International Sugar Organization

INTERNATIONAL SUGAR COUNCIL

C(15)04
(Restricted)
(English Only)

20th October 2015

Year 2016 Draft MECAS Work Program

The attached Year 2016 Draft MECAS Work Program is circulated to Council Members. This document will be considered by the Administrative Committee on 19th November, 2015. Any further recommendations at that meeting concerning the Year 2016 Draft MECAS Work Program will be reported to Council at its meeting on 20th November 2015.

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Year 2016 Draft MECAS Work Program

Introduction

The Executive Director proposes to conduct a program of work for the Market Evaluation, Consumption and Statistics Committee (MECAS) as presented in this document for the year 2016.[1] The MECAS program is undertaken in addition to the Secretariat's substantial regular commitments (see Annex 1 and 2).

There are six key components to MECAS activities, including:

- The Quarterly Market Outlook;
- The Monthly Market Report;
- ISO studies;
- ISO Sugar Yearbook;
- ISO Ethanol Yearbook; and
- On-going monitoring of specific issues.

Activities proposed during 2016 for each of these components are presented below.

Quarterly Market Outlook

The Quarterly Market Outlook (one issue each quarter) provides analysis of recent and expected trends, developments and issues in the world sugar, alternative sweeteners, and molasses markets, as well as in the sugar-crop based renewable energy markets (fuel ethanol, cogeneration). Recent developments in the bioplastics/biochemicals field are analysed and updates and commentary on the WTO negotiations on Agriculture and on Regional Trade Agreements are also provided. Each issue provides timely analysis and review of:

- world sugar and fuel ethanol price behaviour;
- currency movements and domestic prices for sugar and ethanol;
- national sugar policy developments (twice yearly);
- trade developments;
- the world sugar balance including individual estimates for 160 countries;
- white and raw sugar trade balances;
- consumption, production and trade in ethanol, developments in national fuel ethanol programs, as well as ethanol feedstock price developments;
- consumption, production, trade and stocks of sugar, alternative sweeteners and their feedstocks and molasses;
- in-depth analysis of the most focal issues (*Special Focus* section);
- the price dynamics of other commodity markets;

1 Article 33 of the 1992 International Sugar Agreement establishes MECAS. Paragraphs 2 and 3 of article 33 outline the scope of the work to be undertaken by the Committee, while paragraph 4 states that the Council shall consider each year a draft forward work programme.

- Bioplastics and Biochemicals
- Cogeneration; and
- the WTO Negotiations on Agriculture and Regional Trade Agreements.

The content of the Quarterly Market Outlook will be a focus of attention at the twice yearly MECAS Meetings, along with the ISO studies.

Monthly Market Report

The Monthly Market Report provides a brief report on the market for the previous month plus comprehensive press summary from news agencies, newspapers & other periodicals covering all the important sugar and ethanol market developments during the previous month (including information on world sugar market – conditions & prospects, country summaries, new sugar production projects, fuel ethanol in key players, alternative sweeteners & other uses of sugar or sugar cane & beet, bioplastics and biochemicals, cogeneration, WTO and regional trade agreements, as well as ISO news).

ISO Studies

The ISO Secretariat has adopted the target of preparing six studies in 2016, consistent with our expected resource level (as discussed later).

Selection of Studies

ISO studies are prepared to meet two key outcomes crucial to the achievement of our strategic direction:

- Members benefit from improved transparency in world sugar trade; and
- Members are fully informed about key drivers and emerging issues impacting the world sugar, sweeteners, renewable energy (fuel ethanol and cogeneration), bioplastics/biochemicals and related markets.

All of the proposed study topics for 2016 are consistent with the ISO's Strategic Plan and with analysis presented in the ISO's study: "Key Drivers of the World Sugar Economy" – MECAS (02)08.

ISO studies are aimed at providing members with objective, factual, professional and timely assessments of developments relating to the key drivers impacting the global markets for sugar, sweeteners, fuel ethanol, sugarcane-based electricity generation, bioplastics/biochemicals and related commodities.

Each year the ISO Secretariat also consults with members in devising the priority listing of research topics, which for 2016 are given in Annex 3.

At each MECAS meeting, the studies to be undertaken from this list for the upcoming MECAS meeting will be discussed. This approach is taken because the sugar, sweeteners, and sugar-crop based renewable energy markets are dynamic and developments are often unforeseeable over the medium term. The approach also ensures that the ISO does not lock itself into research topics which may become no longer relevant.

ISO Sugar Yearbook

This yearbook provides comprehensive coverage of sugar production, consumption, trade and stocks for the whole world. About 400 pages, nearly 150 country tables. Individual countries tables show production, consumption and trade by countries of origin and destination for the last eight years. 18 general tables including raw and white sugar trade and per capita consumption. The most complete, authoritative and up to date source of world sugar statistics available.

