MARKET OVERVIEW

PRODUCTION

In 2020, according to the Russian Ministry of Agriculture the gross harvest of sugar beet in Russia sank by 40% year-on-year and amounted to 32 million tonnes. A decrease was recorded both in the cultivated area under sugar beet (-19%) and in the yield of this crop per hectare (-25%). The reduction in the crop area was caused by a fall in the profitability of sugar beet arising from higher gross harvest in 2019 and higher profitability of other crops. Yield per hectare was affected by negative weather conditions in the 2020/2021 crop season, which though led to an increase in sugar content of beets from 18.0 to 19.2%. This resulted in 35.1 million tonnes of beets (-24%) processed at the domestic level for the 2020 calender year, and 31.0 million tonnes – for the 2020/2021 season, which is down 38% season-on-season.

Sugar production for the 2020 calendar year fell by 20% (-1.5 mn tonnes) – to 5.7 million tonnes. In the first six months (within the 2019/2020 season), 0.9 million tonnes were produced, in the second six months (within the 2020/2021 season) – 4.8 million tonnes. In 2021 before the end of the 2020/2021 season, about 0.3 million tonnes more can be produced. The total production volume for the 2020/2021 season is estimated at 5.2 million tonnes of sugar – down 34% (-2.6 million tonnes) season-on-season. With an annual sugar consumption of 5.8–6.0 million tonnes in Russia, high carry-overs will satisfy the domestic demand. As at the end of 2019, they amounted to 6.5 million tonnes, and as at the end of the 2019/2020 season – 3.1 million tonnes.

-24%

35.1

mn tonnes

Sugar beet processed in Russia in 2020

1.2 p.p.

19%

Sugar content in sugar beet harvest of 2020

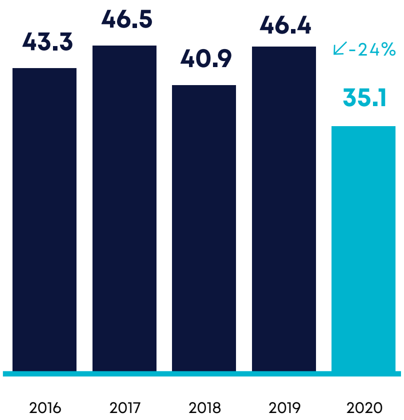
-20%

5.7

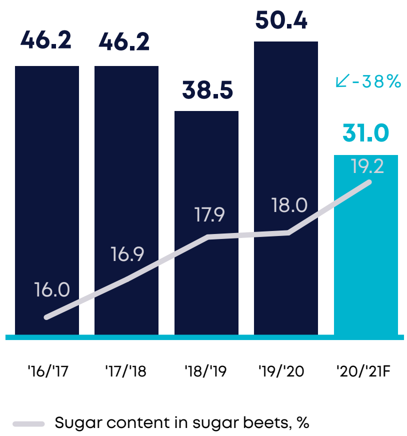
mn tonnes

Sugar production in Russia in 2020

Volume of processed sugar beets for the calendar year, mn tonnes

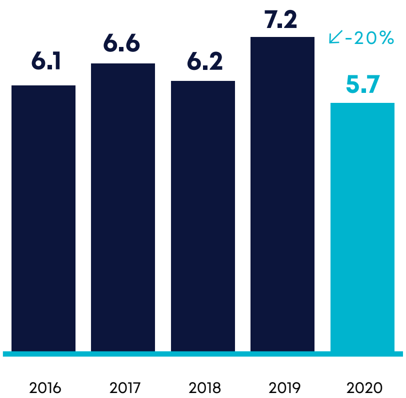


Volume of processed sugar beets in Russia in seasons, mn tonnes

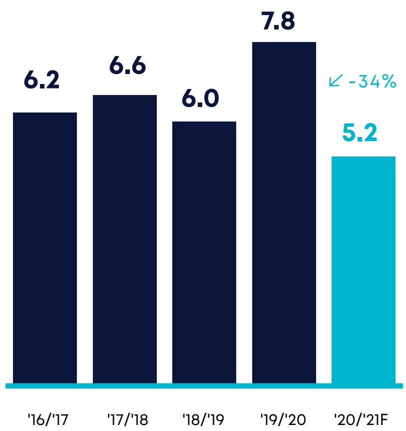


Sugar beet harvest drop in 2020 led to reduction in sugar output by 20% to 5.7 million tonnes in the calendar year. High carry-over stocks will help though to satisfy current demand and allow volumes for export.

