

Market Report

> FranceAgriMer's Economic analysis of the sugar market



• Number 31 / June 2016 / Sugar Market Report

According to May forecasts by F.O. Licht, the world production in 2015/16 (October/ September) could reach 172.8 Mt vs 181.6 Mt in 2014/15.

As for the consumption, according to F.O. Licht it could reach 181.1 Mt and therefore, in 2015/16, the sugar market would be in deficit for the first time in six years. The deficit was estimated at 9.5 Mt compared to a 2.1 Mt surplus in 2014/15. In 2016/17, the deficit could rise to 6.1 Mt.

Czarnikow has revised upward its forecast for the 2015/16 sugar deficit to 11.4 Mt compared to 3.2 Mt in December 2015. As for global production, it could reach 174.1 Mt. Czarnikow deficit estimates are more significant than those of F.O. Licht. This is mainly related to the fact that Czarnikow uses a different methodology measuring production based on agricultural year and consumption based on a calendar year. This leads to a bigger deficit which main factor was Brazil that had experienced a sharp decline in sugar production in 2015/16 agricultural year, while 2015/16 calendar year production (October/ September) was significantly higher because it included a part of the 2016/17 sugar production.

According to Czarnikow, the 2016/17 campaign could be close to the 2015/16 campaign as drought in India and Thailand as well as the increasing world consumption would probably absorb the increased production in Brazil and in the European Union. The world sugar

prices showed a fairly significant volatility in April and in May amid binding fundamentals.

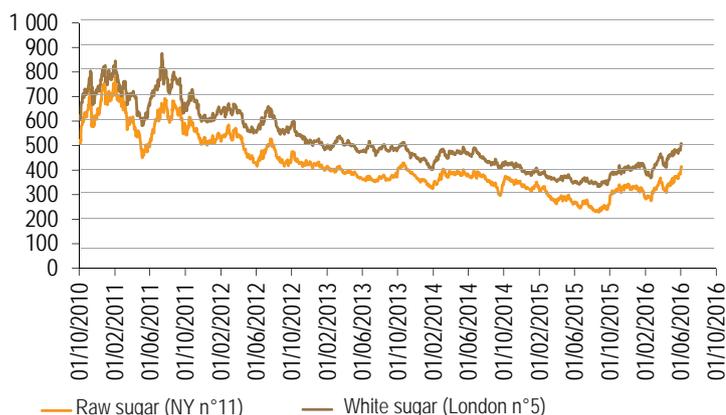
There is a widening deficit expected in 2015/16 and in 2016/17. On the other hand, Brazil, first world sugar producer and exporter, announced a very promising start of campaign. Therefore, the futures price of raw sugar fluctuated significantly between 14 and 16.50 cents / lb and white sugar between \$ 410 and \$ 470 during the months of April and May.

The end of European sugar exports quota in October 2017 is one of the biggest changes in the EU sugar sector since the CMO reforms in 2006. According to experts the abolition of quotas could boost production as the EU could become one of the biggest exporters. Sugar producers have announced plans to increase production in 2017. The beet producers could benefit from competitive prices. Indeed, the beet has become a competitive culture through higher levels of investment in R & D compared to sugarcane. The 2015/16 sugar production in the European Union was estimated at 14.9 Mt and could be around 16.9 Mt in 2016/17. According to Rabobank, after 2017, production could increase by 15 to 20 %. According to Rabobank, European production of white sugar could rise by 13 % in 2017/18 and could be 13 % above the average of the six previous campaigns. The greatest yield potential is estimated in France, where production could increase by 26 % to 5.5 Mt and its exports could reach 3.9 Mt.

> World sugar market

World sugar prices (\$/t)

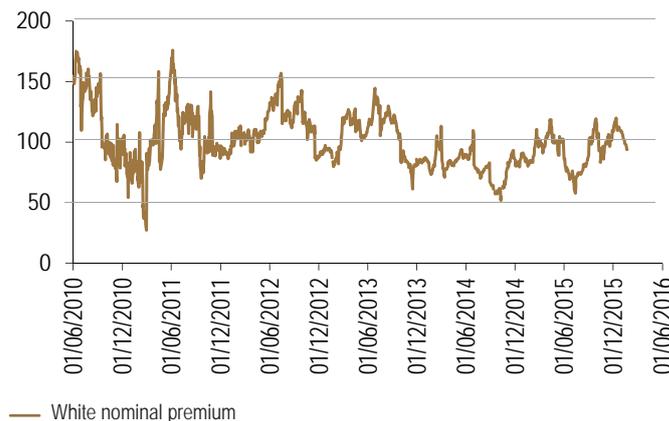
Chart 1



Sources : LIFFE / NYSE

White nominal premium (\$/t)

Chart 2



White nominal premium

World stocks could be reduced, thus favoring higher prices

According to the USDA estimates, in 2016/17, global sugar consumption could reach a record 174 Mt and could bring global inventories to 2010/11 level. After a continuous decrease in 2015 of raw sugar prices the market started to observe an uprising trend. The raw sugar futures in New York decreased in prices compared to March. This decrease is related to a further weakening of the real which mechanically induced pressure on prices. The white sugar contract price also decreased slightly. The market was under the influence of deficit.

