



International Sugar Organization

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ISO STUDY - MECAS(16)05

Market Evaluation Consumption and Statistics Committee

www.isosugar.org

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Sugar and Health

Sugar has been in the human diet for centuries. However, the overall role of sugars in human health and its association with the growing prevalence of non-communicable diseases (NCDs) has become a key focus of public health policies in recent years. While there is abundant evidence to support the consumption of sugar as part of a healthy diet, a lot of the information underpinning the current “sugar and health” debate can be misleading and incomplete. Therefore, it is important to separate facts from fiction. To date, there is insufficient scientific evidence to suggest a link between total sugar intake and the prevalence of obesity. Nevertheless, demands for further regulation and taxation against sugary products are growing. Drawing from a multitude of sources, this MECAS study offers a balanced overview of the main elements sustaining the “sugar and health” debate. It begins with an analysis of the evolution of food and sugar consumption patterns worldwide and a brief discussion of consumer awareness around sugar-related claims on food and beverage (F&B) products. This paper then examines key scientific facts and recent recommendations related to “sugar and health”. The development of obesity is analysed in relation to sugar consumption patterns and the results are presented in a scatterplot. From a market point of view, the effects of the current backlash on sugar are looked at from two angles: consumers and F&B manufacturers. Lastly, this study delves into the issue of taxation as a means to influence food prices and diets. This section is accompanied by a first-of-its-kind time line of past and present attempts by governments to use fiscal policy and regulation in trying to curb demand for sugary products.

The goal of the study is to provide an inventory of the investigations, reports and evidence about sugar consumption in an impartial, objective and factual manner. This compilation aims to enrich the understanding of the main elements in the current discussion, without making any value judgements or adopting subjective positions. Conclusions herein contained can be directly attributed to the original authors and are registered for reference only.



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World Trade of Molasses, Beet Pulp and By-products

This study is dedicated to reviewing recent fundamental developments and identifying the key drivers of the world trade in molasses and beet pulp, by-products of the sugar industry. Although molasses and beet pulp are used mostly domestically, about 7% of world output of molasses and 15% of global production of beet pulp are exported to the world market. Molasses and beet pulp have only little value as compared to sugar, but sales of molasses and beet pulp abroad help generate additional income for the sugar industry with relatively low overheads. In contrast to sugar where import markets are protected by high tariffs as well as non-tariff barriers and export volumes can be heavily regulated by governments, these restrictions are much less extensive for molasses and beet pulp trade. This is the first ISO study dedicated to analysis of the world trade of sugar industry by-products and their trade flows by origin and destination. The study is divided into two parts. The molasses part first deals with the product itself, its composition, various qualities and major outlets. Then general trends in production are analysed. We continue our analysis by examining the recent trends in exports and imports of molasses, as well as price dynamics. The beet pulp part starts with discussion of general production trends before moving on to the situation in major exporters and importers, and prices for beet pulp traded internationally.

The future supply/demand situation is full of uncertainties. On the one hand, the projected improvement in sugar production in order to meet growing global demand augurs well for higher molasses production. On the other hand, the expected growth in demand for molasses among ethanol producers is likely to absorb the production gains of some major suppliers of molasses to the world market, including India and Thailand. An approaching reform in the EU is likely to bring a considerable increase in beet sugar output, and hence, beet pulp production. Higher global export availability might put bearish pressure on prices for beet pulp assuming no considerable changes in prices for other feedstocks. In the longer run, however, continuing growth in global demand for meat and dairy products is likely to result in slowly rising demand for animal feedstuff including beet pulp.



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Prospects for Thailand's Sugar Industry

Thailand's sugar industry is one of the largest worldwide, producing in 2015 around 11 mln tonnes and exporting almost 8 mln tonnes of sugar, ensuring its place as the second largest exporter after Brazil. Recent government policy has encouraged a move by farmers from rice into cane, 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 allowing new sugar millers to enter the industry. It targets by 2025/26 ample increases in cane output and sugar production. The objective in this study is to assess Thailand's sugar industry outlook over the coming decade by examining key drivers including: the potential for cane area expansion; prospects for cane yields/quality; milling sector developments; and sugar consumption prospects – with a view to understanding the likelihood of export volumes growing to match rising demand throughout Asia. A key focal point is the relative success the Thai sugar industry has attained in adding value by diversifying into cane bagasse cogeneration and into fuel ethanol production.



