

# Market Report

> FranceAgriMer's Economic analysis of the sugar market



• Number 27 / May 2015 / Sugar Market Report

In February and March 2015, the decline in world sugar prices continued and reinforced. The increasing rate of incorporation of ethanol in gasoline in Brazil from 25 % to 27 % did not yet make an effect on world prices.

In 2014/15, after four campaigns of surplus since 2010/11, global production and consumption should be close to balance. According to the ISO, there would be a small surplus in global sugar balance for the current season, while FO Licht expects a moderate deficit.

In the EU, sugar production comes to an end for the current campaign, and the latest estimates confirm a level higher than 19 Mt, which would lead probably to a record carry forward of out of quota sugar. As a consequence there would be a reduction of beet sowing in spring 2015.

For the second time since 2006/07, the French beet production will exceed 5 Mt in 2014/15. France will be able to export the extra quota sugar in order to meet the demands of the EU market. The optimization of deliveries for industrial sugar production should reduce the carry forward of the out of quota sugar to 0.15 Mt.

## > World sugar market

Chart 1

World sugar prices (\$/t)

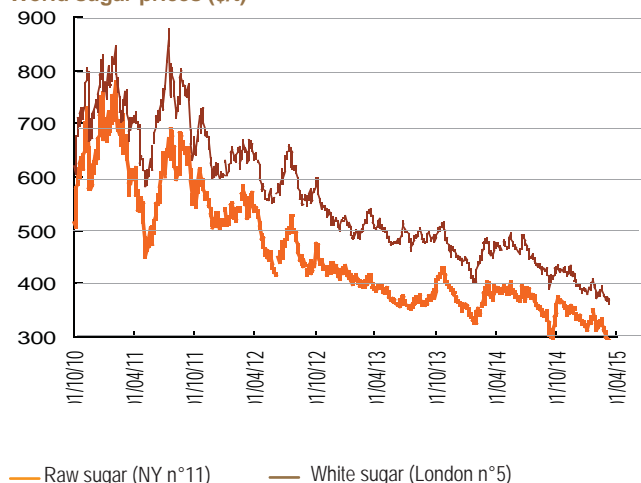
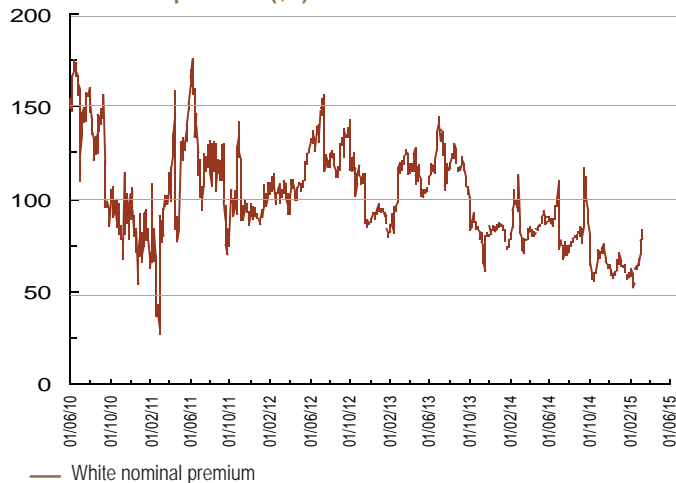


Chart 2

White nominal premium (\$/t)



### Prices: the downward trend continues

Significant volatility has been observed for white sugar No. 5 before the expiry of March contract which had another rebound from mid-February. On February 17, the May contract was negotiated at \$ 395, 70 / t (the August contract at \$ 401.70 / t) and on March 13 the May contract fell to \$ 362.70 / t (\$ 357.40 / t for August contract). On April 13, the May contract fell to \$ 355.4 / t (\$ 350.90 / t for August contract). The market might undergo a change in trend given the recent arrival of the May contract.

The decrease in world sugar prices continues for the fifth consecutive year. On March 13, the price of raw sugar (May contract) has reached 12.70 ct / lb (12.80 ct / lb for the July contract). On April 13, a slight increase in prices was observed and the price level reached 13.01 ct / lb for May contract and 12.85 ct / lb for July contract. Thus, the price levels in September 2014 (13.32 ct / lb) and in March 2010 (13.00 lb / ct) were exceeded. The main reasons for the decrease in world sugar prices are:

- the fall of the Brazilian real;
- the high carry forward of sugar;
- increase of net short position of hedge funds since the end of January 2015.

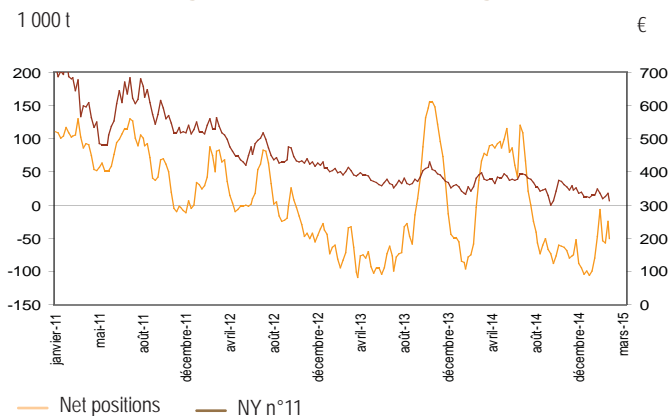
The rising level of incorporation of ethanol in gasoline in Brazil from 25 % to 27 % didn't change the global downward trend of sugar prices.

The market has not reacted to forecasts of the ISO who increased the 2014/15 surplus (October / September) to 620 000 t (473 000 t previously). According to the ISO, the world production is almost equivalent to the consumption which would not reduce the pressure from global stocks accumulated over the last four seasons.