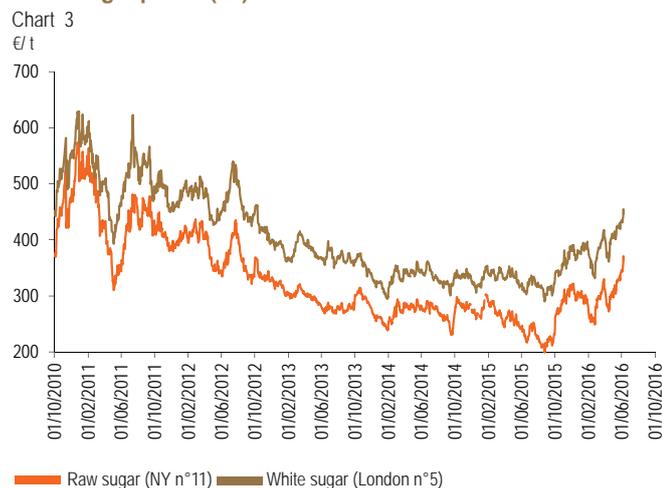
F.O. Licht has updated its global forecasts of supply and demand for sugar. The 2015/16 deficit could reach 9.5 Mt. As for the deficit for the following 2016/17 campaign, according to F.O. Licht it could reach 6.09 Mt against compared to the previous forecasts of 1.5 Mt. If these forecasts come true, it would mean that the world sugar market would remain in deficit for two consecutive campaigns.

The significant price volatility that was observed in recent months could be partly attributed to the activity of hedge funds.

During the first three weeks of April, hedge funds reduced their long position to 131 463 lots compared to 172 116 lots in the end of March and then restored their long position to 160 786 lots before the expiry of the May contract for raw sugar. Given the deficit forecast for the coming campaign, funds increased their long position to 215 954 lots on the 17th of May.

The white sugar premium has increased slightly since mid-April and amounted to \$ 110 per ton.

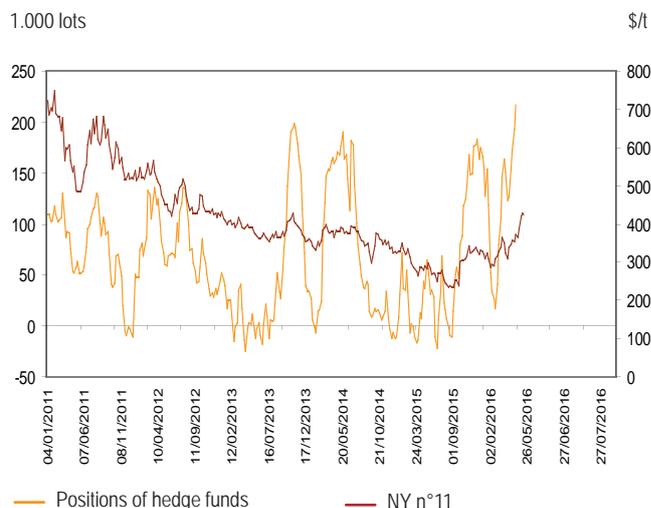
World sugar prices (€/t)



Source : REUTERS

Prices of raw sugar and net positions of hedge funds

Chart 4



Sources : CFTC (Commodity Futures Trading Commission, Federal Reserve)

Currencies update

The weak dollar remains a key factor that influences the currencies in emerging markets as well as in developed countries. The evidence of a growth rebound in the US could give more confidence to the policy of the Federal Reserve and therefore could strengthen the dollar in the coming months.

The euro continues to strengthen in a weak dollar environment supported by the absence of announcement on monetary normalization by the Federal Reserve. The euro has raised by 6 % vs the dollar since the beginning of January 2016, despite the dynamic policy of monetary easing conducted by the European Central Bank (ECB) earlier this year.

The Brazilian real (BRL) is very dependent on the local political situation related to the impeachment of President Rousseff.

So far, markets have welcomed the announcement of the change of government. The Brazilian real (BRL) has raised against the dollar since late February 2016, reaching the highest level of \$ 3.43 in late April. However, according to experts, in the end of the year there could be the return of a downtrend.

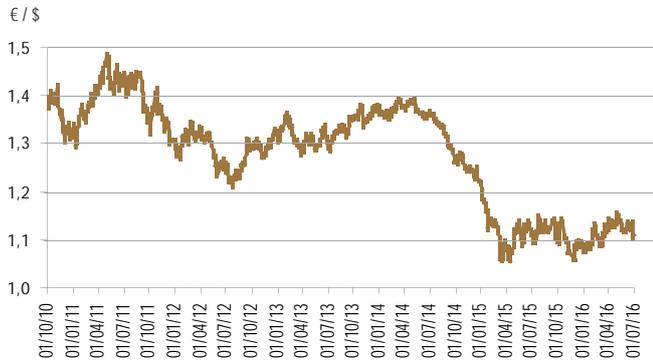
India is preparing for further monetary easing. According to analysts, the USD/INR parity could be negotiated upwards in case of tighter monetary policy in the United States.

The depreciation of the Yuan may continue in the medium term. The growth of China's real GDP is expected to slow as the economy becomes more geared towards consumers and services. According to analysts, the National Bank of China could ease monetary policy in the coming months.

A gradual depreciation of the Thai baht (THB) continues. As of April 1, the central bank eased the rules on capital outflows. The relatively cheap baht would improve the competitiveness of exports. By cons, political instability in the country weakens the position of the national currency. The export sector is adversely affected by structural constraints such as investment loss and changes in consumer preferences as well as the weaker demand from China and ASEAN countries. The economy is supported by government spending and tourism.

