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Global Agricultural Information Network

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Sugar Annual

Sugar Annual 2015

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Report Highlights:

FAS/Moscow forecasts Russia's sugar beet production in 2015 at 38 million metric tons (MMT), a 13 percent increase from last year, which was the lowest crop since 2011. The area planted to sugar beets is forecast to increase from 919,000 hectares in 2014 to 960,000 hectares. Yields for sugar beets are also expected to increase. FAS/Moscow forecasts that 37 MMT of the projected 38 MMT crop in MY 2015/16 will be processed. The sugar production in MY 2015/16 will be 4.5 MMT, compared with 4.35 MMT in MY 2014/15. This production will meet approximately 78 percent of domestic consumption. Domestic consumption of raw sugar is forecast to increase to 5.8 MMT compared with the current year estimate of 5.7 MMT. FAS/Moscow forecasts imports of sugar, in raw equivalent, at 1.35 MMT in MY 2015/16. This will include 0.9 MMT of raw cane sugar and 0.45 MMT of refined sugar (in raw equivalent)

Executive Summary:

Given average weather, FAS/Moscow forecasts Russian sugar beet production in 2015 to be 38 million metric tons (MMT), a 13 percent increase from last year, which was the lowest crop since 2011. The area planted to sugar beets is forecast to increase to 960,000 hectares in 2015, from 919,000 hectares in 2014. Sugar beet prices increased sharply during the period November 2014 to February 2015. This increase in beet prices is expected to stimulate farmers to expand area sown to beets. The soft ruble also increased the cost of imported cane sugar, and FAS/Moscow expects that high and stable demand for domestic sugar beets will continue during the forecast MY 2015/16. Thus, stimuli to raise sugar beet area will be high. However, there are several factors that may curb growth of yields and production in 2015/16:

- Any expansion area will be limited by strong competition for land for production of grains and oilseeds, especially in the high yielding provinces of the Southern and Central federal districts of Russia;
- The soft ruble is making imported inputs more expensive, and may lead to replacement of more expensive and more efficient imported planting seeds with cheaper but less efficient ones;
- Increased price of fertilizer and chemicals may result in decreased use of these inputs, potentially lowering yields.

FAS/Moscow forecasts sugar beet yields at 40 metric tons per harvested hectare (MT/HA), which is close to the last 4-years average of 40.3 MT/HA, and 9 percent higher than in 2014.

FAS/Moscow forecasts that 37 MMT of this projected 38 MMT will be processed and that production of sugar (from sugar beets) in MY 2015/16 (October 2015 – September 2016) will be 4.5 MMT. This production would meet approximately 78 percent of the forecast raw sugar consumption in 2015/16. If realized, this production would approach the 80 percent goal of self-sufficiency stated in Russia's Food Security Doctrine.

Industry analysts estimate that at present, Russian processors are able to process approximately 40 MMT of sugar beets. Most processing facilities were modernized between 2011/12 and 2013/14. Many plants decreased losses of sugar while storing and processing beets. Industry analysts estimate that given the good quality crop and the expected high sugar content in the beets, some modern plants will be able to realize sugar output reaching 15 percent. Several years ago, plants averaged 12 to 13 percent. However, the current economic problems in Russia and the soft ruble will make further modernization of sugar processing facilities in 2015/2016 unlikely.

High beet crops in 2011 and 2012, 47.6 MMT and 45.1 MMT respectively, were produced on 1.2 million hectares and 1.1 million hectares, respectively. This production exceeded Russian processors' demand for sugar beets by approximately 15 percent, and as a result sugar beet prices plummeted. A significant portion of the sugar beet crop was left unprocessed and lost. A low crop in 2014, and high beet prices, stimulated farmers and processors to save most of the crop for processing and to extract as much sugar as possible from the available beets. FAS/Moscow estimates that in MY 2014/15, 32 MMT of beets from a 33.2 MMT beet crop have been processed into 4.35 MMT of raw sugar.

The domestic consumption of raw sugar stabilized in MYs 2011/12 and 2013/14 at 5.5 to 5.6 MMT. Domestic production of raw sugar from sugar beets comprised approximately 80 to 85 percent on this

consumption. Per capita consumption has fallen gradually in these years. According to the Russian Union of Sugar producers (SoyuzRosSakhar), Russian per capita consumption of sugar from 2011 to 2014 was approximately 38 kg per capita per year, compared with the world average of 22 kg. However, FAS/Moscow expects that in MY 2014/15 the economic crisis in Russia will stimulate people to return to home-made jams, sweeteners and alcohol¹, and consumption of sugar will increase. FAS/Moscow estimates human domestic consumption of sugar in 2014/15 at 5.7 MMT (5.5 percent increase from MY 2013/14), and forecasts a further increase in this consumption in MY 2015/16 to 5.8 MMT.

The gap between domestic production of raw sugar and consumption is filled by imports of raw and white sugar (in raw equivalent). FAS/Moscow forecasts imports of sugar at 1.35 MMT compared to the estimated 1.2 MMT in MY 2014/15. These imports will include 0.9 MMT of raw cane sugar and 0.45 MMT of refined sugar in raw equivalent. Russia's exports of sugar will remain very low, despite the soft ruble. Russia previously was a major exporter of sugar to the CIS countries. However, these countries have developed their own production of sugar, and exports decreased. On the other hand, Russian imports of sugar from Belarus increased, and in 2014/15 Belarus become the second largest supplier of sugar (in raw equivalent) to Russia, after Brazil.

Table 1. Production, Supply and Distribution for Sugar Beets, 1,000 HA, 1,000 MT

Sugar Beets Market Begin Year	2013/2014		2014/2015		2015/2016	
	Sep 2013		Sep 2014		Sep 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Russia						
Area Planted	906	904	918	919	0	960
Area Harvested	850	889	910	906	0	950
Production	39,321	39,321	36,000	33,513	0	38,000
Total Supply	39,321	39,321	36,000	33,513	0	38,000
Utilization for Sugar	39,321	39,321	36,000	33,513	0	38,000
Utilization for Alcohol	0	0	0	0	0	0
Total Distribution	39,321	39,321	36,000	33,513	0	38,000

1000 HA, 1000 MT

Note: In the PSD table for Sugar Beet the category "Utilization for Sugar" equals "Production" and includes losses of harvested sugar beets, both at farms and on the way from farm to processing enterprises.