The downward market trend was reinforced by an increase in the net short position on the contract N° 11 held by the hedge funds (futures and options). In the very end of March 31, the net short position reached a record of 121 692 lots against 50 608 lots at the end of February. A net short position is considered as a sign of the downward market trend.

The weakening of the euro has accelerated in March. The weakening of inflationary trends in India due to cheaper oil imports is going to ease pressure on the Indian rupee.

Chart 3  
Prices of raw sugar and net positions of hedge funds



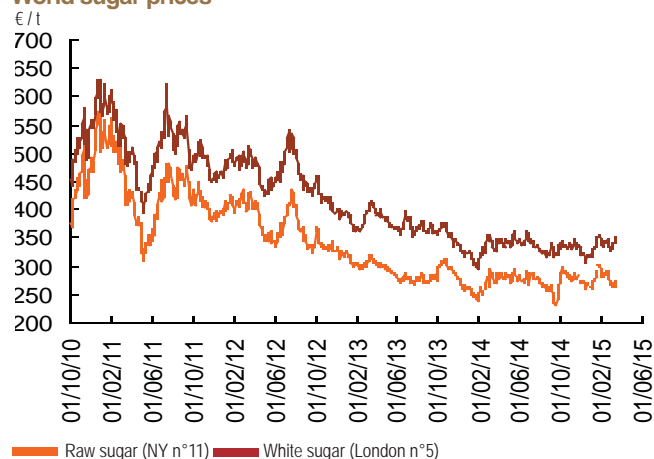
Source : CFTC (Commodity Futures Trading Commission)

Further monetary easing by the Reserve Bank of India could intervene once the budget for 2015/2016 is announced.

The Thai economy gradually strengthens due to a real GDP growth of 2.3 % since 2014. As for the USD / Baht parity there's a weakening of the Thai Baht against the dollar.

The depreciation of the Brazilian real vis-à-vis US dollar continues supported by uncertainty over the status of Petrobras, whose rating was lowered by Moody's and due to deterioration of public finances. The Brazilian real (BRL) would probably continue to fall in the coming months.

Chart 4  
World sugar prices



Sources : LIFFE / ICE

Chart 5  
Exchange rate



Sources : LIFFE / ICE

Chart 6

**Exchange rate**

BRL / \$



Source : REUTERS

**2014/15 campaign: world sugar balance close to equilibrium**

After four campaigns of surplus world production and consumption should be more balanced in 2014/15. According to the ISO forecasts, there would be a small surplus of 0.620 Mt. Unlike the previous season, when world output decreased by 1 Mt, in 2014/15, global sugar production is expected to increase by 1.1 Mt and reach a record 172.1 Mt. This record level of production would be achieved despite less good crop results in several producing countries like Brazil (- 2.1 Mt), China (- 1.32 Mt) and Thailand (- 0.48 Mt). Taking into account these crop declines, the 2014/15 campaign is featured by an increase of production in the EU (1.7 Mt), India (+ 1.35 Mt) and Ukraine (0.88 Mt). The ISO expects opposite developments for the production in exporting and importing countries. Production forecasts in the exporting countries are expected to fall by 0.8 Mt (from 116.4 Mt to 115.6 Mt), while production in the importing countries is expected to increase by 1.8 Mt (from 54.6 Mt to 56.4 Mt). The ISO expects a decline in exports in 2014/15 to 56.1 Mt, which is slightly less than last year (56.4 Mt).

Regarding the 2014/15 world consumption (tel quel value), the ISO estimates that it could reach 171.5 Mt which represents an increase of 1.84% over the year compared to an average of 2.13% over five years. According to the ISO, in 2014/15, consumption and production in importing countries should increase by 1.65 Mt and 1.84 Mt, respectively. The ISO estimates that the small gap between consumption and increasing production in importing countries should reduce import demand. In 2014/15, the USDA expects that the US sugar production would reach 8.6 Mt (raw value), an increase of 1.8% compared to the previous season.

2013/14	Production	Consumption	Balance
Czarnikow	184,0	181,1	2,9
F.O. Licht	181,9	176,5	4,6
ISO	171,0	168,4	2,6
KINGSMAN	180,3	175,1	5,2
USDA	175,7	168,7	1,5

2014/15	Production	Consumption	Balance
Czarnikow	184,0	183,4	+ 0,6
F.O. Licht	179,7	179,8	- 1,1
ISO	172,1	171,5	+ 0,6
KINGSMAN	179,1	179,2	- 0,1
USDA	172,5	171,0	- 1,4

Regarding Brazil, leading producer and exporter of sugar, the harvest in the country was nearly complete in the South Central region. According to UNICA, the sugarcane harvest on January 31, 2015 reached 570.1 Mt, a 4 % decrease compared to 2013/14. Due to a larger share of the cane used for ethanol, Brazilian sugar production has declined by about 7 % to 32 Mt.

The North East region is completing its 2014/15 harvest. Its cane production in mid-January amounted to 41.2 Mt, while sugar production amounted to 2.21 Mt which represents an increase of approximately 6% and 3% respectively from the previous season.

Regarding 2015/16 campaign in Brazil, the ISO foresees a 3.3 % increase of sugar production. This forecast is based on the following assumptions for the South Central Region :

- normal weather conditions through September 2015;
- cane production potential of 581 Mt;
- allocation of the cane for sugar production is 43.5 % (43 % in 2014/15);
- a higher sugar level of 137 kg / t in 2014/15 (136.6 kg / t).