Sugar production in Russia for the calendar year, mn tonnes



Sugar production in Russia in seasons, mn tonnes



Comment: data on sugar production include sugar produced from molasses

Source: Union of Russian Sugar Producers (Soyuzrossakhar)

KEY PLAYERS

In Russia, 64% of the sugar production market is held by five companies. Prodimex, with a 21.1% share (-1.0 p.p.), is a leader among domestic producers. Rusagro became second largest sugar producer in Russia with a share of 13.5% (+1 p.p.). Dominant placed third with a share of 13,4% (+1.5 p.p.). The fourth place was occupied by Sucden, which expanded its share to 11.8% (+2.7 p.p.) through the acquisition of TRIO sugar plants.

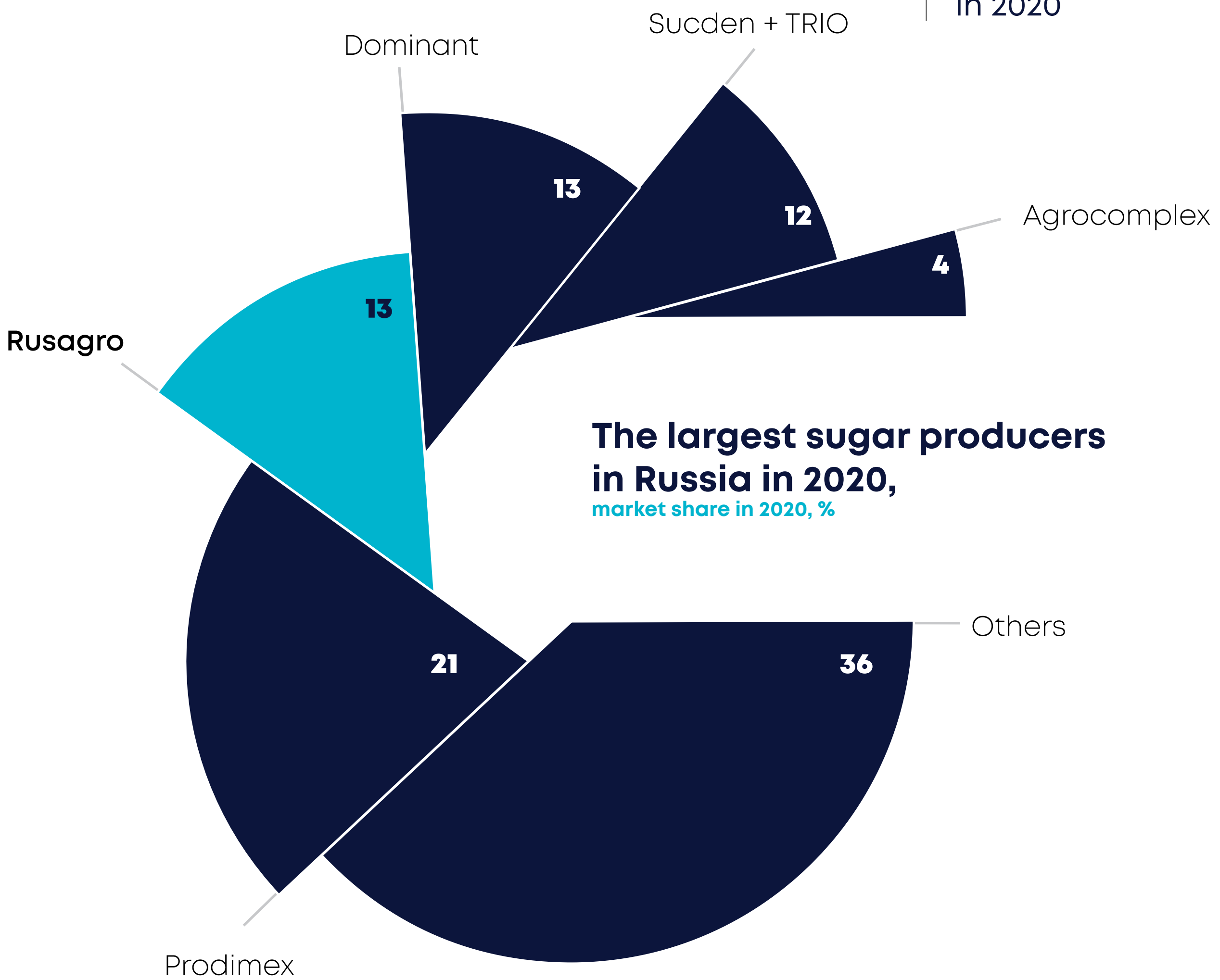
13.5%

Rusagro's share in sugar production in Russia in 2020

No. 2

Rusagro among sugar producers in Russia in 2020

The largest sugar producers in Russia in 2020,
market share in 2020, %



Comment: Calculation of shares takes into account the sugar produced from molasses