Table 2. Production, Supply and Distribution for Centrifugal Sugar, 1,000 MT Raw Value

Sugar, Centrifugal Market Begin Year	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Russia						
Beginning Stocks	395	395	400	370	0	200
Beet Sugar Production	4,400	4,400	4,200	4,350	0	4,500
Cane Sugar Production	0	0	0	0	0	0
Total Sugar Production	4,400	4,400	4,200	4,350	0	4,500
Raw Imports	900	720	1,100	800	0	900
Refined Imp.(Raw Val)	350	300	400	400	0	450
Total Imports	1,250	1,020	1,500	1,200	0	1,350
Total Supply	6,045	5,815	6,100	5,920	0	6,050
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	30	30	5	5	0	5
Total Exports	30	30	5	5	0	5

¹ The increased use of sugar for domestic production of alcohol has been stimulated and will further be stimulated by the increased excises on alcohol products in Russia: [Vodka Excise Tax and Minimum Set Price Rates for 2015 Moscow ATO Russian Federation 2-3-2015.pdf](#)

Human Dom. Consumption	5,600	5,400	5,800	5,700	0	5,800
Other Disappearance	15	15	10	15	0	0
Total Use	5,615	5,415	5,810	5,715	0	5,800
Ending Stocks	400	370	285	200	0	245
Total Distribution	6,045	5,815	6,100	5,920	0	6,050
1000 MT						

Commodities:

- Sugar Beets

Production:

Given average weather, FAS/Moscow forecasts Russia's sugar beet production in 2015 to increase to 38 million metric tons (MMT) compared to 33.2 MMT in 2014, which was the lowest crop in the last 4 years. The better crop is forecast due to some increase in sown area and better yields. FAS/Moscow forecasts area sown to sugar beet in 2015 to increase to 960,000 hectares from 919,000 hectares in 2014. Processors' demand for sugar beets is expected to remain strong, and could create incentives for increased sown area. Also, the soft ruble will make imported cane sugar more expensive, and will further stimulate demand for domestic sugar beets. Domestic sugar beet prices have been rising in recent months (see Chart 1), and this will likely stimulate farmers to increase area sown to sugar beets. Any area increase, however, will be limited by strong competition for land to the production of grain and oilseeds.

FAS/Moscow forecasts sugar beet yields at 40 MT/HA, which is close to the last 4-year average of 40.3 MT/HA (production per harvested area), and 9 percent higher than in 2014. In 2014 weather conditions for growing sugar beets were not favorable, resulting in yields that were almost 10 percent below the record yield of 44.2 MT/HA in 2013. The yield trend line shows that in 2015 the yield forecast may be up to 42 MT/HA. However, a yield higher than 40 MT/HA is unlikely due to the following factors:

- Competition with grain and oilseeds for the best land will be very strong, since in many places farmers' financial returns from grain and oilseed production in 2014/15 were still higher than from sugar beet production;
- The majority of successful sugar beet growers are vertically integrated (through contracts) with large processing companies, or even belong to these companies. These processing companies typically supply farmers with imported planting seeds, chemicals, and even provide foreign machines and beet harvesters. It is estimated that these expenses for imported inputs comprise over 50 percent of the cost of production of sugar beets. The softening of the ruble since the beginning of 2014 will make these inputs more expensive in 2015, and may lead to the replacement of more expensive and more efficient seeds, fertilizers and chemicals with less expensive but also less effective inputs. According to industry analysts, the cost of production of sugar beets per 1 hectare in 2015/16 will increase 33 percent, compared to 2014/15. The per-hectare cost of production of other crops will only increase between 13 percent (spring barley) to 3 percent (corn);
- The overall tight economic situation in Russia, with high interest rates and shortage of financing, coupled with the high indebtedness of many large-scale agricultural enterprises and agro-holding companies in the sugar industry, will curb new investments and limit operating capital of these companies.

The Russian Ministry of Agriculture forecasts that planting of sugar beets will increase to 980,200 hectares in 2015. This represents a projected increase of almost 60,000 hectares over 2014. However, these are only projections, and farmers will sow based on their own estimates of costs of production, expected returns from sugar beet production, and weather during sowing. Reports from the fields show that in the Southern and North Caucasus federal districts the pace of sugar beet sowing was faster than last year, but in the Central Federal District sowing was lagging behind last year because of late snow, rains and chilly weather in April.

As of April 27, 2015 farmers planted 585,600 hectares to sugar beets. This represents 59.7 percent of the Ministry of Agriculture's forecast of sugar beet planted area in 2015. This includes 165,000 hectares in the Southern Federal District (104.8 percent of the forecast for this district); 36,200 hectares in the North Caucasus federal district (77.4 percent of forecast area); 369,900 hectares in the Central federal district (67.4 percent of the forecast sugar beet area in this district); and 10,500 hectares in the Volga Valley FD (5.2 percent of the forecast sugar beet area in this district). The Ministry of Agriculture forecast that the total area sown to sugar beets in 2015 will be 980,200 hectares, including 548,700 hectares in the Central FD, 161,300 HA in the Southern FD, 46,800 HA in the North Caucasus FD, 203,000 hectares in the Volga Valley, and approximately 20,400 HA in the Ural and Siberia (Altay kray) federal districts. Early spring in the South of European Russia allowed farmers to nearly complete sowing by mid-April, while in the Central FD chilly weather that began in April, postponed sugar beet sowing.

Industry analysts are more cautious than the Ministry of Agriculture in estimating the sown area and forecast sugar beet area in 2015 at 940,000 to 970,000 hectares. This industry estimate represents a 2 to 6 percent increase from 2014 area.

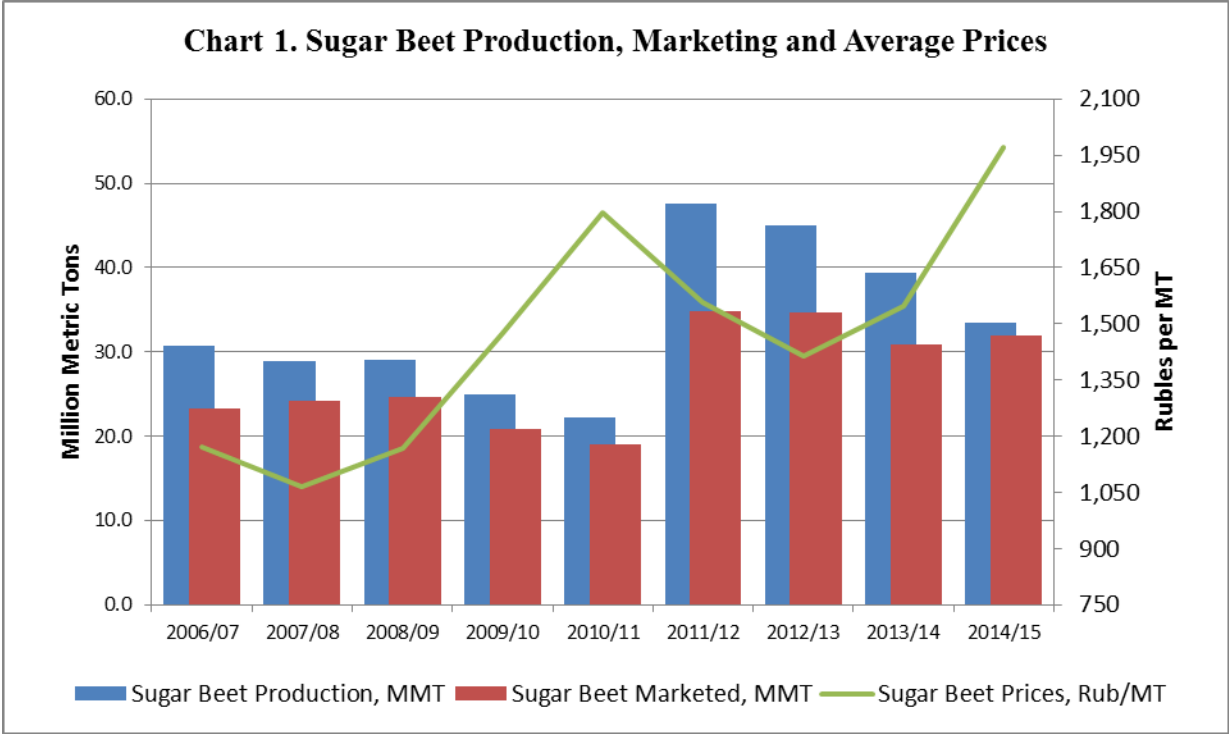
Table 3. Russia: Sugar Beet Area, Production, and Marketing, MYs 2007/08 – 2014/15.