ISO Ethanol Yearbook

The Ethanol Yearbook offers around 120 pages of both comprehensive statistics and in-depth analysis of the world fuel ethanol market. The Yearbook includes data on world fuel ethanol production, consumption and trade as well as individual national balances with data series on production, import, export, consumption, stocks and prices for key countries. Detailed statistics also contain historical data on the share of sugar cane/beet allocation to ethanol, ethanol content by tonne of cane, types of fuel ethanol produced, sugar cane/beet pricing, ethanol/ gasoline blending ratio, ethanol export revenues, ethanol vs. sugar realization as well as alternative ethanol feedstock statistics for leading fuel ethanol producers.

On-going monitoring of specific issues

The ISO also maintains a watching brief on specific issues on an on-going basis, reporting relevant information to members as they arise, and as resources allow, including:

(a) Sugar, Human Health and Nutrition

- To survey, review and disseminate information evaluating the nutritional and health aspects of sugar, with a view to reducing public prejudice against sugar, facilitating promotion of consumption.
- To provide members with up-to-date information in conjunction with relevant WHO activities.
- To provide members with worldwide trends in per capita sugar consumption in the context of calorie intake and health issues.

(c) Sugar and the Environment

- To monitor environmental issues and their possible impacts on the sugar industries of member countries.

(e) Standardisation and Certification

- To monitor and review sugar as well as beet and cane derived products certified to have been produced in a socially and environmentally sustainable way

Resource Availability and Requirements

Professional staff time available including the three economists during 2016 is 138 weeks – as shown in the table below. Of this total, 32 weeks are anticipated to be required to effectively execute regular non-MECAS activities (see below together with annex 1 for a description of these activities). At 106 weeks, human resources available for MECAS activities in 2014 are the same as in previous years.

Activity	Person Weeks
MECAS	**106**
Quarterly Market Outlook	31
Monthly Market Report	6
ISO Studies	46
ON-going monitoring	3
ISO Sugar Year Book	10
ISO Ethanol Year Book	10
Other Commitments and Activities	32
TOTAL	**138**

Annex 1 Regular Commitments 2016

Activity	Objective	Output	Timing of Release
Sugar Statistics	To compile exhaustive, accurate statistics on key economic variables in the world sugar economy and to disseminate such data on a timely basis.	ISO Year Book. Monthly Statistical Bulletin.	September Around the 5th day of each month (statistics relating to the previous month).
Sugar Market Monitoring and Analysis	To conduct timely, objective, relevant analyses of economic developments and trends in the world sugar trade, and to widely disseminate this market information.	Quarterly Market Outlook. Monthly Market Report & Press Summary.	February, May, August, November. Around the 5th day of each month (information relating to the previous month).
Ethanol market and national fuel ethanol programs monitoring and analysis	To conduct timely, objective, and relevant analyses of trends and developments in ethanol production, consumption, trade and national support policy, and to widely disseminate this market information.	Quarterly Market Outlook. Monthly Market Report & Press Summary.	February, May, August, November. Around the 5th day of each month (information relating to the previous month).
Ethanol Statistics and Outlook	To compile exhaustive, accurate statistics on key economic variables in the world ethanol economy. To provide a written assessment of the outlook for ethanol production, consumption over the coming decade. To disseminate such data and analysis on a timely basis.	ISO Ethanol Year Book.	September.

Regular Commitments 2016 cont'd

Analysis of related issues and markets	To conduct timely and relevant analysis of currency moments, domestic prices, related markets and commodities and to widely disseminate this information	Quarterly Market Outlook. Monthly Market Report & Press Summary.	February, May, August, November. Around the 5th day of each month (information relating to the previous month).
Alternative Sweeteners & By-products monitoring and analysis - High Fructose Corn Sweetener - Intensive Sweeteners - Molasses	To conduct timely, objective, relevant analyses of economic developments and trends in the world markets for alternative sweeteners and molasses, and to widely disseminate this market information.	Quarterly Market Outlook. Monthly Market Report & Press Summary.	February, May, August, November. Around the 5th day of each month (information relating to the previous month).
Bioplastics/biochemicals and cogeneration	To conduct timely, objective, relevant analyses of the developments and trends in the bioplastics/biochemcials and cogeneration sectors world-wide, and to widely disseminate this information.	Quarterly Market Outlook. Monthly Market Report & Press Summary.	February, May, August, November. Around the 5th day of each month (information relating to the previous month).
In-depth analysis of focal market issues	To provide a thorough assessment of key evolving economic drivers in the sugar/ethanol markets not covered by the ISO MECAS studies.	Quarterly Market Outlook: Special Focus	February, May, August, November.
WTO/RTA/FTA monitoring and analysis	To conduct timely, objective, relevant analyses of the WTO negotiations on agriculture and progress of Regional Trade Agreements and Free Trade Agreements and to widely disseminate this market information.	Quarterly Market Outlook. Monthly Market Report & Press Summary.	February, May, August, November. Around the 5th day of each month (information relating to the previous month).