According to official statistics, Brazil exported 2.36 Mt of sugar in January 2015, an increase of 5 % compared to December 2014 and an increase of 10 % compared to January 2014. In 2014, Brazil exported 24.1 Mt (27.2 Mt in 2013). As for the period from October to September, the ISO expects a reduction of 1.2 Mt of Brazilian exports compared to the previous season.

India, the second largest producer and the largest consumer of sugar faces the fifth consecutive year of surplus. According to the ISO, Indian sugar production could reach 25.7 Mt, an increase of 1.3 Mt compared to 2013/14. The Indian Sugar Producers Association (ISMA) has recently revised upwards the 2014/15 production to 26 Mt (25.0 - 25.5 Mt previously) compared to 24.3 Mt of last year. According to ISMA, India exported 2.61 Mt during the previous campaign of which 1.2 Mt of raw sugar and 0.7 Mt of sugar were exported through state subsidies. For the current season, the ISO foresees 2,135 Mt of exports, including white sugar refined from 0.7 Mt of imported raw sugar.

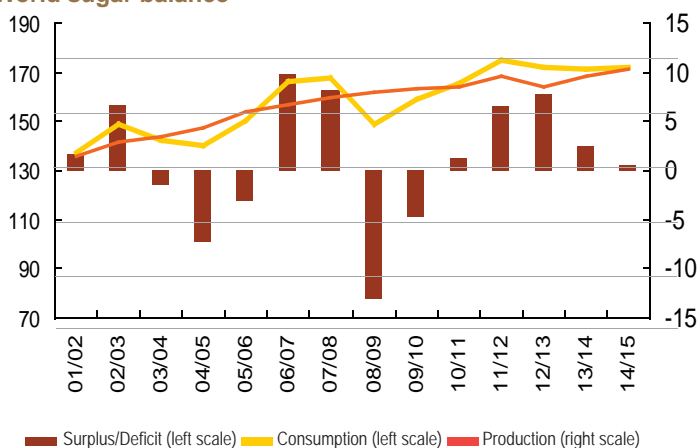
Thailand, the second largest producer in the Asian region and second largest exporter of sugar worldwide started his milling campaign in late November/early December. In late March, the 2014/15 sugar production reached Mt 10.47 Mt (raw value), down 1.8 % compared to 10.66 Mt last year. This decline was due to the late start of the campaign. The ISO expects a drop of 4% in Thai production from 11.28 Mt in 2013/14 to 10.85 Mt in 2014/15. Thailand is expected to export 9.0 Mt of sugar on the world market which represents an increase of 2.7 Mt from the previous season.

According to the Sugar Association of Pakistan (PSMA) the 2014/15 white sugar production could reach 5.34 Mt (5.6 Mt in 2013/14).

However, cane deliveries could be reduced because of the high debts of the processing sector vis-à-vis farmers. According to the ISO, the 2014/15 sugar production in Pakistan could reach 5.20 Mt, down 8 % from the previous season.

According to the Russian beet growers Union (Soyuzrossakhar), sugar imports will balance the domestic market before the next beet campaign which begins in August. Production of sugar beet in Russia reached 4.4 Mt in 2014/15, which is 0.9 Mt less than the domestic consumption. The Russian Ministry of Agriculture said that the availability of sugar beet seeds in producing regions was below the level of last year and insufficient for spring planting.

Chart 7

**World sugar balance**


Source : ISO

The main reasons are :

- low sugar beet competitiveness compared to other crops because of rising production costs in 2015. 60 % of these costs are attributed to the imports which have become more expensive due to the sharp depreciation of the ruble ;
- limited access of farmers to credits for spring planting.

China's total sugar production in the first five months of the current marketing year (October / September) is estimated at 4.79 Mt which is a lower result than 6.52 Mt produced in the same period a year ago. The production of cane sugar reached 4.05 Mt (5.77 Mt last year), while production of beet sugar has not changed much (734 400 t against 746 300 t). In 2014/15, the China Sugar Association (CSA) plans to produce 12.0 Mt of sugar, which is less than 13.3 Mt in 2013/14. In 2014/15, a decline in imports of 0.72 Mt is expected in China compared to the previous season.

**Evolution of production in major exporting countries (Mt raw)**

Exporting countries	Production			Consumption			Surplus/deficit		
	2014/15 (for.)	2013/14	2012/13	2014/15 (for.)	2013/14	2012/13	2014/15 (for.)	2013/14	2012/13
Brazil	35,4	37,5	39,2	12,3	12,2	12,0	23,1	25,3	27,2
India	25,8	24,4	25,3	24,3	24,0	22,7	1,5	0,4	2,6
Thailand	10,8	11,3	9,6	2,9	2,8	2,8	7,9	8,5	6,8
Mexico	6,1	6,0	7,0	4,5	4,3	4,3	1,6	1,7	2,7
Australia	4,5	4,3	4,9	1,0	1,0	1,0	3,5	3,3	3,9
Pakistan	5,2	5,6	5,1	4,8	4,7	4,6	0,4	0,9	0,5
<b>Total</b>	<b>87,8</b>	<b>89,1</b>	<b>91,1</b>	<b>49,8</b>	<b>49,0</b>	<b>47,4</b>	<b>38,0</b>	<b>40,1</b>	<b>43,7</b>