Source: Union of Russian Sugar Producers (Soyuzrossakhar)

PRICES

In 2020, the annual average price of sugar, based on Krasnodar data, rose by 11% year-on-year and reached RUB 27.5 per kg, exclusive of VAT. In a 12-month period, prices spiralled upwards by 78% – from RUB 19.6 per kg in January to RUB 34.9 per kg in December. The average price for August-December 2020 amounted to RUB 34.6 per kg, exclusive of VAT, which is up 79% compared with a similar period last year.

The positive price behaviour in the domestic market was influenced by a decrease in the sugar beet harvest and, as a result, sugar production. The first significant spike in prices occurred in March (+25% compared to February) after the appearance of information about a significant decline in cultivated area, as well as the outbreak of the coronavirus pandemic. The rise in domestic prices at the beginning of the year was also supported by the situation on the global sugar markets. Due to poor yield of sugar cane in Thailand and sugar beet in the EU and CIS countries, world prices for sugar (contract Sugar No. 11) exhibited an increase – in February 2020 they hit a 3-year high and reached USD 332 per tonne. This increased exports to the CIS countries and some non-traditional destinations.

The next significant rise in prices was experienced in September and October, when under expectations of harvest drop the price jumped by 20% two months in a row (to RUB 33.1 per kg in September and to RUB 39.6 per kg in October). In November, prices began to gradually decline: in November they dropped by 5% compared to October, in December – by another 8%. The downward price movements at the end of the year were also spurred by government measures to control the maximum price level. On 16 December 2020, on behalf of the President and the Prime Minister of the Russian Federation, agreements were signed to limit sugar prices from 20 December to 1 April 2021 to a level not exceeding RUB 36.0 per kg inclusive of VAT for retail chains.

↗11%

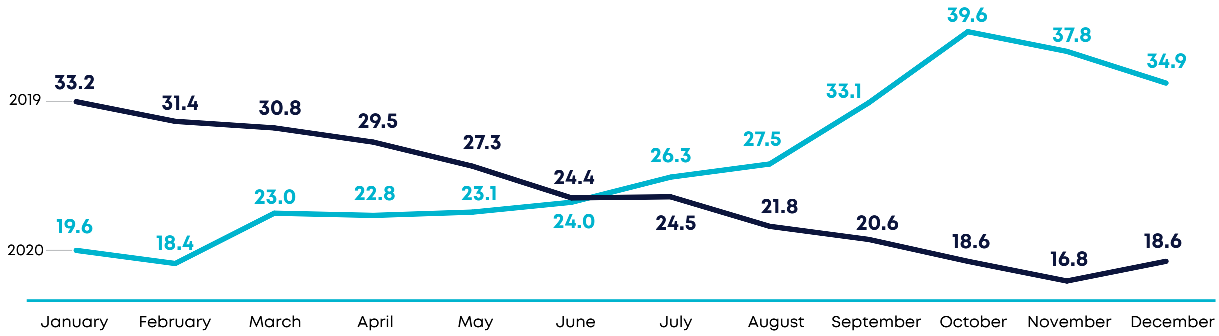
27.5

RUB/kg

average price for sugar in Russia in 2020

Following expectations of sugar beet harvest decline and lower yield results, sugar price showed upward trend in 2020, rising from RUB 19.6 per kg in January to its year maximum of RUB 39.6 per kg in October.