Regular Commitments 2016 cont'd

ISO Seminar and Workshop	To conduct a seminar and workshop each year addressing relevant and important issues in the world sugar trade and related matters.	ISO Seminar and proceedings. ISO Workshop and proceedings.	November (cd-rom/online). May (cd-rom/online).
MECAS Meetings	To provide new economic information about global markets for sugar, sweeteners, fuel ethanol and bagasse based electricity generation as well as emerging diversification opportunities such as bioplastics and biochemicals.	MECAS Meetings and MECAS Papers.	May/June and November/December, in conjunction with International Sugar Council Sessions.

Other Activities for 2016

Activity	Objective	Output	Timing
Database maintenance/enhancement	To ensure software and programming support for the efficient collation of statistics and the production of publication-ready tables.	Contributes to production of ISO Year books and Monthly Statistical Bulletin.	As required.
Common Fund for Commodities	To maintain an open dialogue with the CFC regarding future collaboration under their new objectives and modus operandi To conduct annual review missions and final evaluations of the remaining active CFC projects.	Mid-term review and final evaluation reports as appropriate.	As required.
Joint Events: Planning, organisation and execution.	To prominently position the ISO and increase its visibility.	To strengthen the ISO's image and reputation as the worldwide recognised centre of excellence	As required.
Preparation of papers/speeches for major international fora	Constructive participation and contributions to world sugar and ethanol related fora. Wide dissemination of ISO studies and statistics.	ISO papers and speeches.	As required/invited.
General matters, administration, information requests	To ensure efficient and effective operation of the ISO Secretariat and the ISA'92.	Meet provisions of the ISA'92.	As required.

Annex 2: Summary of Planned Publications: 2016

Publication	J	F	M	A	M	J	J	A	S	O	N	D
ISO Sugar Year Book 2016									●			
ISO Ethanol Year Book 2016									●			
Monthly Market Report and Press Summary	●	●	●	●	●	●	●	●	●	●	●	●
Quarterly Market Outlook		●			●			●			●	
World Sugar Balances		●			●			●			●	
Statistical Bulletin	●	●	●	●	●	●	●	●	●	●	●	●
Workshop Proceedings 2016						●						
Seminar Proceedings 2016												●
ISO study 1				●								
ISO study 2				●								
ISO study 3				●								
ISO study 4											●	
ISO study 5											●	
ISO study 6											●	
ISO Work Program: 2017										●		

Annex 3: Proposed Topics for ISO Studies in 2016.

Project Number	Title	Objective	Explanatory Notes	Minimum Person Weeks
2016/1	**Industrial and Direct Sugar Consumption - an International Survey**	To review the changing structure of sugar consumption of individual countries with a view to identifying long-term trends and drivers of direct and industrial consumption of sugar.	The ISO first provided a comprehensive survey on the structure of sugar consumption in different countries in 2010. This new study will update key data pertaining to the structure of sugar use with the goal of enhancing our understanding of the key drivers of sugar consumption by the food and beverages sector (especially carbonated soft drinks).	8
2016/2	**Sugar and Health**	To take stock of the ongoing debate concerning the impact of sugar consumption on human health with a view to understanding its impact on global food and drinks markets, consumer sentiment and government policy. This study will offer a brief literature review of key scientific facts surrounding sugar and health. It will also provide an overview of measures implemented (or under consideration) by companies and government to tackle the issue. These include everything from voluntary measures by food processors and retailers to reduce sugar content and portion sizes to the imposition of sales taxes on sugar and restrictions on advertisement. These issues will be analyzed in the context of current sugar consumption trends and future demand prospects.	Added sugars in processed food and drinks have been at the center of the debate concerning obesity, diabetes and tooth decay. After fat and salt, governments and the general public are now linking the overconsumption of sugary food and drinks to a variety of health issues and often with little regard to scientific evidence. In March 2015, the World Health Organization (WHO) stated that cutting sugar intake to 5% (instead of the current 10%) of an adult's daily calories could provide additional health benefits. This "conditional" recommendation was put forth despite much controversy regarding the real impact of sugar on human health on a scientific level. Nevertheless, companies and governments have been reacting to changing consumer sentiment by implementing measures to reduce sugar intake. Different forms of sugar tax have already been introduced in Denmark, France, Finland, Hungary, Mexico and India. Additionally, some food and drinks manufactures as well as retailers are voluntarily committing to cutting back on sugar in response to pressure from health campaigners.	8

