

Market Report

> FranceAgriMer's Economic analysis of the sugar market



• Number 28 / July 2015 / **Sugar Market Report**

A further weakening of the Brazilian real destabilized world prices that reached their lowest level in 6 years. The rising dollar and the increase in short positions of the hedge funds could only reinforce the downward trend on prices.

According to the latest ISO forecast, the world production in 2014/15 is expected to reach a record 173.6 Mt which would represent an increase of 2.6 Mt from the previous season. This record production could be expected despite the forecast of lower crop yields in Brazil and China. Global consumption is expected to reach nearly 171.4 Mt. Thus, the world sugar balance remained in surplus for the fifth consecutive season.

Regarding the 2016/17 campaign, the ISO estimates average world sugar demand growth at 3.7 Mt with no significant increase in production. This could lead to a deficit of around 6 Mt.

According to the ISO, it is still too early to estimate the possible negative impacts on the world sugar production from the possible arrival of El Niño in the second half of 2015.

Regarding the situation in the EU, the decrease of quota sugar prices has stopped in March and April amid weaker imports.

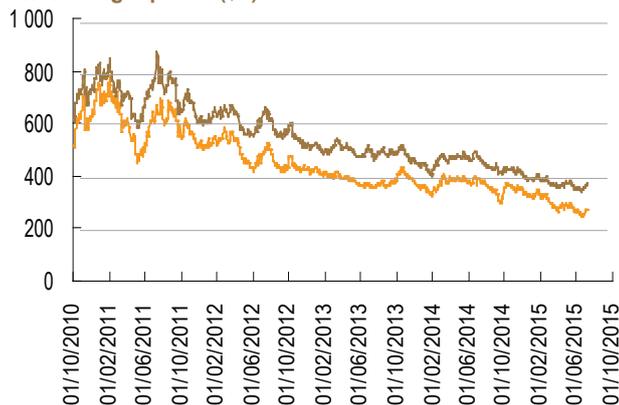
As for the 2015/16 campaign in the EU, countries like France, Germany, Poland, the Netherlands and Spain are reducing their beet areas. According to the Commission, in 2015/16, the reduction of areas in the EU could reach 14 %.

The 2014/15 French sugar production could reach a record 5.08 Mt (quota and out of quota sugar). The slowdown in imports to the EU as well as reduced productions in several Member States would increase the demand for French sugar on the European market. In 2014/15, exports of French sugar to the EU are estimated at 1.69 Mt (+ 0.22 Mt in 2013/14).

> World sugar market

Chart 1

World sugar prices (\$/t)

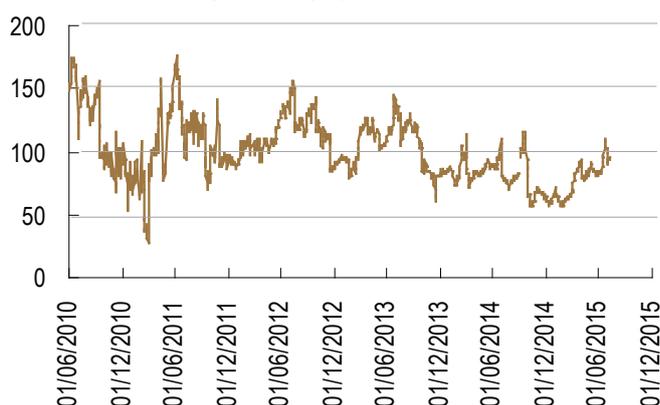


— Raw sugar (NY n°11) — White sugar (London n°5)

Sources : LIFFE / NYSE

Chart 2

White nominal premium (\$/t)



— White nominal premium

The fifth consecutive year of world sugar surplus

According to the ISO, global production could reach a record 173.6 Mt, an increase of 2.6 Mt from the previous season. The production could reach this level despite forecasts of less important crops in Brazil and China. Global consumption is expected to reach 171.4 Mt.

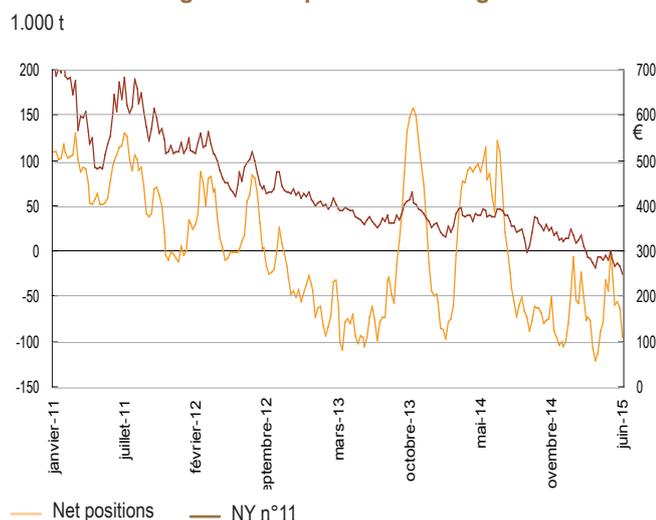
2013/14	Production	Consumption	Surplus
Czarnikow	184,0	181,1	2,9
F.O. Licht	181,9	176,5	4,6
ISO	171,0	168,4	2,6
KINGSMAN	180,3	175,1	5,2
USDA	175,7	168,7	1,5

2014/15	Production	Consumption	Surplus
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

A significant amount of high stock is currently sitting in India and Thailand which creates a downward pressure on prices.

