



The Beet Brief

15 May 2020

UK beet price tracker

£/adjusted tonne	Base price, £/t (crowned equivalent)	Bonus, €/t (latest month)	ECB £/€ rate (monthly average)	Bonus, £/t (latest month)	Bonus, £/t (cumulative to date)
2019 one-year contract	£20.42 (contracted at £19.07 / zero crown)	0	-	0	0
2017 three-year contract	£22	0	-	0	0
2018 three-year contract	£22.50	0	-	0	0

Prices before adjustments. Bonuses apply when EU price >€475/t (2017 & 2018 contracts) or >€375/t (2019 contract).

Highlights

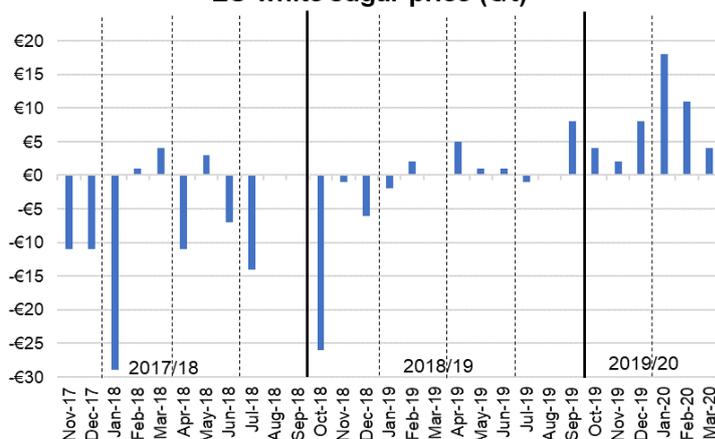
- The average EU white sugar price in March 2020 was €375/t, €1/t off triggering a 1-year contract bonus
- Falling spot prices could dampen further upward movement in EU average prices
- Dry weather conditions across Europe caused concerns for emergence, although some have eased

The average EU white sugar price in March 2020 was €375/t, exactly on the trigger level for the 2019/20 1-year contract. Any further rise in the average EU white sugar price will start to accumulate a market-related bonus on that contract, albeit a small one, as shown in last month's Beet Brief. Given nature of the EU average price index, made up by far of contract prices agreed either quarterly, annually or multi-annually, further changes are likely to be small at this point in the sugar marketing year.

As can be seen in figure 1, the largest changes tend to happen either at the start of the marketing year in October or the start of the calendar year in January, when much European sugar is contracted from, both of which have already passed for 2019/20. Of the months remaining, April's price change coming at the start of the third quarter of 2019/20 could be among the larger given past trends, and so will provide a good indication of the likely maximum scale of any market bonus paid.

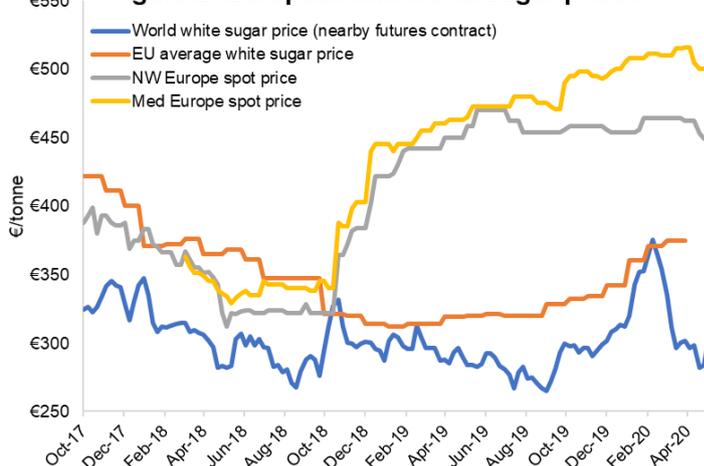
The latest movements in the EU average price relative to world prices have clearly demonstrated where this measure of achieved sugar prices differs from an index of current market prices. As shown in figure 2, the EU average price did not respond strongly to the upward movement in world market at the start of 2020, nor has it yet fallen following the onset of Covid-19-related market weakness.

Figure 1 Month-on-month change in average EU white sugar price (€/t)