Exchange rate

Chart 5

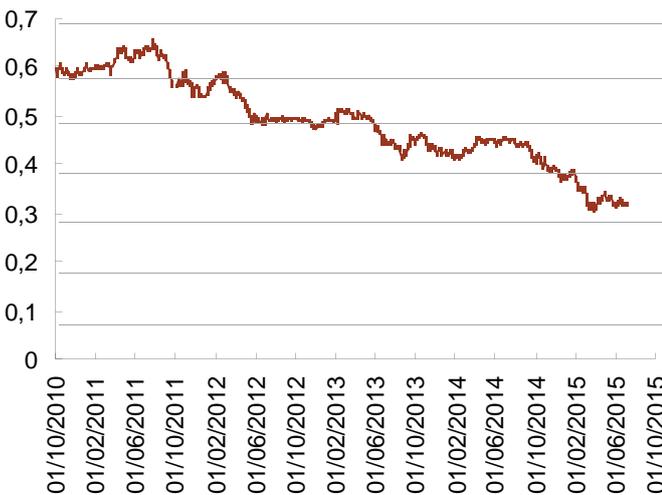


Sources : LIFFE / ICE

Exchange rate

Chart 6

BRL / \$



Sources : LIFFE / ICE

The 2016/17 campaign deficit is confirmed by ISO

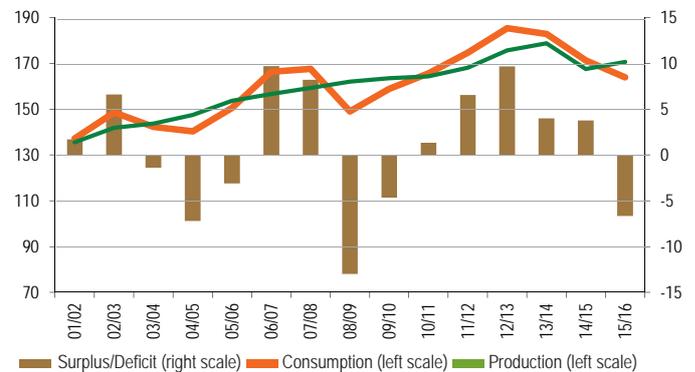
The 2015/16 campaign (October / September) is going further and according to ISO, in 2016/17, there would be a deficit. These estimates are based on a growth rate of annual consumption of about 1.85 %. World sugar consumption in 2016/17 could reach around 173.7 Mt, which would be 9.8 Mt more than the production of the current campaign (163.9 Mt). If world production remained at the level of the current campaign, the global balance would show the second largest deficit in history since the 2008/09 campaign production of 10.8 Mt.

At this early stage, forecasts on the coming campaign can have only indicative character given the increases in plantings in the EU and expected higher returns. An increase in sugar production is expected in Thailand due to a return to normal weather conditions. It is estimated at 11 Mt compared to 9.7 Mt in 2015/16. An increase of 0.8 Mt of production is planned in the main producing countries of the CIS (Belarus, Moldova, Russia and Ukraine). In Brazil, in 2016/17, ISO forecasts a 9.3 % production increase. India, world's second largest producer, could produce 23-24 Mt (according to Indian Government). According to the Indian Meteorological Department, in 2016, the monsoon rains are expected to be above average after two consecutive years of drought. Assuming normal weather prevails in the coming months, ISO has estimated that production of the next campaign could decrease by about 0.5 Mt. The overall 2016/17 deficit is estimated at 3.8 Mt. During the next campaign the world stocks surplus accumulated during the five previous campaigns (from 2010/11 to 2014/15) could decrease. As for 2017/18 campaign, the world production would increase by 7 Mt assuming average growth in global sugar demand remains estimated at 3.2 Mt. Some increases in production are possible through processing capacities in the EU, in Thailand and China. According to ISO, in order to meet demand, the global industry would need to increase its processing capacity.

World Sugar Balance

Chart 7

en Mt



Source : ISO / F.O. Licht

Evolution of production in major exporting countries (Mt raw)

Exporting countries	Production			Consumption			Surplus/deficit		
	2015/16 (for.)	2014/15	2013/14	2015/16 (for.)	2014/15	2013/14	2015/16 (for.)	2014/15	2013/14
Brazil	36,0	33,9	37,8	11,0	10,9	11,4	25,0	23,0	26,4
India	25,5	28,2	24,4	25,2	24,8	24,0	0,3	3,4	0,4
Thailand	9,7	11,3	11,3	2,9	2,8	2,8	6,8	8,5	8,5
Mexico	6,1	6,0	6,0	4,5	4,4	4,1	1,6	1,6	1,9
Australia	4,8	4,5	4,0	1,0	1,0	1,0	3,8	3,5	3,0
Pakistan	5,3	5,2	6,0	5,0	4,9	4,7	0,3	0,3	1,3
Total	87,4	89,1	89,5	49,6	48,8	48,0	37,8	40,3	41,5

Evolution of production in importing countries (Mt raw)

Importing countries	Production			Consumption			Surplus/deficit		
	2015/16 (for.)	2014/15	2013/14	2015/16 (for.)	2014/15	2013/14	2015/16 (for.)	2014/15	2013/14
Russia	5,2	4,6	4,8	5,5	5,5	8	-0,3	-0,9	-0,6
Algeria	0,0	0,0	0,0	1,4	1,4	1,3	-1,4	-1,4	-1,3
Indonesia	2,5	2,5	2,5	6,5	6,3	5,4	-4,0	-3,8	-3,5
China	8,9	10,6	12,8	15,6	15,3	14,1	-6,7	-4,7	-2,1
Malaysia	0,0	0,0	0,0	1,7	1,7	1,5	-1,7	-1,7	-1,6
USA	7,5	7,3	7,2	10,2	10,2	10,2	-2,7	-2,9	-3,2
UE	14,2	18,1	15,7	18,5	18,4	18,1	-4,3	-0,3	-2,5
Total	38,3	43,1	43,0	59,4	58,8	55,7	-21,1	-15,7	-14,8

Source : ISO (May 2016)

Situation by country: a drop in production in 2015/16 could be offset by improved production in 2016/17

In Brazil, the largest world sugar producer and exporter, the cane crop for the 2015/16 campaign (April / March) in the South Central region could reach 618 Mt compared to 571 Mt in 2014/15. Sugar production could reach 31.1 Mt (tel quel), which represents a decrease of 780 000 tons from the previous year, while ethanol production could increase by 8 % to 28.2 billion liters. According to Unica forecasts, in 2016/17, the cane harvest in the South Central region could reach between 605 and 630 Mt depending on weather conditions. The Unica expects a flowering risk of the cane and cold snaps which would create uncertainty for aging cane. Therefore, in 2016/17, Unica estimates sugar production between 33.5 and 35 Mt.