**Evolution of production in importing countries (Mt raw)**

Importing countries	Production			Consumption			Surplus/deficit		
	2014/15 (for.)	2013/14	2012/13	2014/15 (for.)	2013/14	2012/13	2014/15 (for.)	2013/14	2012/13
Russia	4,4	4,3	4,5	5,7	5,6	5,6	-1,3	-1,3	-1,1
Algeria	0,0	0,0	0,0	1,4	1,3	1,3	-1,4	-1,3	-1,3
Indonesia	2,6	2,5	2,6	6,2	5,9	5,7	-3,6	-3,4	-3,1
China	12,0	13,3	12,8	15,2	15,0	14,5	-3,2	-1,7	-1,7
Malaysia	0,0	0,0	0,0	1,7	1,6	1,5	-1,7	-1,6	-1,5
USA	7,3	7,2	7,6	10,1	10,3	10,0	-2,8	-3,1	-2,4
UE	17,9	16,2	15,5	18,5	18,2	18,1	-0,6	-2,0	-2,6
<b>Total</b>	<b>44,2</b>	<b>43,5</b>	<b>43,0</b>	<b>58,8</b>	<b>57,9</b>	<b>56,7</b>	<b>-14,6</b>	<b>-14,4</b>	<b>-13,7</b>

Source : ISO (February 2015)

# Focus

## Thailand

Favorable weather conditions enabled the Thai fabricants to reach record volumes of daily production in mid-February. On March 23, the volume of crushed cane reached 97.14 Mt which represented an increase of 0.8 % compared to 96.35 Mt on the same date last year. According to industry sources, the cane harvest could reach 98.5 Mt/100 Mt against 103.7 Mt in 2013/14, but the current speed of crushing suggests that the end result would be higher than this forecast. This figure will depend on the availability of sugarcane and industrial capacity.

### Sugar production features in Thailand

Results on March 16, 2015 (t)	2014/15	2013/14	Difference (%)
Cane	97 135 080	96 350 155	0,81
Raw sugar	7 361 045	7 606 558	- 3,23
Brown sugar	116 409	101 131	15,11
Refined	1 801 667	1 592 183	13,16
White sugar	949 338	1 124 881	- 15,61
Total of white sugar	2 751 005	2 717 064	1,25
Total (raw value)	10 467 677	10 661 019	- 1,81
Sugar yield , raw value (%)	4 098 563	3 792 273	8,08

Source : FO Licht

Thailand has increased its sugar exports by 50 % in recent years due to the falling world sugar prices. During an informal consultation of the WTO Committee on Agriculture on 4 March in Geneva Brazil has questioned the subsidies granted by Thailand government to the local industry. The Ministries of Foreign Affairs and Agriculture of Brazil arrived at the conclusion that the increase in exports was due mainly to the minimum price of sugar sold in the internal market (quota sugar). This price was equivalent to 30 cents / lb at the end of last year, while the world price was 15 cents / lb (ICE). According to the Brazilian authorities, the domestic price was the result of the additional grant allowing Thai producers to export.

The European Union would also like to have more information on the operation and administration of the sugar policy in Thailand and requests clarification whether the domestic sugar prices affected the quantities of exported sugar. The European Commission also asks whether the Thai Association of sugar and cane which exports about 0.8 Mt of sugar every year had received government support including financing, preferential access to capital, a guarantee against losses and cancellation of debts. The European Commission also questioned what benefits have been granted to the Thai Association of sugar and cane.

## India

India sugar prices have declined sharply reaching a level below the cost of production because of large stocks which could reach 10 Mt at the end of the campaign (7.5 Mt last year). The trend change could take place if the sugar producers are able to export to foreign markets, that's why the extra support is needed. In order to pay farmers for the cane supply, Indian sugar producers are being forced to sell sugar at low prices on the domestic market.

Every year, the government sets the price at which sugar factories are forced to buy sugar cane from farmers. The price of sugarcane has increased by 65 % during the last 5 years while the price of sugar itself fell by 8 %. The only solution for the Indian sugar producers is to ask for export subsidies. Without these measures the Indian sugar could not be competitive on world markets which are well supplied with sugar from Brazil and Thailand.

### Production per region

Production per region	2013/14	2014/15
Maharashtra	7,069 Mt (79 mills)	9,364 Mt (142 mills)
Uttar Pradesh	6,360 Mt (91 mills)	5,916 Mt (77 mills)
Karnataka	3,884 Mt (38 mills)	4,250 Mt (54 mills)

Source : FO Licht

At this time of year the sugar industry produces at full capacity. According to the data of ISMA, Indian mills produced 24.72 Mt of sugar (white value) during the 2014/2015 campaign which represents an increase of 2.841 Mt compared to 21.88 Mt of the last season. In the first half of March, factories produced 2.54 Mt (2.50 Mt in the same period last year). 392 sugar mills were still operational in mid-March of the total 530 sugar mills that operated during this campaign. 316 sugar mills were operational in the same period last year.

138 sugar mills have already completed their operations, including 41 in Uttar Pradesh, 36 in Maharashtra, 26 in Andhra Pradesh and Telangana and 10 in Karnataka.

India traditionally produced white sugar of average quality but due to the help of the government companies could produce and export raw sugar in order to supply the Asian and African refineries. According to the Cabinet Committee on Economic Affairs (CCEA) sugar factories will be allowed to export 1.4 Mt of raw sugar and could benefit from a subsidy of INR 4000 (\$ 62) per ton. The Indian Sugar Mills Association (ISMA) has welcomed the decision of the government but according to its estimates the volume of sugar surplus is about 2.5 Mt ; so the industry would need to export 1.0/1.5 Mt of additional sugar. According to ISMA, the debt of the industry has tripled from INR 114.43 billion in 2007/08 to INR 366.01 billion in 2012/13.

## › The EU sugar market (EU 28)

The prices on the European market have moved closer to the reference price which makes ACP-LDC sugar less attractive for the European Union. The average price of quota sugar in January 2015 reached € 421 / t which represented a decrease of € 14 / t compared to December and € 206 / t compared to January 2014. Market saturation pushes European prices down.