Source: EU Commission

Figure 2 European and world sugar prices

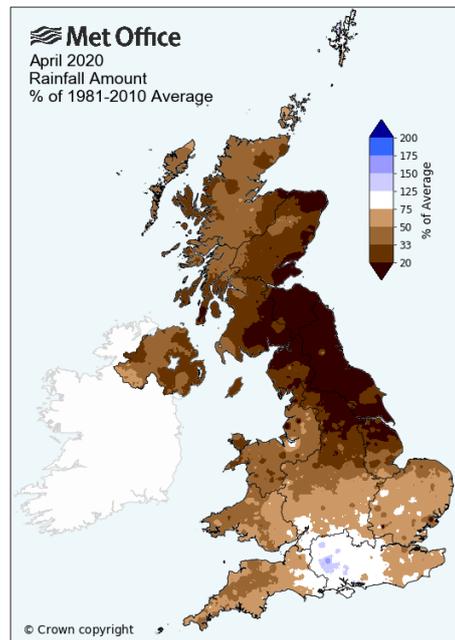
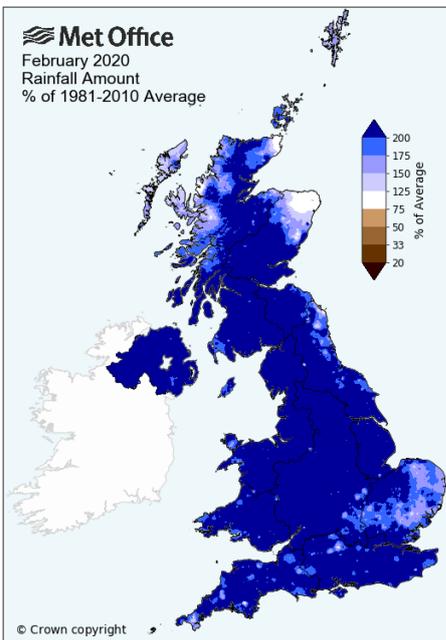


Sources: IEG Vu, EU Commission, Platts

Meanwhile, spot market prices in Europe as reported by Platts, which have been trading at much higher levels, have started to drop slightly although given how little trade is reported at these levels it is hard to form a precise index. Spot prices are naturally more sensitive to daily world price fluctuations as the price that sugar could be imported at (including any necessary duty) will cap the price a buyer coming into the market for near-term sugar will pay. Nonetheless, the much higher level of spot prices compared to contract prices will have been pulling the average upwards to an extent, so with spot prices now dropping and likely to continue to do so with the weak world market, the reported EU average could be weakened in the coming months.

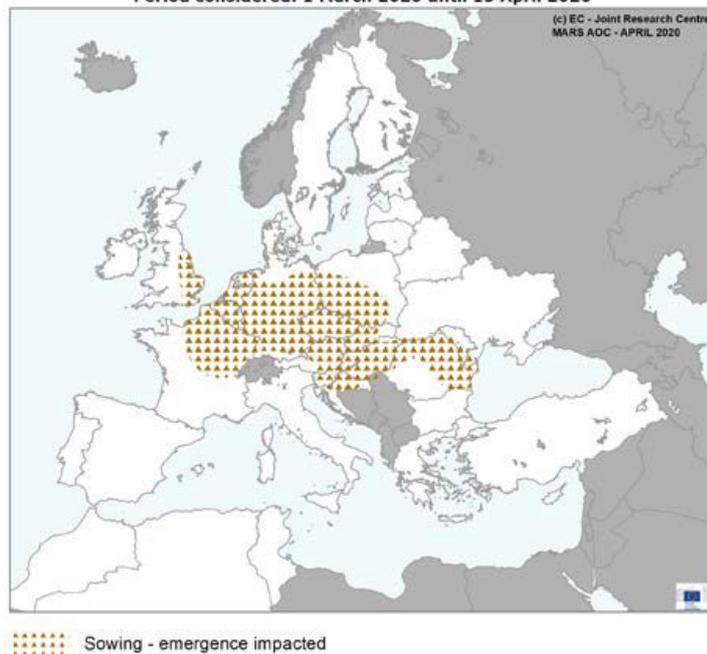
It may be stating the obvious to say that weather conditions have been extreme over the past few

months—a pattern that has been repeated across the major beet growing regions in Europe. In Met Office data covering an area including the Newark factory growing region, the wettest February on record has been followed by the driest April in over 100 years, and while East Anglian rainfall has been less extreme, the differences are still marked, as shown to the right. Similarly, across swathes of the main European beet belt, EU crop monitoring data have shown it to be the driest March-April period on records going back over 40 years.



While the start of drilling was delayed by the overhang of the wet winter, it is widely reported to have proceeded well once it got going, both in the UK and in the main continental growing areas. The dryness had caused germination concerns for many beet crops, as shown in the map to the right, although some of these have eased since both in East Anglia and in the EU beet belt. These have, however, remained particularly strong further north in the UK, with many Yorkshire beet crops reported to be yet to germinate, and in parts of the Netherlands and Germany.

AREAS OF CONCERN - SPRING CROPS
Period considered: 1 March 2020 until 15 April 2020



As shown in BBRO data, later drilling (and hence germination) can have a significant impact on yield potential, but of course there are many more factors that will impact the 2020 crop yet to come—not least the very high pest pressures reported across Europe, whether that be aphids carrying virus yellows or beet weevil further south and east. While there is no clear correlation between dryness in April and final yields, it is likely that crops suffering sub-optimal conditions now will need better than average conditions later in the year if they are to compensate for lost potential, and will be more vulnerable to any further challenges.

Next issue expected: Friday 19 June 2020



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