meeting summary

03 July 2018

- The fourth meeting of the Sugar Market Observatory (SMO) took place on 3 July 2018, chaired by Mr. Jens Schaps, Director for Agricultural Markets. 12 among the 14 SMO members, representing all stages of the sugar and isoglucose supply chain, were represented.
- Mr Schaps welcomed the SMO members' representatives and introduced the main point of the agenda, namely **market transparency**.
- The first part of the meeting was, as usual, devoted to a thorough **analysis of the market situation, which is facing a structural change after quotas abolition**. ASSUC gave a presentation providing the SMO with a detailed analysis of world market trade, followed by a presentation by DG AGRI. The subsequent debate among the members of the SMO was lively and participated.
- Sugar prices remain low in the EU despite a marginal increase of the **EU average in May (EUR 368 per tonne)**. The common perception by the majority of experts is that only a moderate recovery is expected, and only in the medium term.
- **There is general consensus on the figures of the last revised EU balance sheet by DG AGRI for 2017/2018**. However, some experts consider the forecast of 1.2 million tonnes of imports slightly too high and 3.2 million tonnes of exports rather low. Also the expected use for ethanol could actually exceed the expected volumes of 1.35 million tonnes.
- Regarding to outlook, **experts agreed that the overall competitiveness of the EU sugarbeet and sugar production depends on a series of factors**. World surplus will stay in place as bumper crops in India, Pakistan and Thailand are expected to compensate Brazil's dry conditions and their orientation towards ethanol. The recently registered recovery of the white premium (particularly low during this marketing year, below USD 50 per tonne) will probably relaunch refining activity and increase competition on international markets for white sugar. In the EU, subject to weather conditions until the harvest, production could be at similar levels as last year.
- The second part of the meeting was devoted to market transparency. Eurostat gave a presentation on the **Food Price Monitoring Tool**: a new sugar supply chain is under revision. Then, France Agrimer gave a presentation on the "Observatory of prices' and margins' formation for agri-food products", focusing in particular on the data gathering practice in the sugar chain.
- Again, the open debate was stimulating: some experts insisted on the need to shed light on all layers of the chain in a balanced way, while others welcome any possible initiative to enhance transparency. **All experts consistently stressed the point that the sugar supply chain is complex**. The SMO could have further technical discussions on this issue.
- DG AGRI presented the final results of the internal analysis for the publication of regional average prices. The final number or regions is set at three. Regional prices will be published by DG AGRI on a monthly basis, together with the EU Average, as of July 2018.
- Finally, DG AGRI presented the broader **"Market Transparency Initiative",** recommended by the Agricultural Markets Task Force.
- The next SMO meeting has been tentatively scheduled for November 2018.