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Area Planted, 1,000 HA	1,060	819	819	1,160	1,292	1,143	904	919
Area Harvested, 1,000 HA*	988	801	771	923	1,215	1,102	889	906
Production, 1,000 MT	28,836	28,995	24,892	22,256	47,643	45,057	39,321	33,513
Yields (MT per harvested Area)	29.2	36.2	32.3	24.1	39.2	40.89	44.21	37.01
Sugar Beet Marketed, 1,000 MT	24,200	24,600	20,900	19,100	34,800	34,700	30,852	32,000
Sugar Beet Marketed, %	83.9	84.8	84.0	85.8	73.0	77.0	78.5	95.5
Sugar Beet Prices, Rub/MT	1,067	1,169	1,476	1,795	1,559	1,414	1,547	1,971

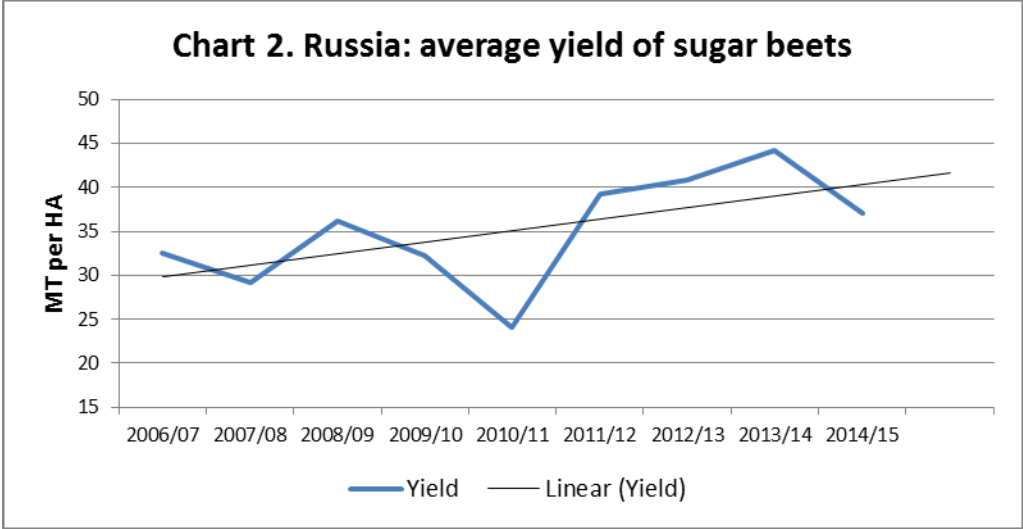
Source: Rosstat, marketing of sugar beet in marketing years are FAS/Moscow estimates.

FAS/Moscow calculated marketed beets, based on Rosstat's monthly and calendar year data for sugar beets sold by agricultural enterprises, adjusted by industry's data on processed sugar beets by end of January each year. Thus, Rosstat data for the 2014 sugar beet crop marketed by agricultural enterprises is only 24.0 MMT. However, a significant portion of sugar beets are produced by enterprises and private farms that are vertically integrated with processing companies and transfers of beets from these farms and enterprises to processors is not always registered by official statistics. Thus, the Russian

Union of Sugar Producers reported that by the end of January 2015, processors already processed over 30 MMT of sugar beets from the 2014 crop, and that there are still sugar beets in stock, available for processing.



Source: Russian State Statistical Service (Rosstat) and FAS/Moscow calculations of marketed beets.



Source: Rosstat

Inputs supply

Industry analysts estimate that due to the soft ruble, and increased costs of imported inputs, especially seeds, that comprise large and a very important share of the cost of sugar beet production in Russia, the

cost of production of sugar beets per hectare will increase in MY 2015/16 by 33 percent compared with 2014/15. Moreover, this increase in sugar beet production costs represents the highest increase in cost of production when compared to increases in the cost of production per hectare for other crops². The major expenses for sugar beet production are planting seeds, fertilizer and agrochemicals. These inputs account for over 50 percent of the cost of production of sugar beets. Prices for all input supplies were higher at the beginning of 2015 compared with the beginning of 2014.

The average prices for the most popular types of mineral fertilizers grew 30 to 40 percent, as of February 16, 2015, compared to mid-February 2014. Although most fertilizers are domestically sourced, prices for mineral fertilizers are linked to the dollar rate because fertilizers produced in Russia are largely exported. According to the Ministry of Agriculture, prices of the most popular fertilizers (including VAT, packaging, transportation and delivery to farms) as of March 12, 2015, increased compared with the same date last year as follows:

- Ammonia nitrate increased by 32 percent to 16,011 rubles per 1 MT;
- Carbamide increased by 40 percent to 19,630 rubles per 1 MT;
- Potassium chloride increased by 14 percent to 13,297 rubles per 1 MT;
- Azophoska (nitrogen, phosphorus, potassium compound fertilizer) increased by 38 percent to 20,970 rubles per 1 MT;
- Ammophos (compound fertilizer) increased by 35 percent to 26,409 rubles per 1 MT.

Use of agrochemicals may decrease in 2015, and lead to the deterioration of the overall Russian phytosanitary situation compared with 2014. In 2014, farmers had already begun to feel a budgetary pinch and as a result had cut back on purchases of adequate, quality agrochemicals. The situation in 2015 is likely to be worse. Most agrochemicals are imported, and given the softening of the ruble compared to the U.S. dollar and the Euro, prices of imported chemicals rose significantly. Thus, according to the Ministry of Agriculture, on February 1, 2015 the price of “Roundup” increased by 44 percent from February 1, 2014 to 340 rubles per liter and the price of “Betaren Express AM” increased by 36 percent to 1,039 rubles per 1 liter. At these prices, farmers will not be able to purchase the necessary chemicals, which may result in a real threat to all crops, including the sugar beet crop, in 2015³.