In its first estimate, the agency Conab expects that the 2016/17 harvest in the South Central region could reach 637.67 Mt. According to ISO the 2015/16 campaign sugar production (October-September) would total 36.0 Mt.

During the 2015/16 campaign (October / September), India produced 24.6 Mt (April 30 data), which represents a decrease of 11 % or 3.0 Mt from the previous 2014/15 campaign. Sugar production in Maharashtra region decreased by 19 % to 8.37 Mt compared to 10.34 Mt in 2014/15. The region of Uttar Pradesh produced 7.04 Mt compared to 6.8 Mt in 2014/15. According to ISMA, and given the number of operating sugar mills and the availability of sugar cane volume the 2015/16 sugar production could exceed 25 Mt by the end of September 2016. As for Indian exports, the Indian government set in September 2015 sugar export tonnage of 4 Mt for the 2015/16 campaign. This decision was taken to reduce inventories and help millers to reduce their debts to cane producers. During the campaign, the volume of exported sugar reached 1.5 Mt (this does not include exports

of refined sugar from imported raw sugar). An increase in exports is not expected at this stage due to a rise in domestic prices. According to ISO, in 2015/16, exports could reach 2.7 Mt. This volume includes about 1.5 Mt of refined white sugar from imported raw sugar. According to ISO, exports are expected to reduce stocks of about 0.9 Mt.

In Thailand, the harvest has ended on the 7th of April. The worst drought in two decades has reduced the cane crop to 94.05 Mt, which represents a decrease of 11.2 % from 2014/15. Sugar production reached 9.66 Mt compared to 11.30 Mt in 2014/15. According to ISO, sugar production could increase by 5 Mt over the next five years as sugar manufacturers seek to increase their capacity and the government encourages farmers to switch from rice to cane. In 2014/15, Thailand, the second largest exporter, produced 7.79 Mt of sugar. ISO expects a modest decrease of Thai exports in 2015/16 despite the considerable drop in production. The availability for export is estimated at 7.55 Mt. The ISO estimates are based on a stock volume available on the market of 0.75 Mt. In 2013/14 and in 2014/15, 2.9 Mt were added to existing stocks.

In Pakistan, thanks to favorable weather conditions, 2015/16 production is estimated at 5.33 Mt compared to 5.2 Mt in 2014/15. According to the USDA report of April 27, 2016 fall cane harvest could increase by 3.8 % compared to the previous year. Prices of competing crops such as cotton and rice are low and this naturally leads to an increase in sugar cane acreage.

In 2015/16, the Russian sugar production reached a new record of 5.23 Mt. This level is higher than the previous record of 5,065 Mt in 2011/12. According to the Ministry of Agriculture, in 2016, farmers could increase sowings by 3.8 %, which would be an increase of 1.06 Mt of the beet crop estimated at 37.8 Mt.

In 2015/16, in the United States higher domestic demand could reduce annual imports to 2.65 Mt. This estimate includes a reduction of 195 000 t carry-out stocks and exports reduction of 105 000 t. According to the WASDE report, imports of the current campaign could reach 3.321 Mt (raw value), including 1.299 Mt from Mexico. In 2014/15, the United States imported 3.553 Mt of which 1.536 Mt from Mexico.

In Mexico, the crush continued at a dynamic pace. On April 23, the sugar production reached 5.042 Mt, an increase of 148 000 t compared to the previous season. According to CONADESUCA, in 2015/16, production could reach 6.056 Mt, slightly up from 5.985 Mt in 2014/15.

According to the China Sugar Association (CSA), in April 2016, most factories have completed crushing cane for the 2015/16 campaign. Sugar cane producing region of Guangxi produced 5.04 Mt of sugar in 2015/16, a decrease of 1.3 Mt from the previous campaign. On the 20th of April, Yunnan region produced 1.67 Mt with a final production forecast of 1.9 Mt, down from 400 000 t from the previous campaign. Guangdong region produced 631 000 t, a decrease of 160 000 t from the previous campaign. The region of Hainan produced 151 000 t, a decrease of 130 000 t from the previous campaign. As for the sugar beet production, 839 800 t were produced, an increase of 100 000 t from the previous campaign. The total sugar production in China could be less than 9 Mt in 2015/16, which is the lowest level since 2005/06. China imported only 210 000 tons of sugar in March 2016, less than half of the volume imported in March 2015. The imports for the first six months of the 2015/16 campaign (October / September) totaled 1.735 Mt (raw value) compared to 2.098 Mt imported during the same period in 2014/15. China is expected to remain the largest sugar importer in the world for the fifth consecutive campaign, with an estimated volume of 4.575 Mt in 2015/16 compared to 4.775 Mt imported in 2014/15. According to the ISO, sugar imports could be considerably higher than the officially reported numbers.

Imports in Indonesia, the third world's largest sugar importer, are estimated at 3.95 Mt for the 2015/16 campaign compared to 3.74 Mt in 2014/15. Sugar consumption in the country could increase due to economic growth and improvement of the demographic situation, while domestic sugar production could decline due to the continuing adverse weather conditions.