Project Number	Title	Objective	Explanatory Notes	Minimum Person Weeks
2016/3	**World Trade of Molasses, Beet Pulp and By-products**	To review recent fundamental developments and identify key drivers of the world trade of molasses, beet pulp and other by products of sugar production.	This will be the first ISO study dedicated to analysis of the world trade of sugar industry by products and its trade flows by origin and destination.	8
2016/4	**Foreign Direct Investment & Mergers and Acquisitions in World Sugar**	Following on from a 2012 MECAS study, this paper will re-examine the issue of foreign direct investment and mergers and acquisitions in the world sugar industry. The study will provide a comprehensive stocktaking of activities over the last five years, looking at the drivers, the players and specific details of transactions across all regions.	Since 2012, pressures created by falling sugar prices and depressed margins have opened up opportunities for foreign investments and mergers and acquisitions across the world sugar sector. World scale producers continue to integrate operations across the entire supply chain to rationalize costs and boost margins. However, the picture has been far from straightforward. In Brazil, challenging market conditions and poor profitability have led to a lull in investments and acquisitions as well as initial public offerings. In the EU, nevertheless, more activity is expected in the foreseeable future ahead of the sugar market reform in 2017. In April 2015, Tereos triggered the consolidation gun by announcing the takeover of UK's Napier Brown for GBP34 mln. Companies also continue to pursue opportunities to invest and join operations in search of new income streams and better margins. Examples include the recent creation of Alvean, a joint venture between Cargill and Copersucar, and Wilmar's USD145 mln investment in Shree Renuka Sugars.	7

2016/5	**Prospects for Thailand's Sugar Industry**	To review recent developments and drivers of Thailand's sugar and ethanol complex and to prepare projections of production, consumption and trade for both commodities to the year 2022.	Thailand's sugar production has grown strongly over the past 5 years. Recent government policy has encouraged a move by farmers from rice into sugarcane, while a generally positive domestic pricing environment for both cane and sugar underlay rising output. The government has also approved new investments by the milling sector and is now allowing millers to locate within a 50-kilometre radius of each other as well as to allow new sugar millers to enter the industry. How far might Thai output rise beyond current levels (11.0-11.5 mln tonnes tel quel) and what role will the fuel ethanol sector play in the longer-term future of the sugar industry?	7
2016/6	**Trends in Sugar Trade Logistics**	To review and examine the constant process of innovation and optimization within sugar trade logistics (storage, transport, terminals, shipping) in order to ascertain cost and other implication for world trade in sugar.	Around 80% of the white sugar trade is now containerized (rather than break-bulk), representing a significant change in trade logistics over the past 2 decades. Another key area is commercial change in terms of the engagement of the sugar trade houses with logistics and logistics operators in Brazil. The sugar trade is not just an FOB buyer anymore but taking sugar ex-factory and in some cases running and investing in internal logistics as well as terminals – ED&F Man within Brazil for example. There is a constant process of innovation and optimization. Terminals are getting better, improving efficiencies and trying to mitigate risks from weather related slow-downs to fire related damage. Internal logistics are improving too and now rail transport is coming back in Brazil in order to improve efficiency and stability of the supply chain.	8

Reserve Topics

Project Number	Title	Objective	Explanatory Notes	Minimum Person Weeks
2016/5	**Central America: Sugar, Ethanol and Cogeneration Prospects**	To revisit the region's role in the world sugar market and review recent developments and drivers of the sugarcane processing industry in order to prepare projections of production, consumption and exports of sugar to the year 2025.	The last time the ISO produced a study dedicated to Central America was in 2010. The region is a major sugar net exporter, with Guatemala consistently featuring among the world's top exporters. The region is also an important player in diversification into ethanol production and co-generation.	7
2016/6	**World Sugar Futures: Factors of Influence**	This study will identify and analyze the factors influencing movements in world sugar futures pricing. Strong attention will be paid to the role of hedge funds and financial investors in ICE No11 raw sugar futures (New York) and ICE No5 white sugar futures (London) in the context of the *financialization* of commodity markets. Other issues such as the concentration of production in emerging markets with more volatile exchange rates, changes in policy and trade patterns will also be investigated in an attempt to ascertain their relationship with world sugar price movements. Specifically on white sugar futures, the paper will provide a discussion on the demise of breakbulk cargo trading and its impact on futures pricing.	The world sugar market has grown more complex over recent years, constituting challenges for market participants and policy makers as they try to deal with instability in prices. In fact, over the last decade, sugar has been one of the most volatile commodities. Against this background, a growing number of market participants and investors have been looking at sugar futures to either manage this volatility or to profit from it. ICE sugar futures have proven the most direct route for exposure to world sugar prices.	8