However, industry analysts report that farmers who are vertically integrated with sugar processors will have adequate access to seeds, chemicals and fertilizer because most of planting seeds and chemicals were purchased in the fall 2014 when prices were not that high. Moreover, some local administrations in the sugar beet producing provinces plan to support local producers through interest rate subsidies, and in the long run are going to invest in the local production of sugar beet seeds. Never-the-less, the situation with inputs supply is expected to deteriorate in MY 2015/16 compared to last year.

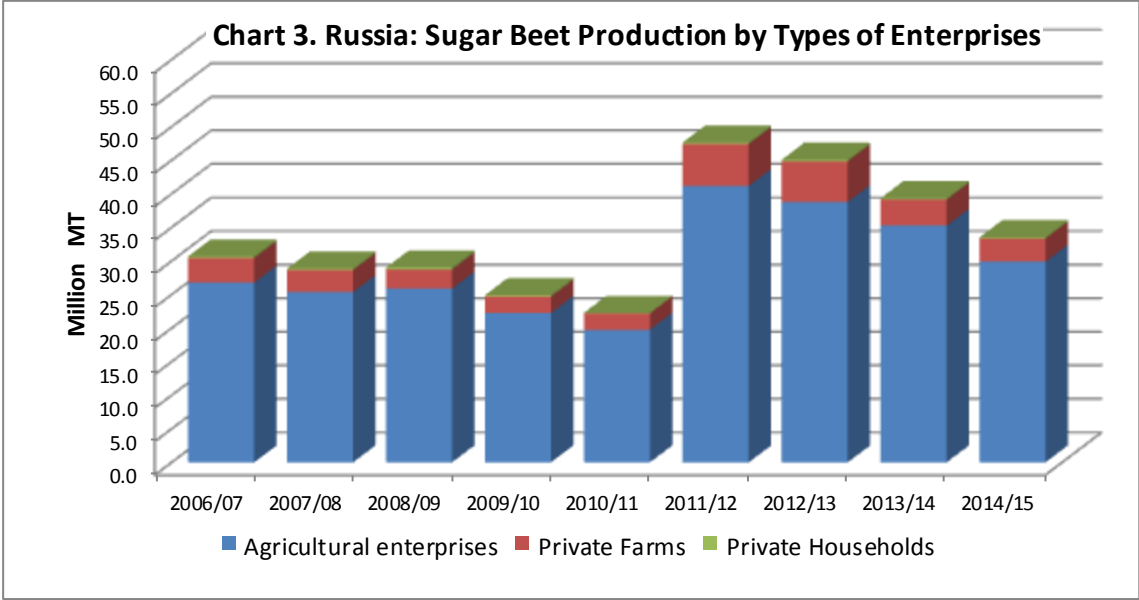
Crop 2014

In 2014, the area sown to sugar beets was 918,700 hectares, 1.6 percent more than in 2013, but well below the area sown to sugar beets in 2010-2012. However, weather was not favorable for sugar beet weight, and the volume of production in 2014 was almost 15 percent lower than the 2013 crop.

² Analytical company IKAR’s estimate.

³ More on the financing and input supply situation for spring sowing in Russia see [Grain and Feed Annual 3-30-2015.pdf](#)

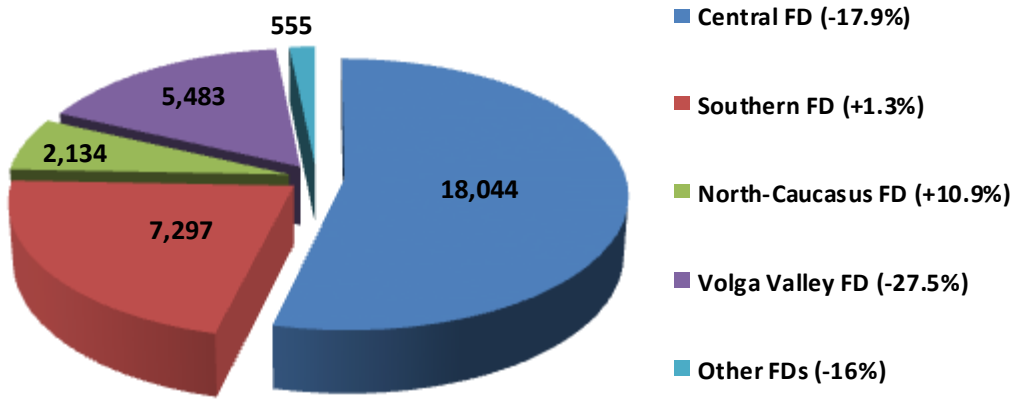
Sugar beet production is concentrated among agricultural enterprises, which account for more than 89 percent of the sugar beet crop. In 2011 and 2012, private farms increased production of sugar beets faster than agricultural enterprises, and the share of enterprises decreased to 86.4 and 86.0 percent respectively, but then restored to 89.6 percent in 2013 and 89.2 percent in 2014. Many of these agricultural enterprises are vertically integrated with refining companies and stay in sugar production when private farms consider this business unprofitable and switch to other crops. The share of private farms in sugar beet production in 2011 and 2012 was 13.1 and 13.5 percent respectively, and then decreased to 9.9 percent in 2013 and 10.3 percent in 2014. The share of production among private backyard households in the last 5 years never exceeded 0.5 percent of total production.



Source: Rosstat

The Central federal district of the Russian Federation remains the major producer of sugar beets, followed by the Southern federal district and the Volga Valley federal district. Weather affected the beet crop in the Central and Volga Valley federal districts, and yields there (per harvested area) decreased from 44.47 MT/HA and 37.84 MT/HA in 2013 to 35.50 MT/HA and 28.74 MT/HA respectively. Yield in the Southern federal district in 2014 was also lower than in 2013 (47.63 MT/HA vs 51.08 MT/HA, but an increase in sugar beet area allowed farmers in the Southern Federal District to increase production of sugar beets to 7.30 MMT in 2014, compared to 7.21 MMT in 2013. Farmers in the North Caucasus federal district traditionally get the highest yields for sugar beets: 57.58 MT/HA in 2014, compared to 51.61 MT/HA in 2013.