› The EU Sugar Market (EU 28)

The end of the EU exports quota system in October 2017 represents a biggest change in industry since the 2006 reform. Analysts believe that the end of the quota system could stimulate production and the EU could become a major world exporter of sugar, and it would be profitable for the beet growers. In 2015/16, the European Union produced 14.87 Mt and in 2016/17 it could reach 16.8 Mt due to an increase in sawn area to a level close to 2014/15. According to Rabobank, in 2017/18, European production of white sugar could rise by 13 % compared to the average of six past campaigns. According to Rabobank, France, where production could increase by 26 % (5.5 Mt), would benefit from significant potential in European exports and French exports share could reach 3.9 Mt. The volume of refined sugar exports to the EU would depend on prices and international production costs. The minimum price for beet would disappear, but the existing import restrictions would remain in place.

2016/17 campaign: almost 97 % of the area were sown in mid-April in France

97 % of beet surfaces in France were sown between 16 and 24 March. The decline in sugar production in 2015/16 led to reduced availability (22.6 Mt in 2015/16 compared to 25 Mt in 2014/15). According to the European Commission, in the end of the campaign, quota sugar stocks would reach 0.72 Mt compared to 1.33 Mt last year. The decline in stocks led to the sharp decrease in the 2015/16 EU harvest, which represented a decrease of 20 % compared to the previous season.

The 2016/17 campaign, the last one under the quota system, could reverse this trend. According to the European Commission, on the basis of yield forecasts and surfaces, in 2016/17 white sugar production could reach 17.6 Mt. The French cooperative Group Tereos and Cristal Union Group intend to increase their production by 20 % in 2017/18 horizon.

2015/16 imports: sharp drop in ACP-LDC origin imports

European ending stocks could decrease significantly to 0.72 Mt. This situation could lead to greater use of imports. However, there's a decline in imports at European level over the previous two campaigns (Chart 3).

CXL imports

As for Brazilian imports that represent the biggest part of the CXL quota, Brazilian part could be filled soon. Domestic prices in Brazil continue to increase. The world prices also increased which represents an important change compared to February and March 2016 when prices were less attractive. This new parity between world prices and domestic prices in Brazil could increase the sugar imports.

Balkans imports

As for the Balkans quota, the total of import licenses amounted to 151 317.5 tons. 142 293 tons were delivered to Serbia / Kosovo and 9 024 tons were delivered to Bosnia and Herzegovina.

ACP-LDCs imports

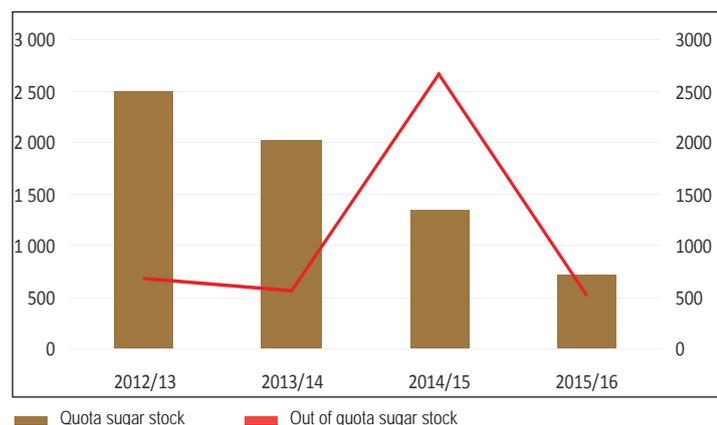
As for the ACP-LDC sugar, for the week of May 20, 2016, the license demand amounted to 31 235 tons. The total amount of import licenses issued since the beginning of the campaign amounted to 1 065 431 tons. According to the Commission, this level is far below the level of the last year of 1.4 Mt and of 1.5 Mt two years ago. This difference can be explained by the drought in southern Africa which limited the exports.

The Commission considers that the estimates of the ACP imports of 1.9 Mt for the 2015/16 campaign that appeared in the balance on March

could be revised down by 100 000 tons to 200 000 tons by the end of the campaign. The origins of the ACP imports are the following : 265 694 tons from Mauritius, 126 973 tons from Guyana, 126 000 tons from Fiji, 104 152 tons from Mozambique, 130 382 tons from Sudan. As for the industrial TRQ sugar imports, in 2015/16, its level amounted to 27 234 tons used (6.8 %) out from the total of 400 000 tons.

Stocks 1000 t

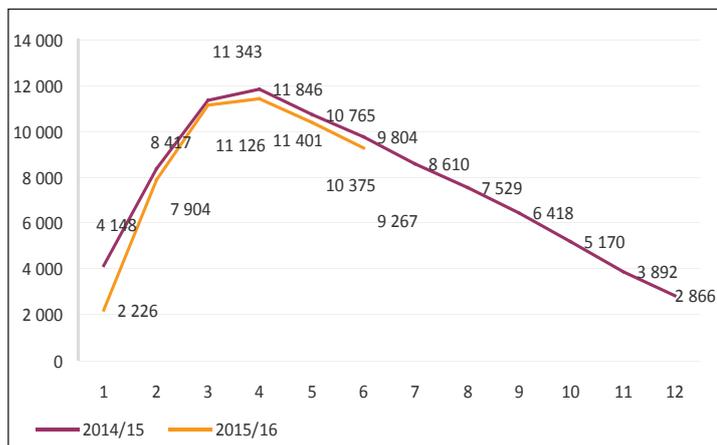
Chart 1



Source : European Commission

Quota sugar stock monthly (UE 28) 1000 t

Chart 2



Source : European Commission

2015/16 CXL Imports (enf of May 2016)

