, although almost all analysts expect lower sugar demand of some scale. Nearly 8bn people in the world still need to eat, and as a basic staple sugar is found in most foods, even if people substitute which products they eat and where. Where I could be wrong, however, is if lockdowns cause people to eat and drink less in total. Personally, I don’t believe my own sugar consumption has fallen; if anything, I believe it has risen, not least considering how many biscuits I have got through in the last three weeks.