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Adding Value Through Bio-Products

Advances in technology created numerous pathways to produce bio-chemicals and advanced biofuels through sugars present in agricultural crops and waste. This means a growing number of companies are considering the market potential for renewable molecules with a view to capturing higher margins. For the sugar sector, specifically, there are opportunities to create value-added solutions by exploiting existing and new resources while tapping into growing demand for bio-based materials. In 2009, the International Sugar Organization published MECAS(09)17 – “*Market Potential of Sugarcane and Beet Bio-Products*” – which identified a series of bio-products and companies with growth potential. Cane-processing groups in Brazil remain at the forefront of these initiatives, having established partnerships and commercial agreements to produce a range of sugar-based bio-products. This report updates and expands MECAS(09)17 by investigating the potential for commercialization of cane and beet bio-products technology in the context of competing feedstocks and recent developments in crude oil prices.



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Organic, Fairtrade and Specialty Sugars

Organic, Fairtrade and specialty sugars for much of the past decade have seen fast growing niche markets, albeit together they are thought to presently account for less than 0.5% of world sugar consumption and production. With these niche sugars reputedly attracting sometimes significant pricing premiums over conventional sugar, and with ongoing strong fundamentals expected to support continued growth in demand for organic products in key markets, can offtake of niche sugars keep growing at strong rates? There is already evidence of a slow-down. Annual growth in global offtake of organic sugar has slowed to around 4% over recent years, a far cry from the 25% year-on-year increases seen earlier. Several organic sugar producers in Central and South America are in financial difficulty or have stopped production whilst others have chosen to pare back output in response to lower pricing. Even so, there is one major investment in organic sugar production underway in Mozambique for which the proponents cite continuing attractive pricing premiums in both the EU and the US, as well as a positive demand outlook. Fairtrade sales in the UK – the largest Fairtrade market by far – fell in 2014, the first fall in the 20 year history of the Fairtrade Foundation. Established producers of specialty sugars, shipped mainly to the EU and the US, have been hit by competition from direct consumption raw sugar – marketed as a specialty sugar - mainly entering under free trade agreements. Looking ahead, can niche sugar markets escape the fast-growing backlash against sugar and its alleged association with obesity, diabetes and tooth decay? On the supply side, have commercial production incentives been dented by the significant downtrend in world prices for conventional sugar since 2012 and more recently much lower EU prices? Can the traditional specialty sugar producers grow markets in a much more competitive environment where lower value direct consumption raw sugars eat away at market share and pricing? This study provides perspectives on such issues by investigating the markets for organic, Fairtrade and specialty sugars with a view to better understanding recent market developments at the global, regional and country levels. Key markets and suppliers are identified and examined. Data are also collated on production, exports and price premiums.



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India: Future Sugar Industry Prospects

India is currently the world's largest consumer and the second largest producer of sugar. In the past, the national sugar balance regularly moved from surplus to deficit and back. This resulted in huge swings in India's position on the world sugar map. However, since 2010/11 the country's sugar balance has shown an excess of production over domestic demand, season after season. With a partial liberalization of the sugar market in 2013 and remunerative levels of guaranteed cane prices, the notorious India's sugar cycle has significantly changed, if not disappeared. In this new study the ISO Secretariat takes a closer look at major drivers in sugar production and consumption and their prospects over the medium to longer term. A key issue addressed by the paper is the likelihood of the return of the sugar cycle. After examining the current situation with sugar cane and sugar production, as well as sweetener demand, the ISO suggests that huge year-on-year drops in production below the level of domestic consumption are unlikely, at least in the coming three to five years assuming normal weather conditions. Even in the longer turn, the country's sugar balance may still hover around a 1 mln tonne surplus. The surplus character of the balance may be, however, altered by difficult-to-predict changes in the government sugar policy or a significant increase in cane use for ethanol production.