Average sugar prices in Russia based on the Krasnodar price index, RUB/kg excl. of VAT



Source: Institute for Agricultural Market Studies (IKAR)

EXPORTS

In 2020, the national export of white sugar grew by 76% (+522 thousand tonnes) – up to 1,208 thousand tonnes. The growth was mainly driven by heavy sugar stocks in Russia as at the end of 2019 and the abolition of duties on the import of white sugar to Uzbekistan. The major buyers of Russian sugar are Kazakhstan and Uzbekistan. Twenty seven percent of the total volume of sugar exports from Russia, or 321 thousand tonnes of sugar (+53%), were sold to Kazakhstan, and 26%, or 316 thousand tonnes (+139%), – to Uzbekistan. Another 282 thousand tonnes (+27%) of sugar were sold to Azerbaijan, Tajikistan, Belarus, and other CIS countries. In 2020, Russia also exported 115 thousand tonnes (+111 thousand tonnes) to non-CIS countries.

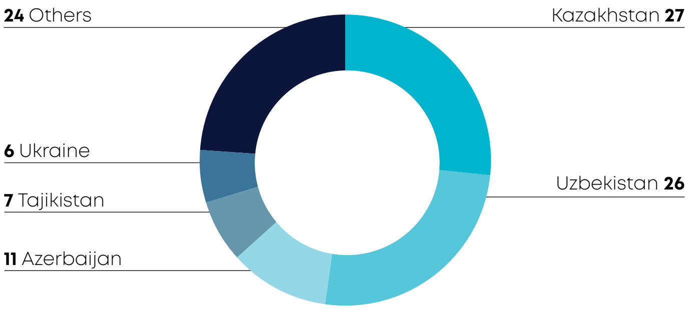
↗76%

1,208

ths tonnes

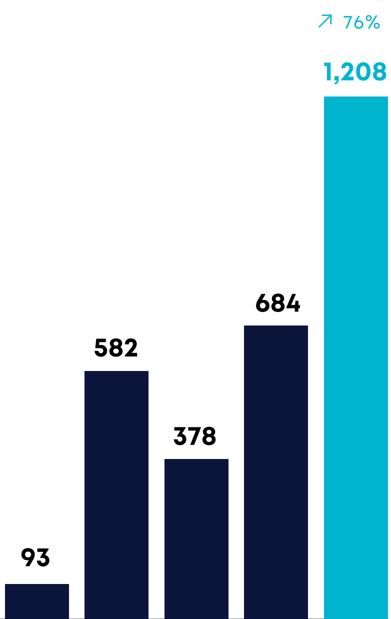
Export

Sugar export structure by destinations in 2020, %



Source: Federal Customs Service of Russia

Exports of white sugar, ths tonnes



Indicator	2016	2017	2018	2019	2020
Kazakhstan	28	168	154	210	**321**
Uzbekistan	0.1	112	111	132	**316**
Azerbaijan	8	115	7	68	**132**
Tajikistan	26	30	1	65	**79**
Ukraine	9	42	36	71	**70**
Others	23	115	69	140	**290**

Source: Federal Customs Service of Russia

IMPORTS

Influenced by the large sugar stocks in Russia, the cut in sugar production in Belarus and the imposition of duties on sugar imports to Kaliningrad from 1 January 2020, imports of white sugar to Russia dropped by 31% – down to 166 thousand tonnes. The main importer of sugar to Russia is Belarus (96%).

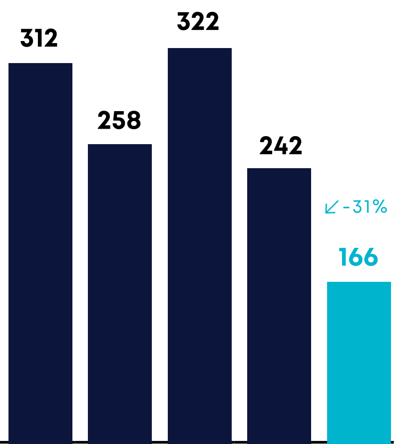
↙ -31%

166

ths tonnes

Imports

Imports of white sugar,
ths tonnes



Indicator	2016	2017	2018	2019	2020
Belarus	240	211	268	198	159
Others	72	47	54	44	7

Source: Union of Russian Sugar Producers (Soyuzrossakhar)

OUTLOOK FOR 2021

The situation on the sugar market in Russia in 2021 will depend on the yield of sugar beet and its sugar content, as well as export opportunities and world sugar prices. The area under sugar beet is anticipated to expand due to the rise in sugar prices. However, the higher profitability of alternative crops may contain the growth of beet planting. The yield and sugar content will further depend on weather conditions, which, given an average air temperature increase tendency generally favourable for the Central Russia, are affected by year-to-year variation in the level of moisture and the strength of winds.