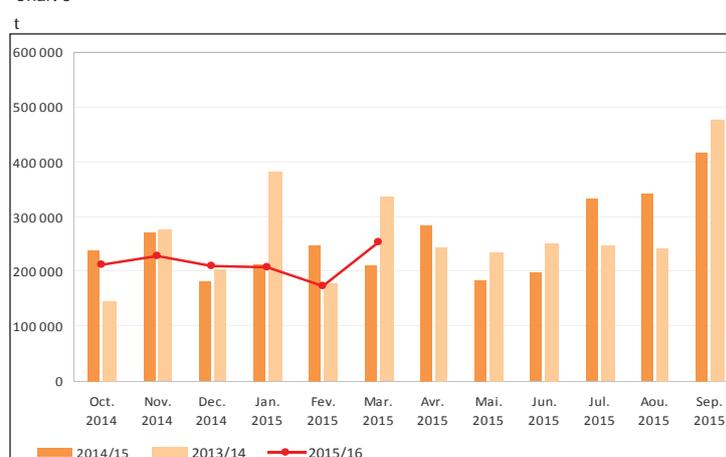
Table 2

t	Quota (tel quel)	2015/16 (white eq)
Australia	9 925	9 676,9
Brazil	334 054	186 162,1
Cuba	68 969	67 244,8
Erga Omnes	253 977	247 627,5
India	10 000	9 750
Total	676 925	334 299

Source : European Commission

EU Sugar Imports

Chart 3



Source : European Commission

2015/16 Imports

Table 1

(delivered licences/ end of May 2016)

t	Quota (tel quel)	2015/16 (white eq)
CXL	676 925	520 461
Balkans	201 167	151 317,5
Industrial sugar	400 000	27 234
Moldova (civil year 2016)	37 400	16 834,5
Ukrainian sugar (civil year 2016)	20 070	20 070
Ukrainian glucose (civil year 2016)	10 000	1 400,1
Total Andean countries	260 760	198 112,5

Source : European Commission

ACP-LDC Imports (t)

Table 3

	Delivered licences on 20/05/2016	Delivered licences on 22/05/2015	Delivered licences on 09/05/2014
PMA non ACP	30 854,0	52 688,5	57 283,6
PMA – ACP	292 785,0	418 366,0	509 739,3
ACP – non PMA	740 792,0	929 047,0	948 869,4
Central Africa			
West Africa			
SADC	71 659,0	186 223,8	139 525,4
EAC			
ESA	337 231,0	415 389,3	440 011,6
Pacific	126 000,0	126 800,0	90 074,6
Cariforum	205 902,0	200 633,8	279 284,7
Total ACP	1 033 577,0	1 347 413,0	1 458 635,7
Total ACP + PMA non ACP	1 065 431,0	1 400 101,5	1 515 919,3

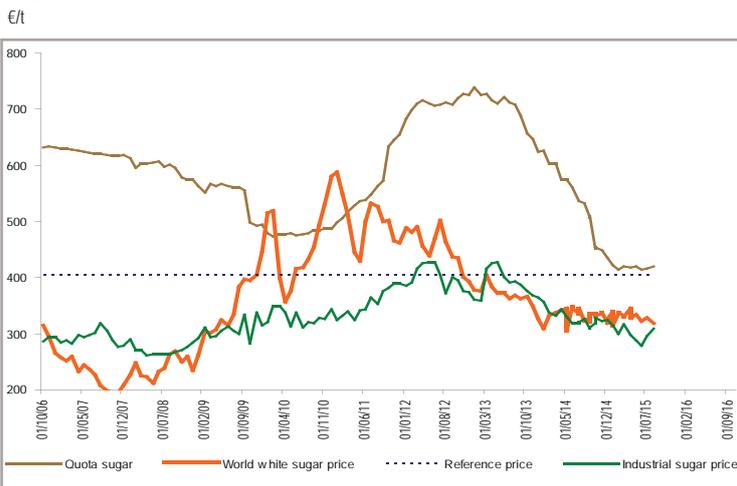
Source : European Commission

EU Sugar Market Prices: current stability in a bullish environment of the world sugar market

In March 2016, the average price of quota sugar was € 433 / t (+ 6 € / t) compared to February 2016) with a standard deviation of 32 €. The average selling price of out of quota sugar in the EU market was 311 € / t (+ € 19 / t compared to February), while the average purchase price of industrial sugar was 344 €/t (+ 16 €/t compared to February). The average price for imported ACP-LDC white sugar amounted in March to 441 € / t (+ 11 € / t compared to February and steady compared to January). In March, the average price of raw sugar from ACP countries was € 398 / t (€ -23 / t compared to February 2016). According to March Eurostat data, the quantity of white sugar imports from ACP countries totaled 34 370 t (-4203 t compared to February). The raw sugar volume imported from the ACP countries reached 106 797 t in March 2016 which represents an increase of 34 228 t compared to February 2016. The increase in world prices for white and raw sugar could affect market supply conditions.

EU sugar prices

Chart 4



Source : European Commission

2015/16 campaign: the drop in production could be offset by higher imports

At this stage, the great unknown of the 2015/16 quota sugar balance is the volume of imports of the CXL sugar from Brazil. The quota is not filled but the demand for sugar is higher than in 2014/15. The quota sugar production declined in 2015/16 as a result of a 12 % decrease in plantings and the decline in beet yields because of the dry summer 2015. The weakening of the euro vs the dollar and the increase in world prices for white and raw sugar could affect market supply conditions.

In March 2016, European stocks totaled 9.3 Mt compared to 9.8 Mt in March 2015. As for imports of sugar (tel quel), their volume could reach 3.08 compared to 2.84 Mt in 2015. As for food sugar supplies on the domestic market, according to FranceAgriMer, their volume amounted to 16.058 Mt compared to 16.064 Mt in 2014/15. Consequently, the ending stock of the quota sugar would be around 0.9 Mt compared to 1.33 Mt in 2014/15.