On May 27, the July contract in NY was traded at 11.87 cents / lb, the lowest level since March and increased again to 12.31 cts / lb on July 8. On May 27, the October contract in NY reached 12.18 cents / lb and increased to 13.63 cts / lb on July 8. The prices of white sugar in London showed a similar dynamic although the drop in the end of March and resumption in April were less pronounced. On May 27, the August contract

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



Source : CFTC (Commodity Futures Trading Commission)

also reached its lowest level since the end of March \$ 345.70 / t (\$ 371.40 / t on July 8) and the October contract was traded at \$ 347 / t (\$ 364.20 / t on July 8). As for short-term forecasts, the ISO believes that the market is still recovering from the pressure from high stocks in both importing and exporting countries.

In the end of March, hedge funds increased their short position for sugar No.11 to a record 132 000 lots following a significant drop in prices. In May, prices recovered and the funds returned to a long position of 13 000 lots. According to data from the CFTC on June 16, 2015, the short position reached 95 000 lots. This means that the highest level of the short position is not reached and that the trend could be reinforced in the current bearish environment.

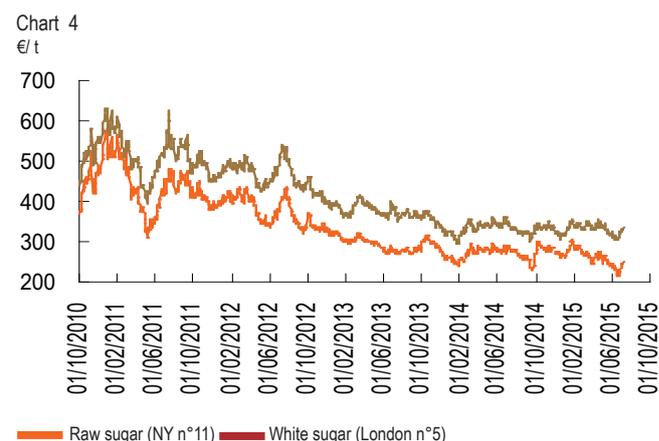
Exchange Rate: USD continues to strengthen

The euro is experiencing again the downward trend starting from the second half of May.

The US dollar has strengthened in the second half of May, driven mainly by a revival of confidence in the prospects for growth in the US economy. According to experts, the US dollar will strengthen towards the end of 2015 following the announcements from the Federal Reserve which is planning to tighten the monetary policy in the end of 2015.

India began the structural reforms which would be favorable for domestic markets and for investors. Nevertheless, the seasonal monsoon should be lower than average which can trigger inflation growth.

World sugar prices (€/t)

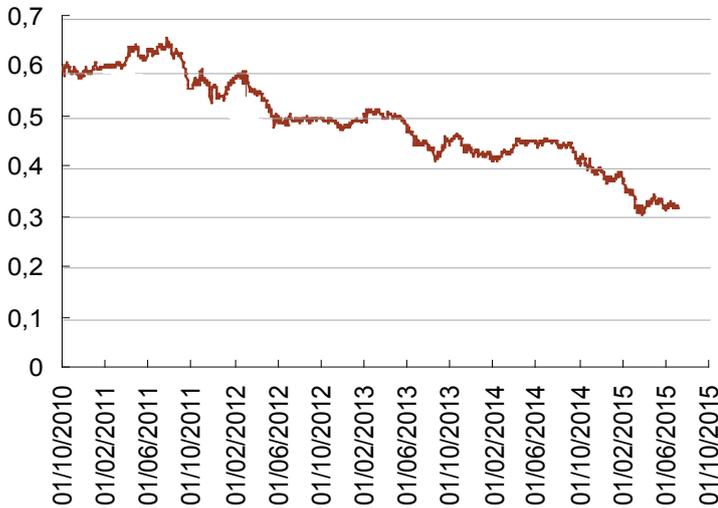


Sources : LIFFE / ICE

Chart 5

Exchange rate

BRL / \$

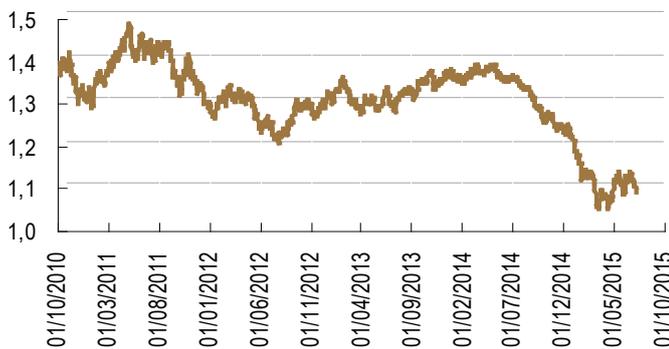


Sources : LIFFE / ICE

Chart 6

Exchange rate

€ / \$



Sources : LIFFE / ICE

The stabilization of the oil crisis prompted a drop in rates of the Russian central bank; however, inflation in Russia remains high at 16 % (April 2015 data). China is also engaged in the process of monetary easing as a way to stimulate economic activity.

The Thai baht weakened towards the end of April and beginning of May. The inflationary situation in the country depends on the monsoon season in the southwest (June-September) as well as on its impact on food prices. According to experts, rainfall should be below normal due to El Niño.

