



# International Sugar Organization

**INTERNATIONAL SUGAR COUNCIL**

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(English Only)**

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## **Year 2012 Draft MECAS Work Programme**

The attached Year 2012 Draft MECAS Work Programme is circulated to Council Members. This document will be considered by the Administrative Committee on 1<sup>st</sup> December, 2011. Any further recommendations at that meeting concerning the Year 2012 Draft MECAS Work Programme will be reported to Council at its meeting on 2<sup>nd</sup> December.

## Year 2012 Draft MECAS Work Programme

### Introduction

The Executive Director proposes to conduct a programme of work for the Market Evaluation, Consumption and Statistics Committee (MECAS) as presented in this document for the year 2012.<sup>1</sup> The MECAS programme is undertaken in addition to the Secretariat's substantial regular commitments (see Annex 1 and 2).

There are three components to MECAS activities, including:

- The Quarterly Market Outlook;
- ISO studies; and
- On-going monitoring of specific issues.

Activities proposed during 2012 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, ethanol, alternative sweeteners, and molasses markets, as well as updates and commentary on the WTO negotiations on Agriculture and on Regional Trade Agreements. 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;
- 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 programmes, 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; 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.

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<sup>1</sup> 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.

## ISO Studies

The ISO Secretariat has adopted the target of preparing six studies in 2012, 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, fuel ethanol and sweeteners and related markets.

All of the proposed study topics for 2012 were identified as meriting additional research and analysis in the ISO's first major study under its 2001 strategic direction: "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 and biochemicals.

Even so, each year the ISO Secretariat also consults with members in devising the priority listing of research topics, which for 2012 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.

## 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.

**(b) Cogeneration and By-products**

- To survey, review and disseminate information evaluating cogeneration and other diversification options for the world sugar industry.

**(c) Sugar and the Environment**

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

**(d) Organic and Niche Market Sugar**

- To monitor developments in the production, consumption and trade of organic and niche market sugars.

**(e) Freight**

- To monitor developments in the ocean freight market.

**(f) 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.

Issues which have been so far regularly monitored, like carbon credits, the Clean Development Mechanism, and sugar fortification are not prioritised for 2012, whilst one issue previously monitored - foreign investment - will be more thoroughly assessed with a proposed MECAS study.

## Resource Availability and Requirements

Professional staff time available including the three economists during 2012 is 138 weeks – as shown in the table below. Of this total, 48 weeks are anticipated to be required to effectively execute regular activities (see annex 1 for a description of these activities), but excluding the preparation of the Quarterly Market Outlook which is accounted for under MECAS-related activities. At 86 weeks, human resources available for MECAS activities in 2012 are the same as in the six previous years.

| <b>Activity</b>  | <b>Person Weeks</b> |
|--|---------------------|
| <b>Regular and other Commitments</b><br>(except Quarterly Market Outlook ) | <b>48</b>           |
|  |                     |
| <b>MECAS</b>   | <b>86</b>           |
| Quarterly Market Outlook   | 37                  |
| ISO Studies  | 46                  |
| ON-going monitoring  | 3                   |
|  |                     |
| <b>Other Activities</b>  | <b>4</b>            |
| <b>TOTAL</b>   | <b>138</b>          |

## Annex 1

## Regular Commitments 2012

| 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.<br>Monthly Statistical Bulletin.                                 | August<br><br>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.<br><br>Monthly Market Report & Press Summary.         | February, May, August, November.<br><br>Around the 7th day of each month (information relating to the previous month). |
| Ethanol market and national fuel ethanol programmes 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.<br><br>Monthly Market Report & Press Summary.         | February, May, August, November.<br><br>Around the 7th day of each month (information relating to the previous month). |
| Ethanol Statistics  | To compile exhaustive, accurate statistics on key economic variables in the world ethanol economy and to disseminate such data on a timely basis.  | ISO Ethanol Year Book.<br>(published for the first time in hard cover in 2011). | May.   |
| 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.<br><br>Monthly Market Report & Press Summary.         | February, May, August, November.<br><br>Around the 7th day of each month (information relating to the previous month). |