2015/16 Quota sugar balance UE-28 (Mt)

	2015/16	2014/15
Stock au 1/10	1,33	2,01
• market	1,33	2,01
• intervention	0,00	0,00
Carry forward	2,66	0,56
Fresh production	10,73	12,67
TAF	0,13	0,29
Sugar imports	3,08	2,84
Imports of processed foods	0,55	0,55
Total ressources	18,48	18,93
Domestic use	16,06	16,06
Exports	1,48	1,53
• sugar	0,08	0,13
Total Use	17,53	17,59
Stocks	0,95	1,33
Stocks on 30/09	0,95	1,33

Sources : European Commission, FranceAgrimer

2015/16 out of quota sugar balance

The major change in the out of quota sugar balance is a decrease in shipments in the domestic market compared to the previous campaign (2.15 Mt vs 2.56 Mt respectively). This is linked to a substantial reduction in sugar deliveries for ethanol (1.35 Mt vs 1.75 Mt in 2014/15). As for the 2015/16 production of out of quota sugar, it could reach 4.15 Mt vs 6.84 Mt in 2014/15. The Commission has not taken any exceptional measures since 2013/14 given the steady decline in sugar prices on the domestic market of the European Union. The out of quota ending stocks for 2015/16 campaign could decrease sharply to 0.53 Mt.

2014/15 Out of quota sugar balance UE-28 (Mt)

Mt	2015/16	2014/15
Fresh production	4,15	6,84
Travail à façon	- 0,13	- 0,29
Imports	0,015	0,004
Total	4,03	6,56
Chemical-pharmaceutical industry	0,80	0,80
Alcohol – Bioethanol	1,35	1,75
Exports	1,35	1,35
Total Use	3,50	3,89
Carry forward	0,53	2,66

Sources : European Commission, FranceAgrimer

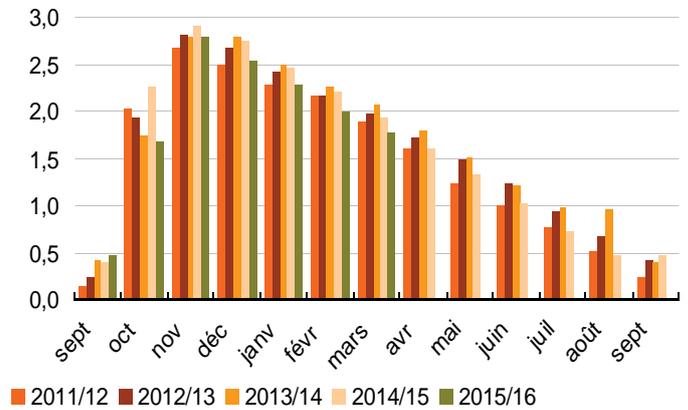
› The French sugar market

According to the French Beet Growers Confederation (CGB) on March 21, 403 000 ha of beets were sown, which was a 5.3 % increase over 2015. The Agreste agency announced the acreage of 400 000 ha (5.0 % increase). However, a slowdown in the vegetation was observed in the following weeks because of cold temperatures. The sum of temperatures during the sowing on the 1st of May showed the deficit of 50 ° C compared to the seasonal average.

Any increase in French production could result in increase in exports in order to satisfy the increasing demand from emerging countries like Africa and Asia. The beet is cultivated in one of each 3 French departments within 29 departments, mainly to the north of the Loire. In 2015/2016, 26 000 beet growers have cultivated 382 900 hectares. The following departments showed an increase in sowing area for the 2016/17 campaign: Aube and Yonne (24 500 ha, 8.7 % increase compared to last year), Alsace (6 740 ha, 6.5 % increase compared to last year), Marne-Ardennes (67 642 ha, 9.1 % increase over 2015), Auvergne (5 054 ha vs 4 809 ha last year), Nord-Pas-de-Calais (57 200 ha vs 52 400 ha in 2015). The sowing area of the Ile-De-France region remained stable compared to the previous season (40 000 ha).

French quota sugar stock in the end of the month Mt

Chart 1



Sources : European Commission / FranceAgriMer

French sugar production

Table 1

Production 1 000 t	2009	2010	2011	2012	2013	2014	2015
Beet sugar production (including EU and DOM TAF)	4 691	4 345	5059,3	4528,6	4 530,6	5 114,7	4 517
Beet sugar production (excluding TAF)	4 460	4 225	4774,9	4222,8	4 140,9	4 576	4 034
DOM raw production (including TAF)	449	258	416,9	412,2	432,8	495,4	563
Total production (including carry forward)	4 952	4 507	5202,9	4 732	4 592,6	5077,9	4 794
Under quota production	3 387	3 263	3421,7	3 417	3 435,9	3 437	3 437
Out of quota production (before carry forward)	1 565	1 245	1781,2	1315,8	1 156,7	1640,9	1 357

Source : FranceAgriMer

2015/16 campaign

The end of the 2015/16 campaign gets closer. The decline in sowing area in 2015/16 of 5.4 % compared to the previous campaign and lower yields (12.90 t / ha vs 13.70 t / ha in 2014/15) triggered a drop in production of 0.48 Mt from the previous year (4.6 Mt vs 5.07 Mt in 2014/15). The FranceAgrimer estimates of production remained unchanged compared to the previous Market Report published in April. Given significant sugar production, France could maintain a high level of deliveries to the deficit countries of the EU. So the ending stock could reach its lowest level since 2010/11.