The Brazilian real has experienced a significant decline in May vis-à-vis the USD. The possible explanation of this decline would be linked to financial deficit of the country.

2014/15 campaign : world market

The decline in sugar prices could also decrease the sugar production in China. In contrast, Thailand and Australia could increase their production.

Regarding 2014/15 campaign, China will reduce its production by 2.8 Mt compared to 2013/14 campaign and Brazil expects a decline of 2 Mt compared to the previous campaign.

These decreases are offset by a forecast of higher production expected in India with an increase of 3.6 Mt from the previous season as well as higher production in the EU (up 1.7 Mt) and Ukraine (up 0.9 Mt). Global exports are estimated at 56.8 Mt vs 56.5 Mt in the previous year.

Brazil's South Central region harvested 571 Mt of cane vs 597 Mt from the previous season. Sugar production reached 32 Mt (tel quel), a 7 % decrease from 2013/14. In the Northern Region and Northeast harvest is nearing its end with 59.5 Mt of cane crushed in mid-April which represents an annual increase of 8 %. Sugar production in this region totaled 3.5 Mt, an increase of 8 % compared to the same period in 2014. In 2014/15, Brazilian production could reach 60 Mt, an 7 % increase compared to 2013/14. As for 2015/16 campaign, the ISO expects a 3.3 % increase in sugar production. Last year, Brazil exported 24 Mt (27.2 Mt in 2013).

In the first seven months, Brazilian exports totaled 13.51 Mt compared to 14.01 Mt in 2013/14 and compared to 16.95 Mt in 2012/13. The ISO expects a reduction of 0.778 Mt of Brazilian exports on the world market for 2014/15 campaign compared to the previous season. Therefore, Brazil's share on the global market is expected to reach 42.3 % compared to 43.1 % in 2013/14 and 48.2 % in 2012/13.

On May 1, sugar production in Thailand, the second largest producer in the Asian region and the second largest sugar exporter in the world, reached 11.15 Mt compared to 11.2 Mt in 2013/14.

India, the second largest producer and the largest sugar consumer, is facing a large surplus for the fifth consecutive year. According to the data of the Indian sugar industry in mid-May 2014/15, sugar production reached 27.84 Mt (tel quel) representing an annual increase of 16%.

According to the USDA in 2015/16, Indian sugar production could remain slightly lower compared to current campaign. Production in states of Uttar Pradesh and Karnataka could increase by 7 % and would be offset by a decrease of 9% in Maharashtra. In February 2015, the Indian government agreed to offer INR4,000 (USD65 / ton) for exports of 1.4 Mt which must be exported before September 30. In mid-May, the largest producer state of sugar Maharashtra approved an additional grant of NR1,000 / t (USD15.6 / t) for exports of 800 000 tons of raw sugar which should be completed before October 2015. The ISO has estimated Indian exports at 1.13 Mt including white sugar refined from imported 0.5 Mt of raw sugar. The ISO believes that given the possibility of production close to record levels, negative parity of export prices could reduce the potential of the Indian exports to about 1.1 Mt. As for Pakistan, according to the ISO in 2014/15, its sugar production could reach 5.20 Mt with a decrease of 7.8 % compared to the previous campaign. The Federal Committee of Pakistan Agriculture (CFA) has set the goal for sugarcane production for 2015/16 which amounts to 68 Mt on an area of 1.14 million ha (64 Mt in 2014/15 from 1.12 million ha).

In 2014/15, in Russia, second largest beet producer after France, the sugar production could reach 4.44 Mt compared to 4.38 Mt in 2013/14.

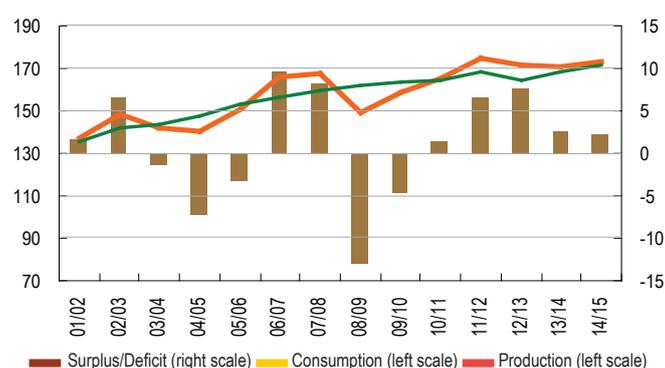
In Mexico in 2014/15, crushing season ended with 47.393 Mt of sugarcane compared to 48.055 Mt in 2013/14.

According to the ISO, there could be a small gap between consumption and production in the importing countries which should reduce import demand. The main change expected in 2014/15 (October / September) compared to the previous season are the falling imports in India (- 0.53 Mt), in the European Union (- 0.34 Mt), in the US (- 0.27 Mt) and in China (- 0.22 Mt).

In 2013/14, China imported 4.024 Mt, down from 0.532 Mt from the previous season. According to the FO Licht data, Brazil was again the main origin of Chinese imports. In April 2015, the distribution of accumulated Chinese imports is presented as follows: Brazil with 35.7 %, followed by Guatemala with 18.6%, Cuba (17.6 %), Thailand (15.3 %) and El Salvador (9.5 %).