## Regular Commitments 2012 cont'd

|  |  |   |  |
|--|--|---|--|
| Alternative Sweeteners & By-products monitoring and analysis<br><br>- High Fructose Corn Sweetener<br>- Intensive Sweeteners<br>- 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.<br><br>Monthly Market Report & Press Summary.   | February, May, August, November.<br><br>Around the 7th day of each month (information relating to the previous month). |
| 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.<br><br>Monthly Market Report & Press Summary.   | February, May, August, November.<br><br>Around the 7th day of each month (information relating to the previous month). |
| 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.<br><br>ISO Workshop and proceedings.   | November (cd-rom/online).<br><br>May (cd-rom/online).  |
| ISO Council Sessions   | To meet obligations of the ISA 92 and to ensure performance of all functions necessary to carry out the provisions of the Agreement.   | International Sugar Council Sessions' and supporting documents.<br><br>Administrative Committee Meetings' and supporting documents. | May/June and November/December.<br><br>May/June, October, November/December.   |
| 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 bioplastics and biochemicals. | MECAS Meetings and MECAS Papers.  | May/June and November/December, in conjunction with International Sugar Council Sessions.                              |

## Other Activities for 2012

| 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                                 | Strengthen relations with CFC Secretariat.<br><br>Assist in preparation of project proposals for submission to the CFC, in accordance with the CFC's Programme Approach.<br><br>To conduct mid-term reviews and final evaluations of active CFC projects. | One or more sugar development projects approved by CFC for financing.<br><br>Mid-term review and final evaluation reports as appropriate. | As appropriate, depending of timing of the 2 meetings of the Consultative Committee of the CFC (typically January and July). |
| Joint Events:<br>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.<br><br>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: 2012

| Publication                             | J | F | M | A | M | J | J | A | S | O | N | D |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ISO Sugar Year Book 2012                |   |   |   |   |   |   |   | ● |   |   |   |   |
| ISO Ethanol Year Book 2012              |   |   |   |   |   | ● |   |   |   |   |   |   |
| Monthly Market Report and Press Summary | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Quarterly Market Outlook                |   | ● |   |   | ● |   |   | ● |   |   | ● |   |
| World Sugar Balances                    |   | ● |   |   | ● |   |   | ● |   |   | ● |   |
| Statistical Bulletin                    | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Workshop Proceedings 2012               |   |   |   |   |   | ● |   |   |   |   |   |   |
| Seminar Proceedings 2012                |   |   |   |   |   |   |   |   |   |   |   | ● |
| ISO study 1                             |   |   |   | ● |   |   |   |   |   |   |   |   |
| ISO study 2                             |   |   |   | ● |   |   |   |   |   |   |   |   |
| ISO study 3                             |   |   |   | ● |   |   |   |   |   |   |   |   |
| ISO study 4                             |   |   |   |   |   |   |   |   |   |   | ● |   |
| ISO study 5                             |   |   |   |   |   |   |   |   |   |   | ● |   |
| ISO study 6                             |   |   |   |   |   |   |   |   |   |   | ● |   |
| ISO Work Programme: 2013                |   |   |   |   |   |   |   |   |   | ● |   |   |

### Annex 3: Proposed Topics for ISO Studies in 2012.

| Project Number | Title                                     | Objective  | Explanatory Notes  | Minimum Person Weeks |
|----------------|---|--|--|----------------------|
| 2012/1         | <b>World Fuel Ethanol Outlook to 2020</b> | To review recent policy developments and other key drivers of world fuel ethanol consumption, production and trade and to prepare projections to the year 2020 with a view to determining any implications for the world sugar market. | <p>The paper will provide an update to a 2008 MECAS paper on “The International Trade of Fuel Ethanol: Outlook to 2015” and a 2007 MECAS paper on “Government Biofuels Policy and Sugar Crops: Outlook to 2015”.</p> <p>Growth in global production and consumption of fuel ethanol has slumped in the past few years whilst global fuel ethanol trade has shrunk dramatically since a peak reached in 2008. Meanwhile the United States has become a key export origin, supplementing supplies in Brazil in 2011 in particular, once the largest and most cost competitive producer. Prospective growth in the two dominant fuel ethanol producers and consumers – the United States and Brazil – remain paramount. Should declared government fuel ethanol policies in a growing number of other countries be implemented in full, the outlook for the biofuel remains very positive. However, several market and policy related factors, including mandated sustainability factors and greenhouse gas accounting issues such as the impacts of indirect land use change – complicate the outlook.</p> | 8                    |