### 2014/15 campaign: record production is confirmed

The 2014/2015 production reached a record high with a total of 19.18 Mt for the EU 28. This increase is mainly due to the increase in the sawn area in the main producing countries of the EU. Because of the EU quota sugar production of 6.22 Mt (after TAF) and even maximizing the non-food outlets limiting the amount available for export the "potential report" could reach 2.38 Mt.

Some EU producing countries such as Germany, Italy, Poland announced deep cuts in sawn surfaces for 2015/16 campaign. These surfaces reductions could reach 15-20 %. The average of this reduction would exceed 10-12 % at EU level. For example in France the decrease of the surfaces area is about 5 % .

### Production in the EU countries

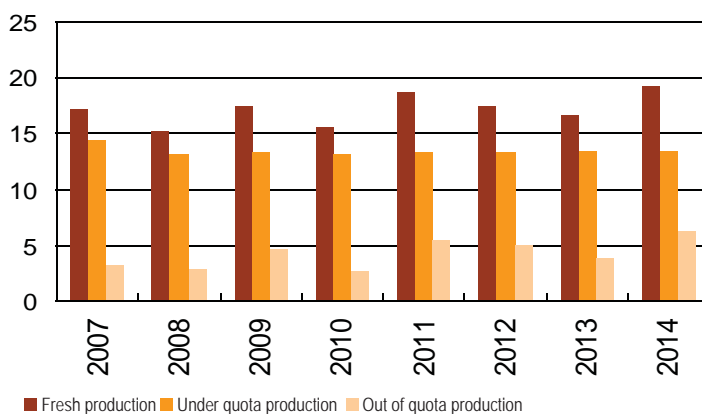
1 000 t	2013	2014
Belgium	783	845
Czech Republic	539	605
Denmark	462	480
Germany	3 422	4 400
Greece	160	56
Spain	449	580
France (Met)	4 141	5 113
France (DOM)	433	492
Italy	508	586
Lithuania	172	130
Hungary	193	320
Netherlands	116	106
Austria	948	1 094
Poland	482	380
Romania	1 713	1 985
Slovakia	262	214
Finland	219	207
Sweden	117	138
United Kingdom	378	383
Croatia	1 234	1 440
<b>Total EU 28</b>	<b>16 732</b>	<b>19 180</b>

Source : European Commission/FranceAgriMer

Mt	2007	2008	2009	2010	2011	2012	2013*	2014
Production	17,1	15,3	17,5	15,5	18,7	17,4	16,73*	19,16
Carry forward (at the end of the campaign)	0,7	0,4	0,6	0,6	0,2	0,8	0,5	2,4
Under quota production	14,46	13,13	13,28	13,15	13,31	13,31	13,50	13,52
Out of quota production	3,16	2,91	4,64	2,78	5,52	4,86	3,90	6,20

\*EU-27 (EU-28 in 2013 and 2014) FranceAgriMer  
Sources : European Commission/FranceAgriMer

Chart 1  
Production Mt



Source : European Commission

### Stocks: quota stock is lower than in 2013/14

Given a projected stock of 1 Mt on September, 30, 2015, and provided that the exceptional measures on imports or discount on the quota sugar market especially at the end of this campaign are not applied, prices increase could occur in the market.

On January 1, 2015, Community stocks totaled 11.85 Mt, which are below the level of the previous season (12.2 Mt) but still remain high. The 2014/15 campaign began with excessively high stocks.

High volumes of out of quota stocks would ensure the smooth supply of the market at the time of transition to the next campaign. On January 1, 2015, the out of quota sugar amounted to 3.37 Mt. This represents an increase of 1.33 Mt compared to the 2013/14 campaign.

### Quota sugar stock since October 2014

Mt	2014/15	2013/14
on 01/10	3,6	4,1
on 01/11	7,4	8,4
on 01/12	10,8	11,3
on 01/01	12,2	11,85

Source : European Commission

Chart 2  
Quota sugar stock Mt

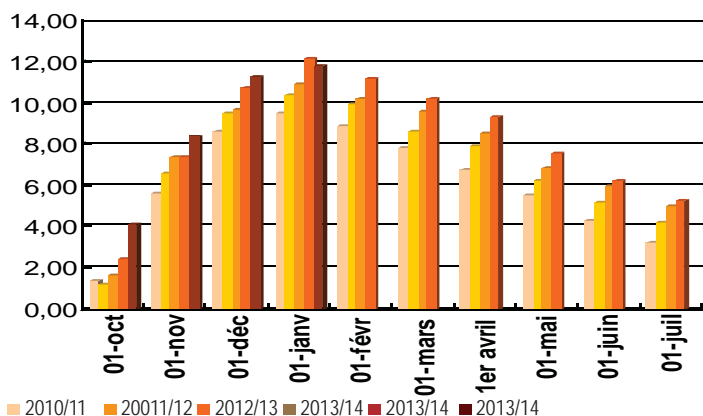
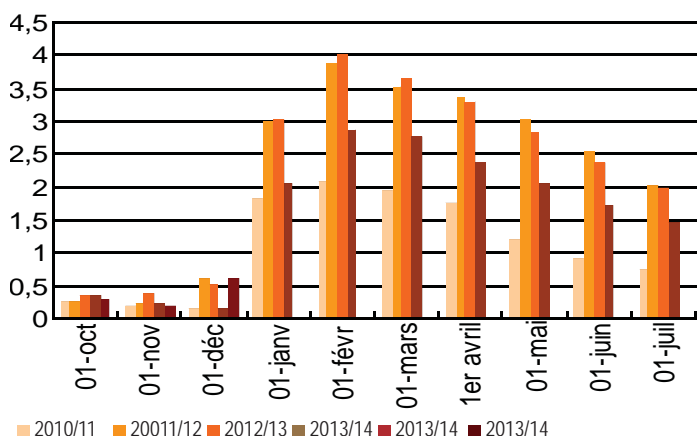


Chart 3  
Out of quota sugar stock Mt



Source : European Commission

from October to January Mt (white value)	2014/15	2013/14
Total	1,164	0,887
RPA	0,178	0,117
Non - RPA	0,986	0,770

Sources : European Commission / FranceAgriMer

## 2014/15 : a continuous decrease in imports

In the absence of exceptional imports, the volume of sugar non RPA imports is estimated at 0.77 Mt in the end of January, down from the previous season (- 0.99 Mt). The level of RPA imports remains very low at 0.12 Mt.