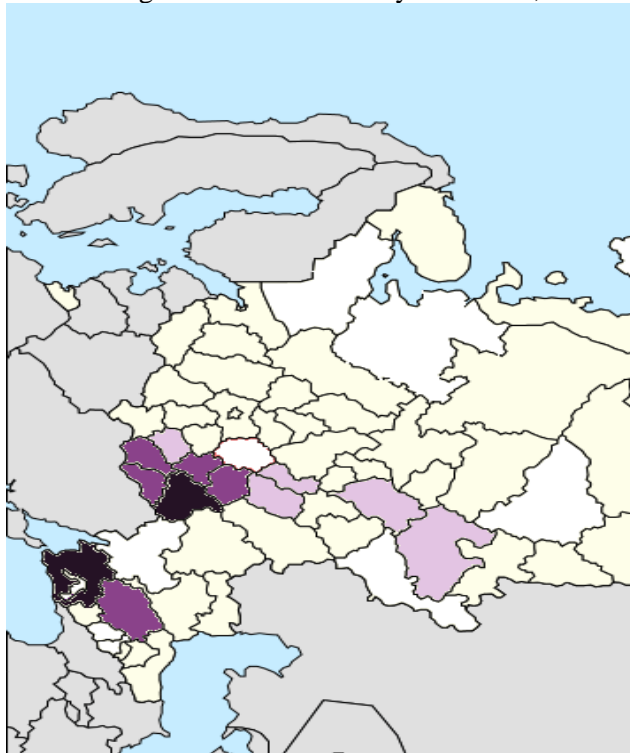
Chart 4. Sugar Beet Production by Federal Districts, 2014, 1,000 MT, Change from 2013, %



Source: Rosstat

Twelve Russian provinces produce 92 percent of the sugar beet crop. All these provinces are located in the European Russia. The major sugar beet processing facilities are also located in these provinces: 70 sugar plants out of 82 Russian sugar plants are located in these provinces.

Chart 5. Sugar Beet Production by Provinces, 2014



Light purple	2.0% – 5.0% of total production
Purple	5.0% - 10.0%
Dark purple	>10%

Highest Sugar Beet Production in 2014

1. Krasnodar kray – 20.1% (16 plants)
2. Voronezh oblast – 11.9% (9 plants)
3. Kursk oblast – 9.9% (9 plants)
4. Tambov oblast – 9.3% (5 plants)
5. Belgorod oblast - 8.4% (9 plants)
6. Lipetsk oblast – 7.8% (6 plants)
7. Stavropol kray – 4.0% (1 plant)
8. Orel oblast – 4.8% (4 plants)
9. Tatarstan Republic – 4.2% (3 plants)
10. Penza oblast – 4.0% (3 plants)
11. Bashkortostan Republic – 3.7% (4 plants)
12. Mordovia Republic – 2.6% (1 plant)

Source: FAS/Moscow based on Rosstat data

Consumption:

FAS/Moscow forecasts that given the 38 MMT's sugar beet crop in MY 2015/16, 37 MMT of this crop will be processed. Given the unpredictable weather that is responsible not only for weight of the beets, but also for the sugar content in the beets, FAS/Moscow forecasts an average extraction rate of sugar from beets at the lower end – approximately 12 percent. Thus, production of sugar from sugar beets in MY 2015/16 (October 2015 – September 2016) is forecast at 4.5 MMT. This is approximately 78 percent of the forecast raw sugar consumption in 2015/16, and if realized would approach the 80 percent goal of self-sufficiency stated in Russia's Food Security Doctrine.

Industry analysts estimate that at present, Russian processors are able to process approximately 40 MMT of sugar beets. Sugar beet processing during the period from 2011 through 2014 was within this capacity. There are 82 sugar plants registered in Russia, and they are located in 22 provinces of the Russian Federation⁴. However, industry analysts estimate that in 2014/15, only 71 plants were productive, and these sugar plants were also located in the major sugar beet producing areas. Most of these plants comprise the plants that were modernized during the period 2011/12-2013/14. This modernization not only increased the efficiency of processing, but also decreased losses of sugar beets and deterioration of beet quality during storage and processing of beets. Industry analysts estimate that, given the good quality crop and high sugar content in the beets, the output of sugar from beets may reach 15 percent at some of the “modernized” facilities. This compares with a sugar output of 12-13 percent several years ago. However, the current economic problems in Russia and the soft ruble will make further modernization of sugar processing facilities in 2015/2016 unlikely.

Sugar beet processing is extremely seasonal, starting in September and usually ending in January. According to industry analysts, as of mid-December 2014, Russian plants already processed 4.35 MMT of raw sugar, and the total production of sugar may reach 4.45 MMT. High beet crops in 2011 and 2012, of 47.6 MMT and 45.1 MMT from 1.2 million hectares and 1.1 million hectares, respectively, exceeded Russian processors' demand for sugar beets by approximately 15 percent. As a result, sugar beet prices plummeted and a significant portion of the sugar beet crop was left unprocessed and lost. A low crop in 2014, and high beet prices, stimulated farmers and processors to save most of the crop for processing and to extract as much sugar as possible from available beets. FAS/Moscow estimates that in MY 2014/15, 32 MMT of beets from the 33.2 MMT beet crop have been processed into 4.35 MMT of raw sugar.

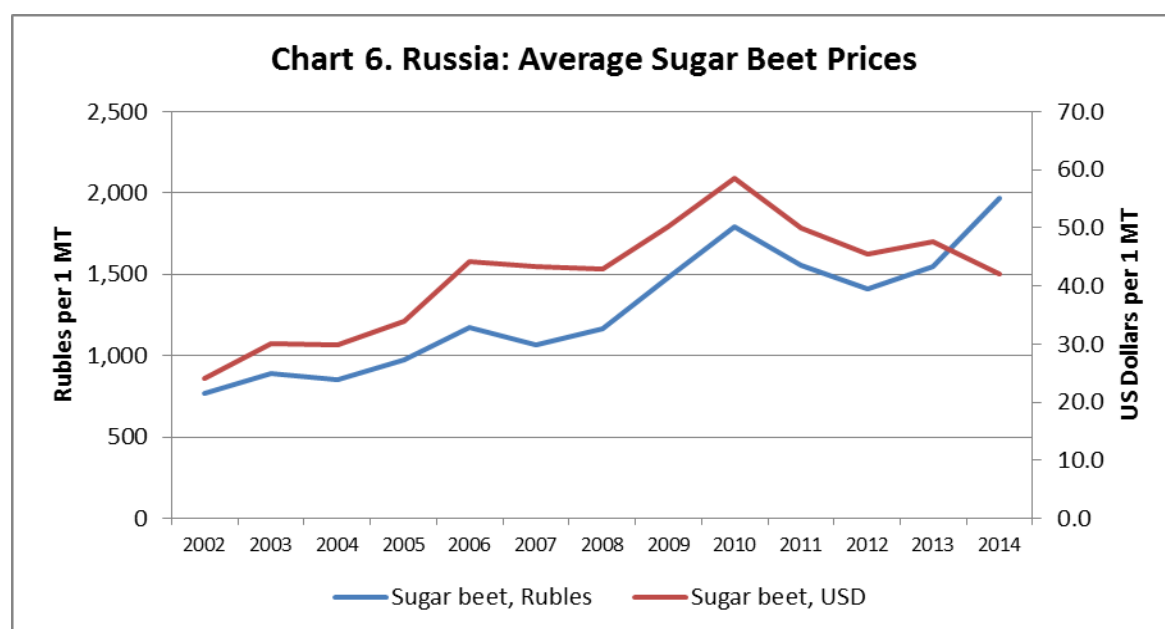
Policy:

The development of the sugar industry is part of the State Program on the Development of Agriculture 2013-2020 (The Program). The Program sets a target of 41 MMT for sugar beet production by 2020, in order to meet the Russia's Food Security Doctrine goal of 80 percent self-sufficiency in sugar. In 2011 and 2012, production already surpassed this target, with domestic sugar beet production at 47.6 MMT and 45.1 MMT respectively. Industry analysts link the achievements of the sugar industry in exceeding these targets primarily to the favorable market situation (prices) and to weather, rather than to government support. The role of market prices may be demonstrated in 2015/16, and the effect of increased prices of beets (see Chart 1) may again result in an increase in sown area and production in 2015.