The 2014/15 campaign just ended and according to the China National Sugar Association (CSA), sugar production during the first eight months of the campaign amounted to 10.3 Mt, down 22 % compared to last year. According to the ISO, in 2014/15, sugar production in China could reach

Chart 7

World sugar balance (Mt)


Source : ISO

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	11,2	11,3	9,6	2,9	2,8	2,8	8,3	8,5	6,8
Mexico	6,0	6,0	7,0	4,5	4,3	4,3	1,5	1,7	2,7
Australia	4,6	4,3	4,9	1,0	1,0	1,0	3,6	3,3	3,9
Pakistan	5,2	5,6	5,1	4,8	4,7	4,6	0,4	0,9	0,5
Total	88,2	89,1	91,1	49,8	49,0	47,4	38,4	40,1	43,7

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	10,5	13,3	12,8	15,2	15,0	14,5	-4,7	-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
Total	42,7	43,5	43,0	58,8	57,9	56,7	-16,1	-14,4	-13,7

Source : ISO (May 2015)

Focus

Low prices

Why do prices fall ? In the end of May, raw sugar prices reached their lowest level since 2009, this is the second major drop in prices since the end of March.

According to experts, the main factor of the downward trend are years of excessive production.

In the end of March, when May contract reached its maturity the market expected a change in trend. Indeed, there has been a rise in prices which ultimately did not last too long. The fundamental question is whether prices have fallen enough in the end of May to pave the way for a recovery.

The ISO experts believe that the inability of the sugar economy to respond to low price signals can be attributed in large part to government regulation in a number of sugar producing and consuming countries. Price dynamics were particularly influenced in recent months by the weakening of the BRL against the USD. This means that global sugar production level has failed to respond to low prices because of large 2014/15 harvests in Brazil, India, the EU and Thailand.

Most analysts predict very high volumes of cane harvest in the Center-South of Brazil in 2015/16 and therefore an increase in sugar production around 5 to 6 %. The Brazilian exporters are looking to increase sugar exports to Asia and especially to China since the upcoming Chinese production forecast is not optimistic.

Nevertheless, the Chinese government is ready to take protectionist measures by imposing strict controls on the sugar flux to protect the local industry. An import limitation of 3.8 Mt for 2014/15 could gradually reduce the amount of sugar entering the country.

One way to reduce the use of cane and beet for sugar production would be an increase of deliveries of raw sugar materials for biofuel production.

The decline in sugar prices could also increase the use of sugar raw materials in the production of sweeteners either directly or indirectly in the form of processed foods. But according to the ISO study conducted in 2010, income growth and population growth are still powerful drivers for consumption.

According to analysts, the market actors remain passive with prices below USD 14-15 cents / lb. As short positions of hedge funds are shrinking, investors are not obliged to immediately cover their positions leading to a price increase.

As global stocks are approaching record levels there is a hesitation of some exporters such as India and Thailand to export at current prices.

On the other hand, stocks that are accumulated in importing countries could reduce the sugar imports in these countries. This would increase competition among exporters.

According to the ISO, the decline in sugar prices over the past four to five years has coincided with a decline in prices for energy and

other raw materials. However, the consequences for the ethanol sector in Brazil are still poorly evaluated due to the government policy of price fixing of gasoline at the refinery level.

From the fundamental point of view, no upward pressure would appear as the production and stocks remain high.

Brazil vs Thailand

Brazil asked the Committee on Agriculture of the World Trade Organization to conduct a survey on the sugar industry functioning in Thailand and India. Brazil is very concerned about their grant programs at a time when world sugar prices are at their lowest in six years.

According to estimates of Brazilian agency "Agroicone", due to the export subsidies in Thailand and India the sugar exports in these countries would increase by 4 Mt which add 7% to global supplies and could lower prices by 13 %.

According to Unica, producers are more concerned about the subsidy policies in Thailand. The world exports share of this country increased from 4 % to 16 % over the past three years. Over the same period, Brazil's share fell by 5 % .

It will be difficult to prove that the Thai authorities apply local price support policy and create funds to help farmers. But according to industry representatives, Brazilian producers are able to stand up for this trial.

To prove the existence of sugar subsidies in India may be even more difficult politically for Brazil as these two countries are partners in the BRICS group. India is also an active player in the discussions to seal a global trade agreement negotiated by the Brazilian diplomat Roberto Azevedo, the new head of the WTO.

> The Community sugar market (EU 28)

In 2014/15, low sugar prices in the EU have slowed considerably imports, particularly of CXL origin. Therefore, the excessive sugar stocks have been gradually reduced since the beginning of the campaign. As a result the sugar prices in the EU have slowed down in March.

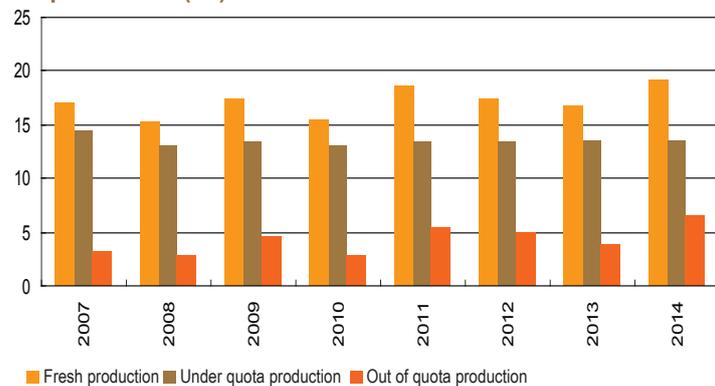
In 2015/16, the carry forward of out of quota sugar could amount to a record of 2.50 Mt.