For the second half of March, the volume of certificates amounted to 59 299.2 t, the same level as in 2013/14 (56 285.6 t). According to the Commission, the level of imports in 2014/15 is low. There is also the absence of requests for TRQ certificates for Brazil and Cuba. As for the industrial TRQ sugar which total quota is 400 000 t only 3 728 t (1 %) have been used so far.

## Imports licences (delivered licences/end of March 2015)

t	Quota (tel quel)	2014/15 (raw eq)
CXL	676 925	19 117,8
Balkans	201 167	160 081,2
Transitional measures (Croatia)	40 000	40 000
Industrial sugar	400 000	3 728,0
Moldova (2014 civil year)	34 000	3 722,1
Total Andean countries	260 760	21 122,4

Source : European Commission

## CXL imports (end of March 2015)

t	Quota (tel quel)	2014/15 (raw eq)
Australia	9 925	-
Brazil	334 054	-
Cuba	68 969	-
Erga Omnes	253 977	9 367,8
India	10 000	9 750
Total	676 925	19 117,8

Source : European Commission

## Balkans imports

The Balkans quota of 200 000 t is used up to 60 % most of which was delivered to Serbia (114 581 t) and to Bosnia (5 500 t). The quota of 40 000 t was fully delivered to Croatia.

## ACP-LDC imports

Regarding the ACP-LDC sugar, for the first 6 months of the 2014/15 campaign, certificate requests covered 1.041 Mt, which represents a decrease of 0.175 Mt from the previous season.

The distribution between the main importing countries is following : 28 % for the UK, 21 % for Germany, 18% for Portugal, 11 % for Italy. These countries share 78 % of imports demand.

The distribution between the origins remains almost identical to previous months: Mauritius (20 %), Fiji (12 %), Mozambique (13 %).

	Delivered licences on 20/03/2015	Delivered licences on 21/03/2014	Delivered licences on 08/03/2013
LDC non ACP	52 299,2	56 285,6	1 166,0
LDC - ACP	307 630,4	400 022,6	293 047,8
LDC - ACP	681 464,7	760 297,3	691 898,1
Central Africa	-	-	-
West Africa	-	-	112,5
SADC	96 116,1	113 704,0	157 389,2
EAC	-	-	-
ESA	316 864,8	386 260,0	307 937,4
Pacific	126 800,0	90 074,6	100 000,0
Cariforum	141 683,8	170 258,6	126 458,9
Total ACP	989 095,1	1 160 319,9	984 945,9
Total ACP + PMA non ACP	1 041 394,3	1 216 605,5	986 111,9

Source : European Commission

## Imports from Central America, Peru and Colombia

The level of imports from the Andean Pact countries and Central America is growing, though remains quite low. On March 18, 21 122 t were imported from 260 760 t quota in the framework of free trade agreements. Given the fact that it is too early to describe trends of the current season, there could be a more significant increase in the second half of the campaign, especially regarding Colombia whose imports have had a significant increase at the end of the 2013/14 campaign. The current use of Colombian quota amounts to 2,217 t and the Latin America quota amounts to 18,891 t.

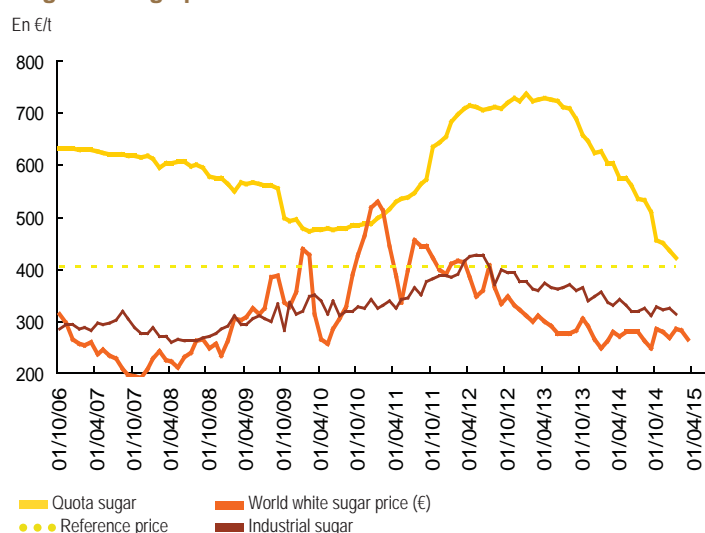
## Sugar prices on the EU market: a stable downward trend

The average price of sugar quota in January reached 421 € / t, a decrease of 14 € / t compared to December and of € 28 / t compared to November. Currently, prices are down by 309 € from a peak of 738 € in January 2013.

The average selling price of out of quota sugar on the EU market is still 313 € / t, a decrease of 11 € / t compared to December and of 10 € / t compared to November. The average purchase price for industrial sugar in January reached 355 € / t (+ 5 € / t compared to December). The average price of white sugar from the ACP countries went down to 410 € / t (- 361 € / t compared to 771 € / t of December 2012).