⁴ <http://rossahar.ru/Sugar-factories-in-Russia-and-CIS/Russia/>

In June 2013, the Russian Ministry of Agriculture adopted the Target Program “Development of Sugar Complex of the Russian Federation in 2013-2015” in implementation of The Program 2013-2020. The Sugar Complex Development Program repeats the target of the food security doctrine, envisages support of processors for procurement and processing of sugar beets, and support of investment loans through interest rate subsidies⁵. The cost of the program is estimated at 56.7 billion rubles. However, the state support of this program is small, and only 7 billion rubles is specified for this program from both the federal and provincial budgets combined in 2013-2015.

Given that budgets are very tight, it is unlikely that in 2015 the sugar beet complex will receive significant funds, and the well-being and incentives to increase production of sugar beets will be based not on budget support but on domestic demand for beets and on prices. Chart 6 shows how the price of sugar beets changed from 2002 to 2014 in rubles and calculated in U.S. dollars. In the fourth quarter of 2014, the price of sugar beets was 1,971 rubles per 1 MT, while in the same period in 2013 the average price of sugar beets was only 1,547 rubles per 1 MT. Meanwhile, in the U.S. dollars the price decreased from \$47.6 per 1 MT to \$42.0 per 1 MT, due to the softening of the ruble. During the period January to February 2015, the very small remaining quantities of sugar beets were marketed, and the ruble price for these remaining sugar beets increased to 2,330 rubles (\$37.5) per 1 MT. In March, there were almost no sugar beets in the Russian market, and Rosstat did not report any price for sugar beets.



Note: The bulk of sugar beets in Russia are sold to processors between October and December, and data in the chart above are average sugar beet prices during the October to December period. The prices, in U.S. dollars, are calculated based on the average exchange rate in the IV Quarter of each year.

Source: Rosstat, FAS/Moscow calculations based on Russian Central Bank’s exchange rate.

Commodities:

- Sugar, Centrifugal

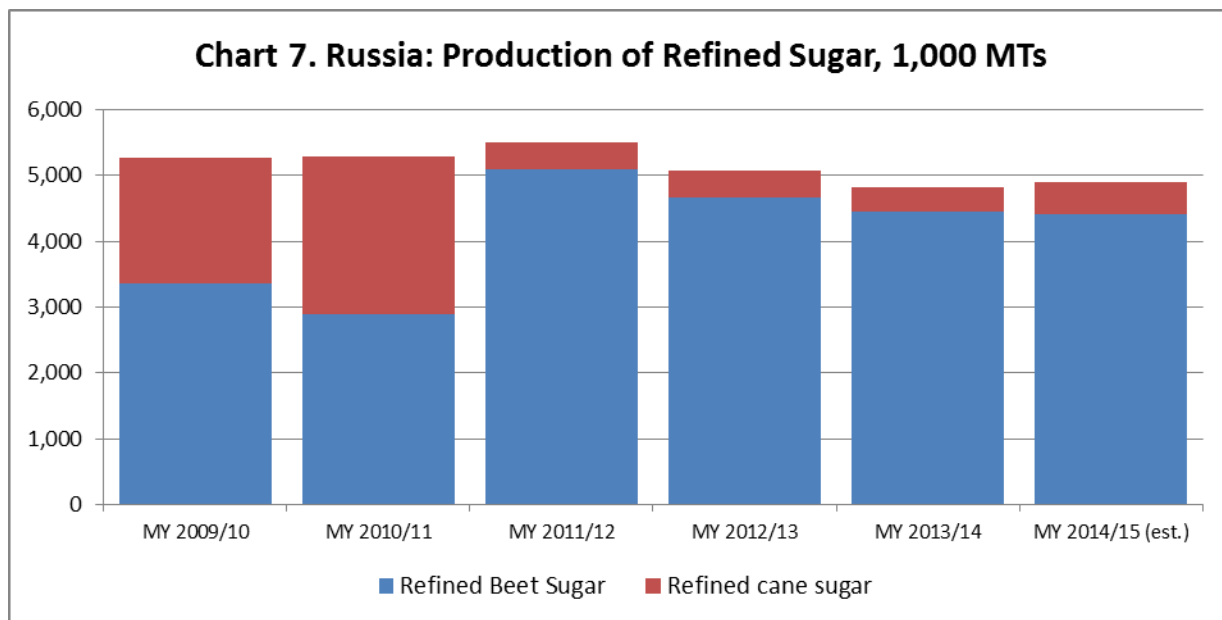
⁵ More on this Program is in FAS/Moscow [Sugar Annual 4-14-2014.pdf](#)

Production: Sugar

FAS/Moscow forecasts that in MY 2015/16 Russia will produce 4.5 MMT of sugar (raw equivalent) from sugar beets. Industry analysts estimate Russia's refined sugar production from sugar beets in MY 2014/15 at 4.45 MMT and report that by mid-December 2015, Russian plants produced 4.35 MMT of raw sugar from sugar beets⁶. Despite a smaller sugar beet crop, production of sugar from beets remained almost at the same level as in 2013 due to such factors as high content of sugar in beets, and previously made improvements in storing and processing of beets.

The gap between domestic production of raw sugar and consumption is filled by imports of raw and white sugar (in raw equivalent). FAS/Moscow forecasts imports of sugar at 1.35 MMT, compared to the estimated 1.2 MMT in MY 2014/15. These imports will include 0.9 MMT of raw cane sugar and 0.45 MMT of refined sugar in raw equivalent.

According to Rosstat, which reports on the production of white (refined) sugar, during the period September 2014 through March 2015, Russian plants produced 4.25 MMT of white sugar. Rosstat stopped separating sugar from beets and sugar from cane beginning December 2014. FAS/Moscow estimates sugar production in MY 2014/15 at 4.95 MMT, including 4.4 MMT from sugar beets and 0.55 MMT from imported raw cane sugar (Chart 7).



Source: FAS/Moscow calculations based on Rosstat data

Sugar Standards

Customs Union (CU) Resolution No. 880 of December 2011, includes a list of voluntary standards (GOSTs) to ensure compliance of sugar products with the CU Technical Regulation “On Food Safety” (for more information see FAS/Moscow GAIN report on [Customs Union Technical Regulation on Food Safety](#).)