Production in the EU countries

Production 1000 T	2013	2014
Belgium	783	846
Czech Republic	539	586
Denmark	462	477
Germany	3 422	4 491
Greece	160	194
Spain	449	611
France (Met)	4 141	4 591
France (DOM)	433	492
Italy	508	586
Lithuania	172	130
Hungary	193	320
Netherlands	116	106
Austria	948	1 094
Poland	482	399
Romania	1 713	1 985
Slovakia	262	224
Finland	219	207
Sweden	117	138
United Kingdom	378	382
Croatia	1 234	1 440
Total EU 28	16 732	19 305

Source : European Commission/FranceAgriMer

Chart 1
EU production (Mt)



Sources : European Commission / FranceAgriMer

En Mt	2007	2008	2009	2010	2011	2012	2013*	2014
Production	17,1	15,3	17,5	15,5	18,7	17,4	16,73	19,30
Next season carry forward	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	6,34

*EU-27 (EU-28 for 2013 et 2014)

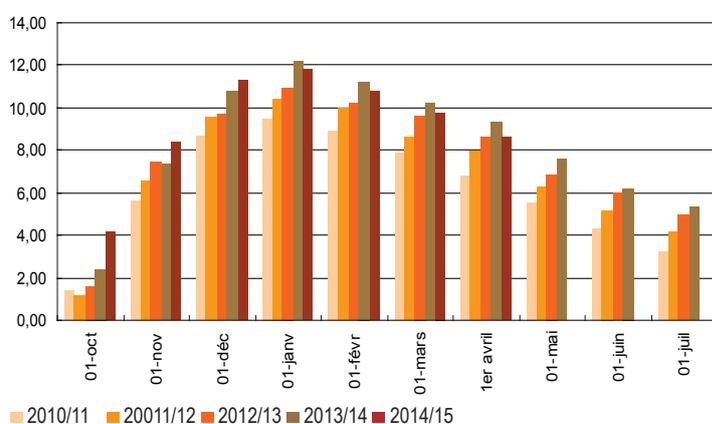
Source : European Commission/FranceAgriMer

Stocks: still low compared to the previous season

The European Commission reviewed the stock of quota sugar on 01.10.2014 which increased by 0.15 Mt. According to the Commission in the end of March, the quota sugar stock for the EU-28 totaled 8.63 Mt down from 9.40 Mt in the same period of the last year. This declining trend was observed since December despite the fact that the stock on September 30, 2014 (4,147 Mt) was higher than the one on September 30, 2013 (3,567 Mt). The current stock level has confirmed acceleration in exports and in use that absorbed the sugar surplus in the early campaign.

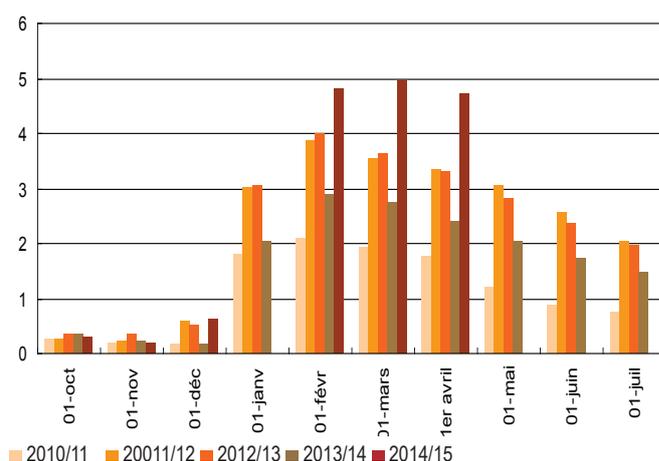
Regarding the out of quota sugar stock, its volume remained stable since January 2014. In the end of March 2014, it amounted to 4.7 Mt compared to 4.9 Mt in February 2014 and to 4.8 in January 2014.

Chart 2
Quota sugar stock Mt



Sources : European Commission / FranceAgriMer

Chart 3
Out of quota sugar stock Mt



Sources : European Commission / FranceAgriMer

2014/15 : decrease in imports continues

In late April, the volume of non RPA sugar imports amounted to 1.45 Mt, down 0.28 Mt from the previous season (1.73 Mt) with a very low level of RPA imports which amounted to 0.18 Mt (0.30 Mt in 2013/14).

from October to April Mt (white value)	2013/14	2014/15
Total	2,028	1,624
RPA	0,300	0,175
Non - RPA	1,728	1,449

Sources : European Commission / FranceAgriMer

In late June, the volume of applications for licenses for the CXL quota amounted to 52 779.1 t, a level slightly lower than in 2013/14 (56 780.5 t). At this stage there is a lack of applications for TRQ destination specifically for Brazil and Cuba. As for the industrial TRQ sugar (400 000 t), there are no changes in the applications quantity : 3 728 t have been used so far.