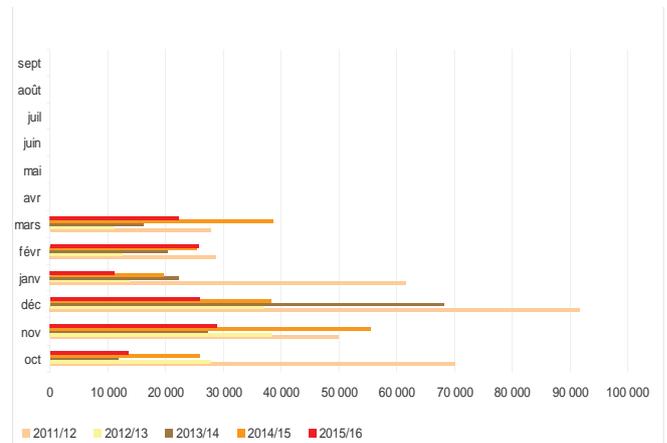
In 2010/11, the stock on September 30 amounted to 0.15 Mt of which 0.139 Mt was a quota sugar. In 2015/16 the stock on September 30 could reach 0.14 Mt (of which 0.12 Mt would be a quota sugar) vs 0.37 Mt in 2014/15 and 0.41 Mt in 2013/14.

Sales and exports of French sugar: the good momentum of sales to the EU continues

For the first six months of the 2015/16 campaign (October / March), French sugar exports to the EU market amounted to 957 849 t vs 977 872 t during the same period in 2014/15. The current level of exports is linked to an increase in demand on EU markets. The main destinations of French sugar in the EU were Spain (216 175 t vs 234 139 in 2014/15), Italy (187 059 t vs 206 846 t in 2014/15), the UK (130 616 t vs 150 282 t in 2014/15), Belgium (105 548 t vs 125 190 t in 2014/15), Germany (70 316 t vs 111 727 t in 2014/15). As for the French sugar exports to third countries, for the first six months of the 2015/16 campaign, their volume amounted to 127 772 t vs 235 272 t during the same period in 2014/15. This represents a significant decline in demand in major importing countries of French sugar. The main destinations for French sugar exports to third countries for the first six months of the current campaign were Algeria (30 706 t vs 85 084 t in 2014/15), Switzerland (22 535 t vs 13 818 t in 2014/15), Israel (14 513 t vs 15 574 t in 2014/15). Egypt which is traditionally a major importer of French sugar, has significantly reduced its share in 2015/16 (1 689 t vs 44 191 t in 2014/15).

French exports to the third countries (tons)

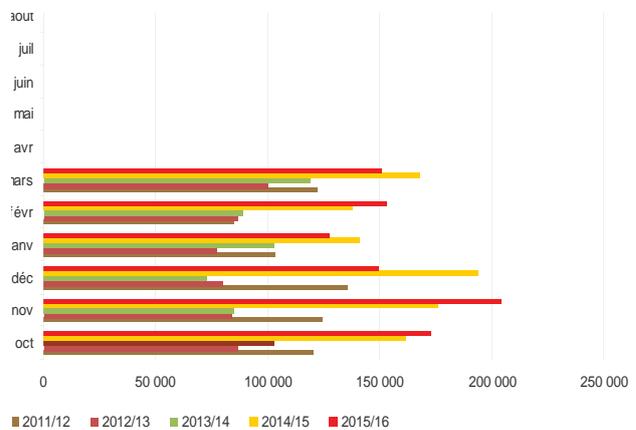
Chart 3



Source : Commission européenne / FranceAgriMer

French sugar sales on the EU market (tons)

Chart 2



Source : Commission européenne / FranceAgriMer

2015/16 quota sugar balance

Since the last publication of the Market Report in April, the quota sugar balance has undergone slight changes within Imports / Exports line. The sugar imports increased to 0.37 vs 0.36 Mt previously. There was a slight decline in deliveries (2.08 Mt vs 2.10 Mt previously). The exports are estimated at 1.704 Mt vs 1.668 Mt previously. Therefore, the stock on September 30 could reach 0.122 Mt vs 0.128 Mt estimated in April.

2015/16 out of quota sugar balance

Since April, two lines in the out of quota sugar balance have undergone changes, precisely the sugar supplies for alcohol and ethanol production (0.627 Mt vs 0.612 Mt previously) as well as exports to the EU (0,04 Mt vs 0.05 Mt previously). According to FranceAgriMer, there would be an important use of out of quota sugar as industrial sugar (0.93 Mt 1.09 Mt against 2014/15). The sugar for ethanol production is estimated at 0.63 Mt. Consequently, the carry forward of out of quota sugar on September 30 totaled 0,015 Mt vs 0.2 Mt previously.

Quota sugar balance

Table 2

Mt	2014/15	2015/16
Stock on 1/10	0,41	0,17
• market	0,41	0,17
Carry forward	0,01	0,2
Fresh production	3,43	3,24
Imports	1,09	1,12
• sugar	0,34	0,37
Sugar in processed products	0,75	0,75
Total	4,93	4,72
Domestic use	2,08	2,08
Exports to the EU	1,86	1,7
Exports to third countries	0,02	0,001
Exports of sugar in processed products	0,82	0,82
Total Use	4,76	4,6
Stocks on 30/09	0,17	0,12

Source : FranceAgriMer

Out of quota sugar balance

Table 3

Mt	2014/15	2015/16
Stock on 1/10	0	0
Fresh production (excluding travail à façon)	1,64	1,36
Imports	0,00	0,00
Total	1,64	1,36
Chemical-pharmaceutical industry	0,29	0,3
Alcohol – Bioethanol	0,8	0,63
Exports to third countries	0,28	0,36
Exports to the EU	0,06	0,04
Delivery to the EU (Ultra-peripheral regions - UMS)	0,01	0,01
Total Use	1,44	1,34
Carry forward	0,2	0,02

Source : FranceAgriMer