As for the quantities of white sugar imported from the ACP countries, according to EUROSTAT, January volume reached 20 483 t, a decrease of 14 105 t compared to January 2014 and of 12 950 t compared to January 2013.

Chart 4  
Sugar average price



Source : European Commission

## 2014/15 sugar quota balance for the EU-28 (Mt) : a significant drop in imports

The quota sugar balance is mainly influenced by a high level of stocks given the early start of 2014/15 production (11.85 Mt on December 31, 11.33 Mt on November 30).

The high purchase price in the US could make the Caribbean basin market redirect its exports to the North American continent at the

expense of the EU. Moreover, the CXL import licenses reduced by 50% following the absence of sugar imports from Brazil which quota amounts to 334 054 t. According to the European Commission and FranceAgriMer, third country sugar imports could reach 3.14 Mt compared to 2.7 Mt last year and 3.63 Mt in 2012/13.

## 2014/15 quota sugar balance

	2013/14	2014/15
Stock on 1/10	2,59	1,85
• market	2,59	1,85
• intervention	0,00	0,00
Carry forward	0,67	0,54
Fresh production	12,38	12,98
• of which travail à façon	0,46	0,29
Imports	3,72	3,28
• sugar	3,14	2,70
• specific quotas	0,58	0,58
Release on food market	0,00	0,00
Total ressources	19,78	18,65
Domestic use	16,58	16,30
Exports (sugar and processed products)	1,34	1,39
• sugar (tel quel)	0,08	0,13
Total Use	17,92	17,69
Stocks on 30/09	1,86	0,97

Source : FranceAgriMer

## 2014/15 out of quota balance: record production of 6.2 Mt

According to FranceAgriMer forecasts, out of quota sugar production could reach 6.24 Mt. Industrial use could reach 2.5 Mt and exports are limited to 1.375 Mt. The carry forward could reach an unprecedented record level of 2.38 Mt.

En Mt	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Out of quota production	2,9	4,6	2,8	5,6	4,9	4,0	6,2
Carry forward (at the end of the campaign)	0,4	0,6	0,2	0,8	0,7	0,5	2,4

Sources : European Commission/FranceAgriMer

## 2014/15 out of quota sugar balance

Mt	2013/14	2014/15
Fresh production	4,43	6,51
Travail à façon	- 0,46	- 0,29
Imports	0,004	0,004
Total	3,98	6,24
Chemical-pharmaceutical industry	0,80	0,80
Alcohol – Bioethanol	1,29	1,70
Exports	1,35	1,35
Total Use	3,44	3,85
Carry forward	0,54	2,38

Source : FranceAgriMer



## > The French sugar market

The beet sugar production could reach 5.1 Mt of which under quota volume amounts to 3.4 Mt and out of quota 1.7 Mt (4.6 Mt in 2013/14).

In order to avoid the increased carry forward in 2015/16, two options were chosen by manufacturers: to maximize beet ethanol production and to export a maximum volume of out of quota sugar.

Production 1 000 t	2010	2011	2012	2013	2014
Fresh beet production (including the EU and Dom travail à façon)	4 345	5 059,30	4 528,60	4 530,6	5 112,7
Metropole fresh production (excluding TAF)	4 225	4 774,90	4 222,80	4 140,9	4 591,0
DOM fresh production (including TAF)	258	416,9	412,2	432,8	491,8
Total production (including carry forward)	4 507	5 202,90	4 732	4 592,6	5 088,8
Under quota production	3 263	3 421,70	3 417	3 435,9	3 434,0
Out of quota production (before carry forward)	1 245	1 781,20	1 315,80	1 156,7	1 654,7

Source : FranceAgriMer

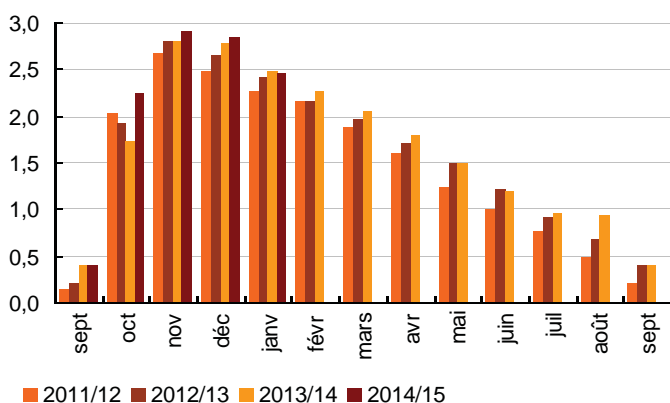
### 2014/15 campaign

FranceAgriMer slightly decreased its latest forecast of production which currently amounts to 5.11 Mt. High production and high stocks would be rebalanced through supplies to the EU due to a sugar deficit in certain member countries like Italy and Greece. These deliveries would reduce the ending stock to 0.2 Mt (0.4 Mt in 2013/14). In 2015, because of the abundance of the out of quota sugar production, a reduction in the sown areas of 5 to 6 % is expected.

Over the four months of 2014/15 campaign (October/January), the French sugar exports to the EU market amounted to 671 846 t against 501 231 t during the same period in 2013/14. The exports dynamics would increase in the coming months given the higher demand on the EU market, unlike last year, when the high sugar for food on the European market led to a slowdown in exports since May.