| Project Number | Title   | Objective   | Explanatory Notes   | Minimum Person Weeks |
|----------------|---|---|---|----------------------|
| 2012/2         | <b>Sugar Perspectives of the MENA (Middle East &amp; North Africa) Region</b> | To review recent developments and drivers of the region's sugar market and to prepare projections of production, consumption and trade for sugar to the year 2020.  | MENA represents a very important market for the world sugar economy (in 2010/11 it is estimated to have absorbed 12.7 mln tonnes of sugar traded internationally, or more than 25% of the world total imports). Moreover, MENA is the world's largest regional market, characterized by dynamic growth rates in consumption, well in excess of the world average. By contrast, sugar production growth is not strong, which is no surprise given the region's climatic conditions. Apart from thoroughly investigating these issues, the paper will also focus on import prospects in general and the product structure of future imports following an ongoing expansion of the refining sector.  | 8                    |
| 2012/3         | <b>Outlook of Sugar and Ethanol Production in Brazil</b>                      | The objective of this paper is to evaluate the level of competitiveness of the Brazilian sugar/ethanol industry in the coming decade. The paper will focus on issues such as cane crop competitiveness vis-à-vis other crops, agricultural input costs, cane allocation to sugar or ethanol, sugar freight and transport logistics as well as industry restructuring through M&A and FDI. This study will provide an outlook for sugar and ethanol production and consumption in Brazil as well as projections on sugar/ethanol exports and, if possible, trade flows by destination over the next ten years. | Brazil, the world's largest producer and exporter of sugar and the largest producer and exporter of sugar cane ethanol, saw its share in the world trade of sugar rise significantly in the first decade of the 2000s. However, over the past couple of seasons, sugar production growth has been erratic, largely due to a constraint in cane supply following a combination of weather problems, a strengthening currency, insufficient investment in crop renewal and lower yields arising from full harvest mechanization. Apart from thoroughly investigating these issues and other limitations to Brazil's sugar/ethanol production growth, the paper will provide an update to a 2009 MECAS paper on Brazil, widening the coverage to also include an outlook for bioplastics and cogeneration from sugar | 8                    |

| Project Number | Title   | Objective   | Explanatory Notes   | Minimum Person Weeks |
|----------------|---|---|---|----------------------|
| 2012/4         | <b>Alternative Sweeteners in a High Price Environment</b>                                   | The objective of this paper is to investigate how the supply and demand for alternative sweeteners (High Intensity Sweeteners and High Fructose Corn Syrup) will evolve in an environment of high sugar prices.   | cane.<br><br>HIS represented around 10 % of the global sweeteners market in 2010 and HFCS around 11 %, although there is wide variation amongst countries. HIS and HFCS producers hope high sugar prices will create new demand for their sweeteners, as food and beverage manufacturers look for lower cost sweetener solutions. Do high sugar prices create a firm opportunity for alternative sweeteners to displace sugar? Or do key technical and economic issues limit potential? | 7                    |
| 2012/5         | <b>Developments and Drivers of the Sugar Market in the Former Soviet Union States</b>       | To review recent developments and drivers of the region's sugar market and to prepare projections of sugar production, consumption and trade to the year 2020.  | Up until recently the FSU countries represented an important origin for sugar traded internationally, but the fast march of some regional key players towards self-sufficiency in sugar has substantially modified the role of the region in the world sugar economy. While up until the mid-2000s Russia had remained the undisputed world's leading sugar importer, in 2011/12 it is not expected to be even among 10 largest importers.  | 7                    |
| 2012/6         | <b>FDI (Foreign Direct Investment) and (MA) Mergers and Acquisitions in the World Sugar</b> | The objective of this paper is to provide a comprehensive stocktaking of the world's major mergers and acquisitions and foreign direct investment flows in the world sugar industry. Over the past 10 years, the world sugar industry has been reshaped by a multitude of foreign takeovers, both | This paper will provide an update to a 2007 MECAS paper on FDI, expanding the coverage to provide more information on M&A and IPO (initial public offerings), as well as details on individual group expansion plans by country and region. The paper will also investigate the role that FDI and M&A have played in revamping the  | 8                    |

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|--|-----------------|--|--|--|
|  | <b>Industry</b> | nationally as well as internationally, including, on the one hand, traditional milling groups and, on the other hand, new entrants such as diversified commodity trading houses and oil majors. These activities have led to significant changes in market share/ costing rankings and, more importantly, have changed the production outlook for several countries, affecting net sugar exports by region and global sugar trade flows. | industries in smaller producers in the ACP/LDC group of countries as well as opportunities for the future. |  |
|--|-----------------|--|--|--|