Sugar economics in Brazil, Thailand, South Africa, Vietnam and EU

Workshop, June 29, 15:30 – 16:30

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I. Background

(1) Sugar prices have increased more than 35% since May 2015, showing a rather different trend than other agricultural commodities. Supply shocks caused by droughts in Thailand and the shifting of the Brazilian producing towards ethanol can partly explain this development, putting pressure in producers. As a large share of the traded sugar comes from only few countries, understanding their production costs and recent developments help drawn hypothesis for future developments in the sector.

(2) In Europe due to upcoming abolishment of the sugar beet production quotas, mills are looking to expand their processing capacity. First developments have shown a strong decrease in the price of the beet paid to farmers and that could lead to reallocation of the production among regions. Prices of important competing crops as rapeseed may also push this trend forward. Increase in the domestic production in Europe might lead to reduction in tax-free import from LDC, impacting thereof their sugarcane production.

II. Goals

(1) Discuss recent development in the sugar producing countries, checking whether our typical farms are reflecting such developments.

(2) Compare production costs across countries producing sugar beet and cane.

(3) Dive in more detail in the European sugar beet production, accounting for the competitiveness of sugar beet against other crops under relatively low domestic beet prices.

III. Key questions to address

(1) How did the production costs of sugarcane and sugar beet develop in the last three years? What were the major developments from the last season (e.g. droughts, etc.)?

(2) Who are the major sugar beet producers in Europe? How did production develop in the recent years?

(3) Is sugar beet competitive under expected prices (without quotas) while compared to rapeseed for example?