Imports licences (delivered licences/end of June 2015)

t	Quota (tel quel)	2014/15 (raw eq)
CXL	676 925	48 397
Balkans	201 167	158 910
Transitional measures (Croatia)	40 000	40 000
Industrial sugar	400 000	3 728,0
Moldova (2014 civil year)	34 000	5 997,9
Total Andean countries	260 760	61 965,6

Source : European Commission

CXL imports (end of June 2015)

t	Quota (tel quel)	2014/15 (raw eq)
Australia	9 925	-
Brazil	334 054	-
Cuba	68 969	-
Erga Omnes	253 977	38 647
India	10 000	9 750
Total	676 925	48 397

Source : European Commission

Imports Balkans

The Balkans quota rate is filled at 99 %, an increase of 37 % compared to the data from April Sugar Market Report. The quota for Bosnia which was at 5 500 t in April, rose to 8 000 t in June. The Serbian quota which amounted to 114 581 t in April rose to 150 910 t in June. The quota volume of 40 000 t has been already fully allocated to Croatia.

LDC ACP imports

During the week of 7/3/2015, the requests for licenses for the ACP-LDC sugar amounted to 35 722.1 t. On 07.03.2015, the total volume of the imports licenses amounted to 1.57 Mt compared to 1.79 on 04/07/2014 Mt and to 1.52 Mt on 21/06/2013. Currently, the level of requests remains relatively low.

The distribution between the main importing countries is the following: 25 % for UK, 20% for Germany, 18 % for Portugal, 11 % for Romania, 6 % for Spain, 9 % for Italy.

As for the origins: Mauritius 19 %, Swaziland 14 %, Mozambique 12 %, Guyana 11 %, Zimbabwe 10 %, Fiji 10 %.

	Delivered licences on 03/07/2015	Delivered licences on 04/07/2014	Delivered licences on 21/06/2013
LDC non ACP	52 779,1	57 180,5	78 005,0
LDC - ACP	469 122,8	530 209,9	353 750,7
LDC - ACP	1 052 420,8	1 199 977,3	1 084 496,6
Central Africa	-	-	-
West Africa	-	-	9 962,0
SADC	189 973,3,4	198 564,3	226 835,4
EAC	-	-	-
ESA	503 675,2	511 517,2	420 835,6
Pacific	126 800,0	119 574,6	120 500,0
Cariforum	231 972,6	370 321,2	306 363,6
Total ACP	1 521 543,6	1 730 187,2	1 438 247,3
Total ACP + PMA non ACP	1 574 322,7	1 787 367,7	1 516 252,2

Source : European Commission

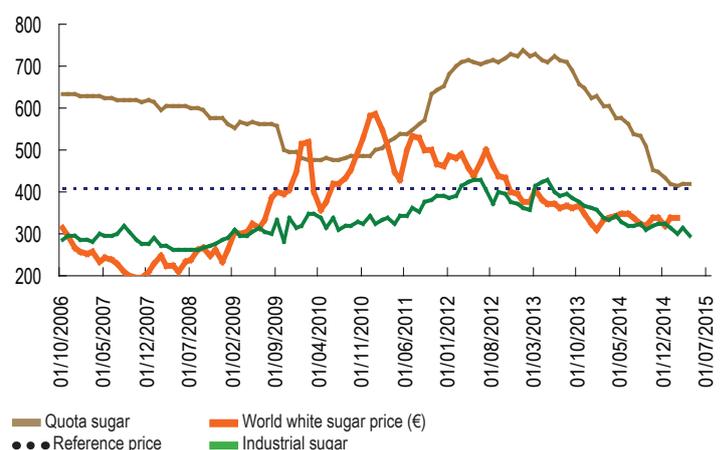
Imports from Central America, Peru and Colombia

The level of imports from the Andean Pact countries and Central America is still quite low. On July 8, 64 660.5 t were imported within a quota of 260 760 t compared to 25 973.7 on 05/22/2015. An acceleration of imports of the current campaign was registered in June. The Colombian quota amounted to 12 460.9 t and the Central America's quota amounted to 51 909.8 t.

EU sugar prices: the end of decline in March and April

The average price of quota sugar in April 2015 was € 417 / t, a decrease of 2 € / t since March but up 3 € / t since February. The average selling price of out of quota sugar on the EU market was 297 € / t (- € 19 / t compared to March), while the average purchasing price of industrial sugar was 341 € / t (- € 96 / t compared to March).

Chart 4
Sugar average price
€/t



Source : European Commission

The average price of quota sugar in April 2015 was € 417 / t, a decrease of 2 € / t since March but up 3 € / t since February. The average selling price of out of quota sugar on the EU market was 297 € / t (-€ 19 / t compared to March), while the average purchasing price of industrial sugar was 341 € / t (-€ 96 / t compared to March). In April 2015, the average import price of white sugar for ACP-LDC origins amounted to 411 € / t, an increase of 11 € / t since March and of 6 € / t since February.

According to EUROSTAT data for April, the volume of the imports from the ACP countries reached 30 102 t, a decrease of 3 505 t from March and an increase of 7 285 t compared to February.

2014/15 quota sugar balance (EU-28) : sugar excess from the beginning of the campaign is disappearing

Given the increase of the stock early in the season (2.01 Mt), resources totaled 18.70 Mt which represented a decrease of 1.07 Mt from the previous season. The use totaled 17.69 Mt, a slight decrease from 2013/14. This level of use is maintained through increased exports amounting to 1.39 Mt compared to 1.35 Mt in January, and due to a higher level of sugar exports which is estimated at 0.13 Mt (0.08 Mt in January). Therefore, the ending stock could reach 1 Mt. This low stock level suggests that the sugar excess could disappear at the end of the campaign.

