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Article from Sugaronline Ebriefing
"War on sugar may take its toll on consumption"

The Secretariat would like to draw the attention of Members and colleagues to the article below from Sugaronline Ebriefing.

War on sugar may take its toll on consumption

The "war on sugar" being waged by governments and consumers to combat public health emergencies like diabetes is slowing growth in global demand, which along with other factors could signal a fundamental shift in consumption ahead, according to Reuters.

Consumption may grow at its slowest pace in seven years in 2017/18, according to analyst group Platts Kingsman. It forecasts a rise of 1.04%, nearly half the average growth of about 2% per year over the last decade.

"Consumption is generally stagnating in developed countries," Tom McNeill, director at commodity analyst group Green Pool, told Reuters.

Falling consumption in more health-conscious markets has been exacerbated by higher prices and the use of alternatives like high-fructose corn syrup in developing countries that might otherwise have made up the shortfall.

Combined with weaker demand from food and beverage makers globally, this could represent a "step-change lower" - or a fundamental shift - in global consumption, according to Tropical Research Services.

"So, it may be that the real long-term 'trend' rate of global sugar demand growth has changed and is now lower," the group said in a May 7 report.

At least 17 countries and a number of US cities have added an extra tax on sweetened beverages. Another 11 nations are implementing or considering similar levies.

Many are going further: France has coupled a tax with measures like banning vending machines in schools. Chile last year introduced black stop-sign warning labels on foods high in sugar, salt and fat.

Mexico is another example. With one in three adults in the country affected by obesity, the country slapped a levy on sweetened soft drinks in 2014.

Although the impact on health will take years to assess, early data shows consumption of soft drinks in Mexico has fallen by 12% since the tax was introduced.

"There is an increasing understanding for the need to control intake of free sugars, in public policy and in culture in general," said Francesco Branca, director of nutrition for health and development at the World Health Organization.

"With obesity and diabetes very quickly spreading, they are trying to do something about it early on."

The slowing pace of growth globally is adding to worries the world sugar market is headed for a surplus in 2017/18, after two consecutive deficits.

It could also curtail ambitious plans by the European Union to sharply boost output in 2017/18 in an effort to again become a net exporter, after it ends subsidies and caps on exports in October.

High-income countries like Norway and Canada are already seeing a decline in sugar consumption, Euromonitor figures shows. Now the appetites of developing markets, whose rapid population growth was expected to drive future growth, also appear to be waning.

Sugar sales in India, the world's biggest consumer, are set to fall by roughly 1 million tonnes this season, the Indian Sugar Mills Association (ISMA) estimates, due to higher domestic prices and a cash crunch that followed last year's demonetization of high-value bank notes.

The government's decision earlier this year to abolish a sugar subsidy for poor families also dented consumption.

ISMA expects consumption to rebound next year as production in the country normalizes and domestic prices come down, but analysts say long-term growth remains uncertain as the government mulls higher taxes and stricter labeling on sugary foods.

"If India also jumps on the bandwagon with such a levy, as the world's biggest sugar consumer, this could be felt in global growth," said Stefan Uhlenbrock, senior analyst at F.O. Licht.

Sugar demand also seems to be stagnating in China, the second biggest consuming country, as cheaper sweeteners like high-fructose corn syrup (HFCS) grow in popularity.

Chinese beet and cane farmers rely on state support to offset steep production costs. Imports, meanwhile, are subject to hefty duties meant to protect the industry, with an additional tariff introduced just this week.

As a result, domestic sugar prices are around double those on the world market. This, coupled with an abundance of cheap corn, has made HFCS highly competitive.

The USDA last month highlighted the decline in Chinese sugar demand when it slashed its estimates for consumption in that country for 2015/16 and 2016/17 by roughly 10% and signaled more modest growth than previously expected.

"People in China are still eating ice cream and drinking soft drinks," said John Stansfield, analyst at commodity trader Group Sopex.

"It's just the fact that these products are now increasingly made from corn syrup rather than sugar."

Brazil, the world's third largest consuming nation, has also seen demand growth slow over the last three years as an enduring recession slashed the incomes of many Brazilians. Consumption was growing at roughly 2-3% over the previous decade.

Manufacturers seem to think the anti-sugar movement is here to stay, and many food and beverage companies are pre-emptively reformulating their products as a result.

Coca-Cola has committed to reducing sugar in its drinks, with more than 200 reformulation initiatives underway.

PepsiCo also said that by 2025 at least two-thirds of its drinks globally will have 100 calories or fewer from added sugar per 12-oz serving.

Nestle said in 2016 it is developing technology to reduce sugar in some confectionary products by up to 40% without affecting the taste.

"Globally, sugar is in the spotlight," said Sara Petersson, nutrition analyst at Euromonitor. "The regulations are increasing with time. And if they're being smart, they're going to tackle this in advance."