Chart 1

#### Quota sugar stock at the end of the month (excluding Belgium) Mt



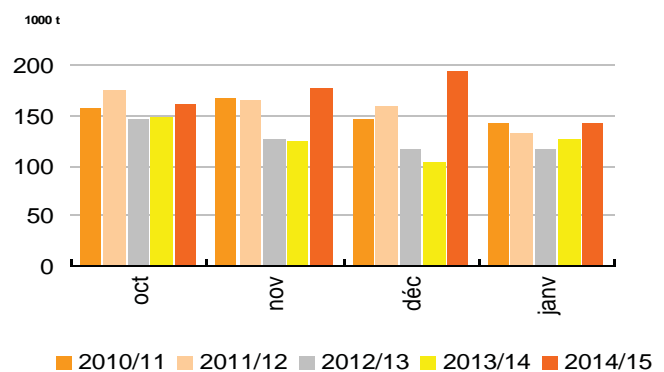
Source : FranceAgriMer

The main destinations of French sugar in the EU for the first 4 months are Spain with a volume of 175 289 t against 93 317 t in 2013/14, Italy (139 514 t against 128 049 t in 2013/14), Belgium (against 93 426 t 40 992 t in 2013/14), the UK (81 368 t against 94 714 t in 2013/14), Germany (50 972 t against 59 459 t in 2013/14).

As for the French sugar exports to third-country for the first 4 months of the 2014/15 campaign, their volume amounted to 139 457 t compared to 129 675 t in the same period in 2013/14.

Chart 2

#### French sugar exports to the EU

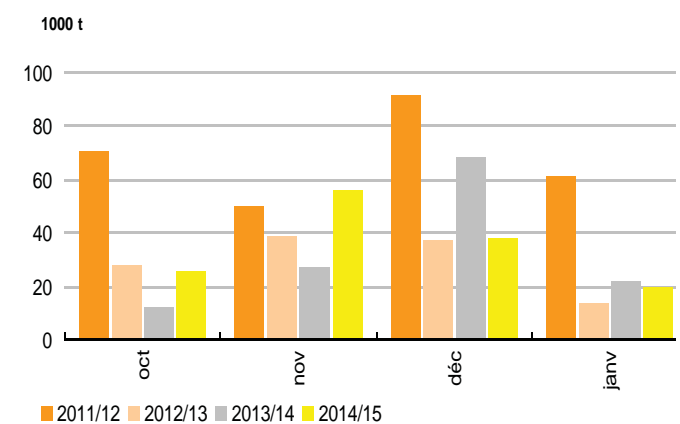


Source : FranceAgriMer

The main destinations for French sugar exports to third countries for the first 4 months of the current campaign, are Algeria (81 581 t against 98 820 t in 2013/14), Egypt (23 248 t against 6 899 t in 2013/14), Switzerland (8 365 t against 12 155 t in 2013/14), Israel (8 763 t against 5 949 t in 2013/14).

Chart 3

#### French sugar exports to third countries



Source : FranceAgriMer

Algeria is the first importer of French sugar outside the EU. The average consumption of sugar in this country is 24 kg per capita per year. Because of the absence of the domestic sugar production the country is importing all its raw sugar. While the country may be ranked among the top ten world sugar importers, the French sugar industry seeks to strengthen its position in the Algerian market especially taking into account the coming 2017 reform.

### 2014/15 quota sugar balance

The production is estimated at 3.43 Mt (3.44 Mt according to a previous forecast in January). Sugar imports (tel quel value) were revised upwards to 0.36 Mt (0.33 Mt according to previous forecast). FranceAgriMer also updated its forecast of French sugar exports to 1.63 Mt, an ever higher level than the last two seasons (near 1.5 Mt). Exports to third countries have been revised upwards to 0.05 Mt (0.02 Mt according to the January forecast).

Regarding the export licenses of quota sugar, for the first 4 months of the campaign there was an increase of 91 % of delivered volume compared to the same period last year (16 626 t against 1 504 t in 2013/14).

Therefore, the ending stock has been revised downwards to 0.17 against 0.23 Mt expected in January.

### 2014/15 out of quota sugar

As for out of quota sugar, FranceAgriMer estimates production at 1.65 Mt and assumes that there would be a significant use of out of quota sugar for industrial sugar (1.16 Mt against 0.78 Mt in 2013/14) provided that the ethanol market is maximized to 0.9 Mt. The opening of two quotas at the beginning of the campaign would allow exporting 0.28 Mt. This would reduce the out of quota volume but not that much. The volume of industrial sugar supplies primarily for the production of ethanol is expected to increase this year from 0.54 Mt in 2013/14 to 0.90 Mt in 2014/15. So the carry forward should reach 0.14 Mt.

### Out of quota sugar balance

	2013/14	2014/15
Stock on 1/10	0	0
Fresh production (excluding travail à façon)	1,16	1,65
Imports	0,00	0,00
<b>Total</b>	<b>1,16</b>	<b>1,65</b>
Chemical-pharmaceutical industry	0,24	0,26
Alcohol – Bioethanol	0,54	0,90
Exports to third countries	0,36	0,28
Exports to the EU	0,05	0,06
Delivery to the EU (Ultra-peripheral regions - UMS)	0,01	0,01
Total Use	1,15	1,51
<b>Carry forward</b>	<b>0,01</b>	<b>0,14</b>

Source : FranceAgriMer

### Quota sugar balance

Mt	2013/14	2014/15
Stock on 1/10	0,41	0,40
• market	0,41	0,40
Carry forward	0,02	0,01
Fresh production	3,44	3,43
Imports	1,09	1,11
• sugar	0,36	0,36
Sugar release on food market	0,00	0,00
<b>Total</b>	<b>4,95</b>	<b>4,95</b>
Domestic use	2,31	2,25
Exports to the EU	1,42	1,63
Exports to third countries	0,007	0,05
Exports of sugar and processed products	0,81	0,85
Total Use	4,55	4,78
<b>Stocks on 30/09</b>	<b>0,40</b>	<b>0,17</b>

Source : FranceAgriMer