2014/15 quota sugar balance (Mt)

	2013/14	2014/15
Stock on 1/10	2,56	2,01
• market	2,56	2,01
• intervention	0,00	0,00
Carry forward	0,67	0,56
Fresh production	12,37	12,94
• of which travail à façon	0,46	0,29
Imports	3,71	3,19
• sugar	3,13	2,61
• specific quotas	0,58	0,58
Release on food market	0,00	0,00
Total ressources	19,77	18,70
Domestic use	16,42	0,00
Exports (sugar and processed products)	1,34	1,39
• sugar (tel quel)	0,08	0,13
Total Use	17,76	17,69
Stocks on 30/09	2,01	1,01

Source : European Commission/FranceAgriMer

2014/15 out of quota sugar balance: record level of carry forward exceeds 2 Mt

According to FranceAgriMer forecasts, the resources of out of quota sugar could amount to 6.35 Mt which would be an unprecedented volume. Since January, deliveries of sugar for the chemical and pharmaceutical industry have been revised upwards to 0.80 Mt (0.65 Mt in January). The use of industrial sugar for distillery could rise to a record 1.7 Mt. Despite these forecasts which also include exports of 1.5 Mt, carry forward could rise to 2.50 Mt.

Therefore, a significant drop of sawn areas is expected for the 2015/16 campaign.

2014/15 out of quota sugar balance

Mt	2013/14	2014/15
Fresh production	4,36	6,63
Travail à façon	- 0,46	- 0,29
Imports	0,004	0,005
Total	3,90	6,35
Chemical-pharmaceutical industry	0,77	0,80
Alcohol – Bioethanol	1,22	1,70
Exports	1,35	1,35
Total Use	3,34	3,85
Carry forward	0,56	2,50

Source : European Commission/FranceAgriMer

2015/16 campaign: significant reduction of sawn areas

Given the excessive out of quota sugar production in 2014/15, beet surfaces would decrease by 14 %. According to the Commission data, the planted area in 2014/15 totaled 1.56 million / ha compared to 1.51 million / ha in 2013/14.

According to FranceAgriMer data, in France in 2015/16, there would be a 5.6% reduction of sawn areas. The diversification of sugar production for other uses is also expected. The declines of sawn areas are also expected in Germany, Poland, the United Kingdom, the Netherlands, Spain and Italy.

As for the new 2015/16 campaign on June 25, the Commission announced its first estimates. The production quota sugar could total 13.38 Mt and out of quota sugar production could reach 5.23 Mt.

Production in the EU countries

1000 ha	2015/16*	2014/15	Différence
Belgium	53,7	59,8	-10,1%
Czech Republic	58,2	66,2	-12%
Denmark	24	35,6	-32,6%
Germany	294,7	348	-15,3%
Greece	4,7	7,4	-36,1%
Spain	NA	38,5	
France (Met)	350,5	371,2	-5,6%
France (DOM)			
Italy	38,3	52	-26,4%
Lithuania	NA	16,2	
Croatia	16,8	26,5	-36,7%
Hungary	14,7	10,9	-35,4
Netherlands	60,5	75,6	-20%
Austria	45,6	50,6	380
Poland	1 71,6	197,6	-13,1%
Romania	23,9	29,2	-18,1%
Slovakia	21,4	22,3	-4%
Finland	12	13,7	-12,4%
Sweden	19,3	33,7	-42,8%
United Kingdom	77,8	103	-24,5%
Total EU 28	1 338	1 558	-14,1%

Source : European Commission/FranceAgriMer

> The French sugar market

The French sugar industry prepares for the new campaign. The spring 2015 plantings started early. The sown area totaled 385 000 ha which is 5 % less than the previous season. In 2014/15, 29 French departments planted the beet. 12 of them, mostly located north of the Loire represent 80 % of the total sown area: Loiret, Seine-et-Marne, Aube, Marne, Aisne, Oise, Somme, Pas-de-Calais, Nord. The two most important beet producers are Aisne and Marne, with 60 361 and 54 188 ha cultivated in 2014 respectively.

Production 1 000 t	2010	2011	2012	2013	2014
Fresh beet production (including the EU and Dom travail à façon)	4 345	5 059,3	4 528,6	4 530,6	5 112,7
Metropole fresh production (excluding TAF)	4 225	4 774,9	4 222,8	4 140,9	4 621,0
DOM fresh production (including TAF)	258	416,9	412,2	432,8	491,8
Total production (including carry forward)	4 507	5 202,9	4 732	4 592,6	5 088,7
Under quota production	3 263	3 421,7	3 417	3 435,9	3 434,0
Out of quota production (before carry forward)	1 245	1 781,2	1 315,8	1 156,7	1 654,7