⁶ Source: <http://ikar.ru/lenta/524.html#sugar>

Other sweeteners

There are no official data on the production or consumption of sugar sweeteners. However, before the tightening of the economic situation in 2014, industry analysts estimated the consumption and trade of artificial sweeteners had been increasing. According to their estimates, during the period from 2011 to 2013, the use of sugar replacers and artificial sweeteners increased dramatically along with increased activities of transnational companies in the Russian food and beverage industries, which brought new recipes of food products. Imports of non-sugar based sweeteners increased from 135,000 MT in 2011 to 150,000 MT in 2012 and to 165,000 MT in 2013. SoyuzRosSakhar called for a promotional campaign for natural sugar based products, since “consumption of artificial sweeteners may have a negative effect on human health.” Russia’s domestic production of glucose-fructose syrups has also been increasing and reached (SoyuzRosSakhar estimate) 0.5 MMT in 2013. The largest producer of these products is Cargill at the Efremovsky plant in Tula oblast in the Central FD. Industry analysts consider that most of these products are exported from Russia.

However, the current economic situation, tight financial conditions, the soft ruble and an expected decrease in demand for food containing imported ingredients, may curb domestic consumption of artificial sweeteners and switch the consumer’s demand to sugar. This tendency, however, may not affect domestic production of artificial sweeteners, like glucose-fructose syrups, for exports, because the soft ruble make exports more attractive than sales in the domestic market.

Sugar Industry by Products

Sugar beet pulp is 80-82 percent of the mass of processed beets and it makes a good feed for cattle, close to corn silage in nutritional content. Raw pulp is used for feeding in provinces with large sugar processing facilities within 100 kilometers. Transportation for longer distances is not economical. In 2012, the volume of production of raw pulp was 31,855,000 MT, including 17,741,000 MT produced in the Central FD, 8,103,000 MT in the Southern FD, and 4,820,000 MT produced in the Volga Valley FD. Dry pulp is 30.2 percent of raw pulp and granulated pulp is 97.6 percent of dry pulp. Almost fifty percent of granulated pulp is exported. Wasted sugar pulp is over 8 TMT because the raw pulp cannot be used for feeding. The capacity of production of dry pulp increased from 350,000 MT in 2009 to 783,000 MT in 2011. More recent data is not available, but it is possible to assume that with stabilization of beet processing, dry pulp production has also stabilized.

Consumption:

Domestic consumption of sugar has been influenced by the Russian economic situation in 2014 and 2015. The Russian Ministry of Economic Development (MED) has indicated that the Russian economy will decline further in 2015. With a presumption that average annual petroleum oil prices will equal \$50 per barrel, MED expects GDP to contract by 2.8 percent, consumer prices to rise 11.9 percent, and real wages to decline by 9.6 percent over the course of 2015. VTB Capital reportedly estimates that 40 percent of Russian income was spent on foodstuffs in 2014, up from 36 percent in 2013. However, MED forecasts disposable income to decline 6.3 percent over 2015. Given the economic volatility in the market, and the fact that food prices as of February 1, 2015, have increased 23 percent year-on-year, it remains to be seen to what extent Russian consumer demand will continue to contract.

However, sugar is in the category of staple products, and human consumption of sugar, on the contrary may increase in the periods of worse economic situation. FAS/Moscow forecasts domestic human

consumption of sugar to increase in MY 2015/16 to 5.8 MMT compared with the estimated 5.7 MMT in MY 2014/15, and 5.4 MMT in MY 2013/14. The forecast increase in sugar consumption is due to expected increase in homemade jams and preserves, as well as increased production of home-made alcohol. Alcohol prices increased sharply due to the government's excise policy, and sugar consumption for alcohol has already increased in MY 2014/15 and will likely continue to increase in MY 2015/16. Although, there are no official data on the use of sugar for home-made preserves and alcohol.

Trade:

The gap between domestic production of sugar from beets and domestic consumption of sugar is filled with imported raw sugar and imported refined sugar.

Imports: Raw Sugar

The world market price of raw sugar continues to decline. According to industry analysts, at the end of March 2015, the May 2015 contract for raw sugar was \$264 per 1 MT, the minimum level from May 2008. The world market is under the influence of excessive supply of raw sugar. According to the estimates of the Ministry of Agriculture of India, in the current marketing year production of raw sugar will reach 26.5 million MT, the record production in the last 8 years⁷.

Russia's imports of raw cane sugar decreased drastically in MY 2011/12 (ends in September 2012) and continued decreasing in MY 2012/13 due to a good sugar beet crop in Russia in 2011 and 2012. However, imports of raw cane sugar increased in MY 2013/14 to 0.72 MMT. These imports were stimulated by the hard ruble and low world market prices, as well as a declining sugar beet crop in Russia. There are no official data yet on raw cane sugar imports in MY 2014/15, but data for the first five months of MY 2014/15 (October 2014 – February 2015) show that despite a low beet crop, Russia imported less raw cane sugar than in the same period a year ago. This decrease in imports may be attributed to the soft ruble. However, some stabilization of the ruble in March and April may stimulate imports.

FAS/Moscow estimates imports of raw cane sugar in MY 2014/15 at 0.8 MMT, and forecasts an increase in MY 2015/16 to 0.9 MMT. Brazil remains the major supplier of raw sugar to Russia.

Table 4 Russia: Imports of Raw Cane Sugar (170111, 170113, 170114), MT

	2009/10	2010/11	2011/12	2012/13	2013/14	Oct. 2013 - Feb.2014	Oct. 2014 - Feb. 2015
World	1,948,603	2,258,773	445,480	385,158	716,072	366,970	255,406
Brazil	1,636,818	1,954,788	313,370	320,400	527,261	302,722	230,265
Cuba	80,863	45,800	61,459	23,000	120,438		
Thailand	40,830	123,566	43,751	32,483	21,017	20,852	22,000
Guatemala	64,515	64,146			19,677	19,677	
Argentina	40,643	20,500			18,000		

⁷ Source: http://www.rossahar.ru/news/news_9219.html

Mauritius	3,965	5,786	5,081	5,432	4,751	2,512	1,360
Colombia	11655	857	2466	3148	4243	2,871	1,510
Other	69,314	43,330	19,353	695	685	18,336	271

Note: Due to Changes in Codes Descriptions, since 2012, most imports of raw cane sugar are in code 170114, instead of 170111.

Source: Russian Customs

Imports: Refined Sugar

FAS/Moscow forecasts Russia's imports of refined sugar in MY 2015/16 at 0.45 MMT (raw equivalent), and estimates imports of refined sugar in MY 2014/15 at 0.4 MMT. In October 2014 through February 2015, Russia imported 142,021 MT of refined sugar (HS Numbers 170191 and 170199), almost 5 times more than in the same period last year. The bulk of these imports are imports from Belarus that more than replaced imports from Moldova, Poland and Ukraine.

