

EU gears up to tap world market by 2017 when export curbs end

BLOOMBERG 

European sugar companies are getting ready for a surge in overseas sales when export restrictions end in 2017, opening the door for competition with major producers such as Brazil.

The European Union will become a net exporter of the sweetener and shipments may reach 4

million tonnes (mt) a year, according to Rabobank International. That's almost triple the current maximum of 1.37 mt.

A bigger presence by Europe in the sugar market may shift trade patterns for Brazil, which dominates the global industry and sells to countries in the West Asia and North Africa. Sugar prices have fallen to the lowest in

six years after a glut that's lasted since 2011.

All the big traders are positioning themselves to get a piece of the pie, said Tracey Allen, an analyst at Rabobank in London. There's going to be a lot of competition for that volume.

European trading houses are preparing for more business. French producer Tereos bought



Napier Brown Sugar in May and started a distribution business last year. Most growers use sugar beets to extract the sweetener and have seen productivity increase with better growing techniques and favourable weather. Yields rose about 10 per cent since 2009, Eurostat data show.

The opposite is happening in Brazil, where aging cane toward the end of a six-year crop cycle isn't been replanted. Cane yields fell 4.8 per cent in six years through the 2014-15 season. Prices for raw and refined sugar are near the lowest in six years. The average sugar price in Europe may reach € 400 a tonne by 2019, 4.1 per cent lower than now, according to estimates from the

European Commission in December.