Source : FranceAgriMer

FranceAgriMer : the 2014/15 production is estimated at 5.09 Mt

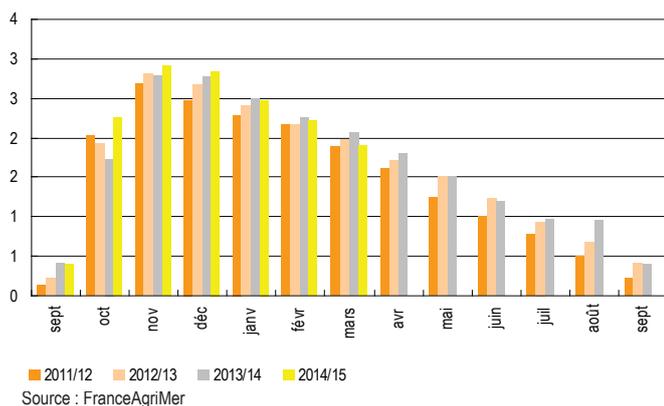
The production forecast hasn't changed since the last Sugar Market Report in April. Provisional figure of travail à façon did not change either and estimated at 0.49 Mt. The production remains very high compared to previous campaigns (4.56 in 2013 and 4.64 in 2012).

In order to reduce stocks, France should increase its deliveries to the EU countries with sugar deficit like Italy, Spain, Belgium. For comparison, the current level of production is close to that of the 2011/12 campaign (5.19 Mt).

For the first 6 months of the 2014/15 season (October / March) French exports of sugar to the Community market amounted to 978 085 t (823 958 t during the same period in 2013/14). The current level of exports is higher compared to the previous season due to an increase in demand on the EU market.

Chart 1

Quota sugar stock at the end of the month (Mt)



Source : FranceAgriMer

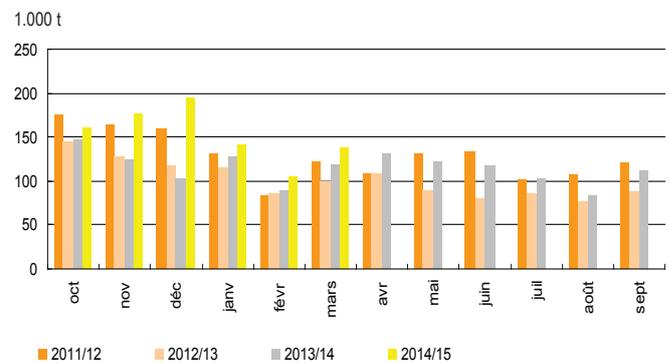
The main destinations of French sugar imports to the EU are Spain with a current volume of 234 139 t (164 465 t in 2013/14), Italy (206 842 t vs 200 550 t in 2013/14), the UK (150 282 t vs 146 847 t in 2013/14), Belgium (125 409 t vs 65 388 t in 2013/14), Germany (111 727 t vs 129 430 t in 2013/14).

For the first 6 months of 2014/15 campaign, the French sugar exports to third-country amounted to 203 636 t (166 282 t during the same period in 2013/14).

The main destinations for French sugar exports to third countries for this period were Algeria (85 084 t vs 100 233 t in 2013/14), Egypt (44 191 t vs 10 851 t in 2013/14), Switzerland (15 574 t vs 23 395 t in 2013/14), Israel (13 818 t vs 11 468 t in 2013/14).

Chart 2

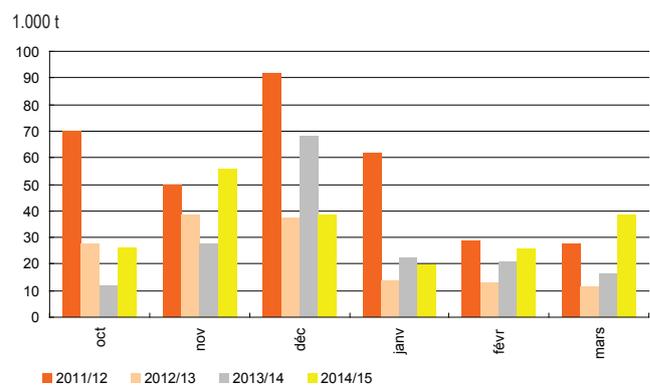
French sugar exports to the EU



Source : FranceAgriMer

Chart 3

French sugar exports to third countries



Source : FranceAgriMer

2014/15 quota sugar balance

Since the last Market Report in April, the quota sugar balance situation hasn't changed, except for the exports position to the EU which went up from 1.63 Mt in April to 1.68 Mt. This change did not result in downward forecast for stocks that are still estimated at 0.17 Mt.

The production is still estimated at 3.43 Mt. In the coming months we can expect an increase in exports to the EU given its sugar deficit situation. Thus, shortly, the ending stock could be revised down.

2014/15 out of quota sugar balance

The out of quota sugar production was slightly revised up from 1.65 Mt in April to 1.66 Mt. FranceAgriMer expects an important use of out of quota sugar as industrial sugar (1.16 Mt vs 0.78 Mt in 2013/14) as well as an increase of out of quota sugar use for ethanol production that could reach 0.9 Mt. If these levels are reached the carry forward would not exceed 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
Total	1,16	1,65
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
Carry forawrd	0,01	0,14

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	3,42	3,43
Imports	1,10	1,11
• sugar	0,36	0,37
Total	4,95	4,95
Domestic use	2,31	2,25
Exports to the EU	1,43	1,68
Exports to third countries	0,007	0,05
Exports of sugar and processed products	0,81	0,85
Total Use	4,55	4,78
Stocks on 30/09	0,40	0,17

Source : FranceAgriMer