Table 5. Russia: Imports of Refined Sugar (HS numbers 170191 and 170199)

	2009/10	2010/11	2011/12	2012/13	2013/14	Oct. 13 – Feb. 14	Oct. 14 – Feb. 15
World	72,296	85,927	62,037	77,389	283,125	28,871	142,021
Belarus	0	255	6,341	13,348	180,581	2,487	118,400
Moldova	5,742	25,332	2,552	1,914	47,053	1,390	0
Poland	36,564	13,276	30,325	26,166	19,980	10,251	7,042
Brazil	3,786	24,038	4,251	8,370	15,901	7,665	6,528
Lithuania	511	1,383	14,636	18,014	11,803	4,275	8,340
India	0	729	152	152	1,563	1,040	0
Finland	539	492	415	497	515	263	309
Mauritius	1,087	803	931	816	496	372	95
Denmark	757	353	492	448	420	260	100
Germany	261	2,221	362	316	221	96	56
France	84	9,471	80	54	340	37	72
United States	726	397	394	511	304	1	102
Colombia	2,736	1,060	110	27	0	0	0
Other	19,503	6,117	996	6,756	3,948	734	977

Source: Russian Customs

Trade Policy

The variable scale of import duties was adopted by the Russian government in 2004 and is a unique tool which allows for smoothing of sharp fluctuations in the price of sugar in the world market. In March 2015, the average price of raw sugar on the New York Mercantile Exchange ICE was 12.84 cents/lb (\$283.09 USD/T). In accordance with the current procedures, the import duty on raw sugar in the countries of the Customs Union in May 2015, will make \$250/MT. The rate of import duty on raw sugar

in May 2015 will be \$250 per MT. The rate of import duty on raw sugar varies in the range of \$140-250 per 1 MT⁸.

In accordance with the Agreement on the Free Trade Zone (which includes nine Former Soviet Union countries except Georgia, Azerbaijan, Turkmenistan, and the Baltic Republics) of October 18, 2011, (article 2), Russia can import sugar, duty-free, from all of these countries except Ukraine. Imports of white sugar from Ukraine (HS Code 1701 99 100) to the Republic of Belarus, Republic of Kazakhstan and Russian Federation is subject to an import duty of \$340 per 1,000 kg. This import duty will be in effect until some date in the future that will be “agreed upon on by mutual consent.” In turn, Ukraine will apply a 50 percent import tariff on white sugar (code 1701 99 1000) imported from Belarus, Kazakhstan and Russia for the period “agreed upon on mutual consent.” So far no agreement on this issue has been reached.

Exports: Refined Sugar

Russia’s exports of sugar will remain very low despite the soft ruble. Russia previously was a major exporter of sugar to the CIS countries, but these countries began developing their own production of sugar, and exports decreased. On the other hand, Russian imports of sugar from Belarus increased, and in 2014/15 Belarus became the largest supplier of refined sugar (in raw equivalent) to Russia.

Table 6. Russia: Exports of Refined Sugar (170199)

	2009/10	2010/11	2011/12	2012/13	2013/14	Oct. 2013 - Feb.2014	Oct. 2014 - Feb. 2015
World	31,432	16,897	78,058	15,806	3,015	1,073	4,511
Abkhazia	1,260	399	1,914	1,133	831	201	155
Mongolia	691	743	600	844	792	467	309
Kazakhstan	12,067	0	31,161	10,287	489	42	3,478
South Ossetia	0	5	0	174	466	165	214
United States	122	119	269	335	155	91	63
Uzbekistan	1,048	3,198	6,553	54	87	43	43
Belarus	0	0	0	0	47	9	142
Turkmenistan	5,227	1,031	11,323	14	11	3	3
Kyrgyzstan	2	4,246	12,508	832	6	1	16
Other	11,015	7,156	13,730	2,133	131	51	88

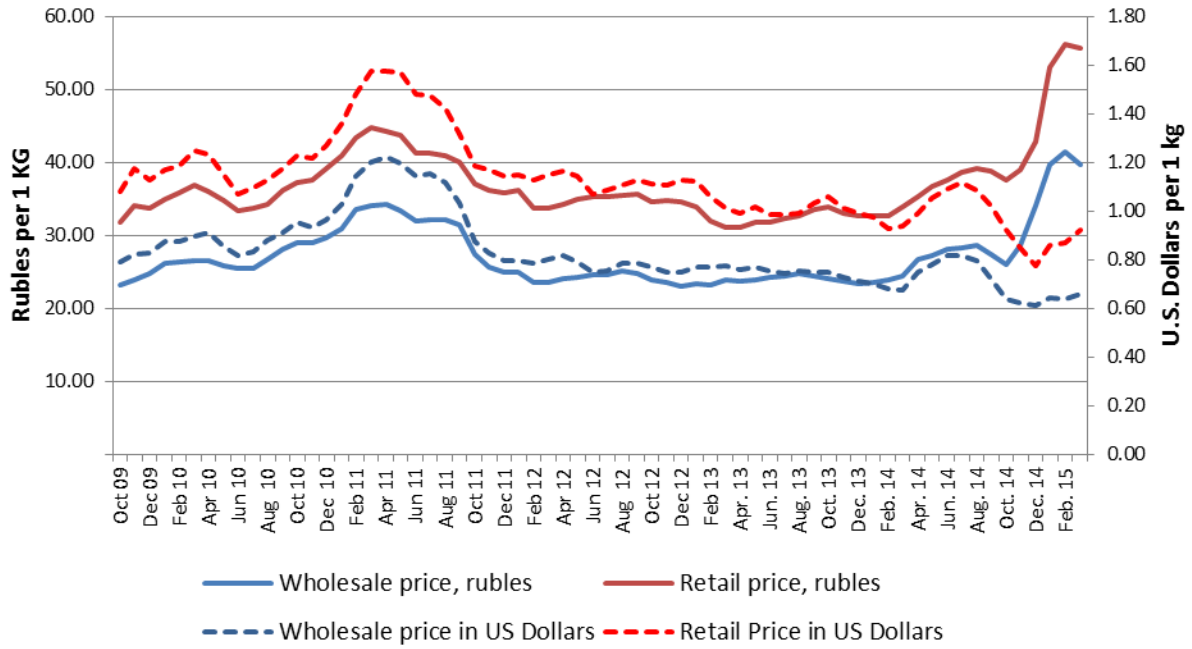
Source: Russian Customs

Marketing:

Russia’s domestic prices of white sugar (both wholesale and retail) reached the highest point in January 2015. This surge may stimulate growth of domestic production of sugar and sugar beets. Meanwhile the price of sugar in U.S. dollars decreased due to the softening of the ruble.

⁸ On August 22, 2012, Russia acceded to the WTO. In accordance with the commitments made upscale customs duties on raw sugar during the period from September 2013 to September 2014 were adjusted from \$270 to \$250 per 1 MT. Currently within the Common Customs Tariff of the Eurasian Economic Union (ETT EAEC), in respect of raw sugar a variable scale of import duties in the range of \$140-\$250 per MT is valid. Detailed text ETT EAEC can be found here: <http://www.eurasiancommission.org/ru/act/trade/catr/ett/Pages/default.aspx>

Chart 8. Rusia white sugar prices, wholesale and Retail



Source: Russian Ministry of Agriculture, Price in U.S. Dollars is calculated based on the Central Bank's exchange rate.