Sugar segment

At a glance

€ **3,876** million
Revenues

€ **–13** million
Operating result

€ **3,056** million
Capital employed

–0.4 %
ROCE

Strategy

While global demand for sugar continues to grow, the trend to consume more sugar is generally not reflected in Western Europe's markets, but there is increasing demand for specialty sugars and sugar substitutes. Products that are sustainably and locally produced, as well as clean label products, continue to be in demand. Competitive pressure remains high in the EU. The strategic goals are therefore:

- Focusing on the EU sugar market
- Taking advantage of emerging growth opportunities, particularly through
  - the supply of sustainably produced sugar,
  - the provision of a product portfolio consisting of sugar and reduced sugar products, supplemented by starch-based sweeteners and
  - the provision of sustainable non-food applications based on products and byproducts made from sugar beets.

Production and Distribution	23 sugar factories: Germany (7), Belgium (2), France (2), Poland (4), Moldova (1), Austria (2)*, Romania (1), Slovakia (1) , Czech Republic (2)*, Hungary (1) 1 wheat starch plant (Germany) 2 refineries (Bosnia-Herzegovina, Romania) 4 locations (Greece, Italy, Spain, UK)
Raw materials	Sugar beets, cane raw sugar, wheat
Products	Sugar, sugar specialties, glucose syrup, animal feed
Markets	Europe (European market leader) and world market
Customers	Food industry, retailers, agriculture
Brands	Südzucker, Cucier Królewski, Saint Louis Sucre, Tiense Suiker, Wiener Zucker

* as of 28 February 2025; from 12 March 2025 in each case (1).

Markets

World sugar market

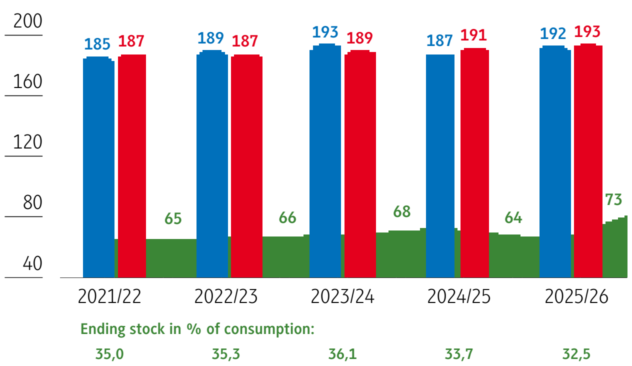
In its April 2025 estimate of the global sugar balance, market analyst S&P Global Commodity Insights expects a surplus of 2.2 million tonnes of sugar for the past 2023/24 sugar marketing year (SMY; 1 October to 30 September). A further increase in sugar production, particularly in Brazil, China and Europe, and a decline in production in Thailand, is offset by higher global consumption. The ratio of inventories to consumption is thus expected to remain at a low level of around 36 %.

For the current 2024/25 sugar marketing year, S&P Global Commodity Insights forecasts a deficit of 3.9 million tonnes based on a decline in production and increasing consumption. There is an increasing production in Thailand, contrasted by a decline in production in India and Brazil. The ratio of inventories to consumption is expected to decrease as a result.

For the coming 2025/26 sugar marketing year, S&P Global Commodity Insights projects a deficit of 1.6 million tonnes with increasing production, especially in India and Thailand, and continued growth in consumption, leading to a further decline in the ratio of stocks to consumption.

Global sugar balance

Million of tonnes raw value



Source: S&P Global Commodity Insights, March 2024 Production Consumption Stock

DIAGRAM 004

Global market sugar prices

1 March 2022 to 31 March 2025,
London, nearest forward trading month

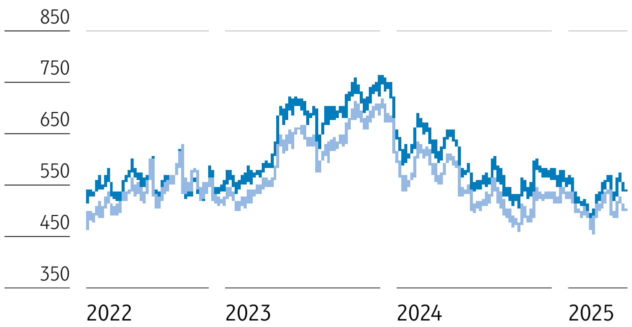


DIAGRAM 005

The world market price for white sugar was about 560 €/t at the start of the 2024/25 financial year. After initially rising from this level to about 600 €/t, the price fell to almost 450 €/t in August 2024, and has since fluctuated between 450 and 540 €/t. At the end of February 2025, the world market price for white sugar was 512 €/t.

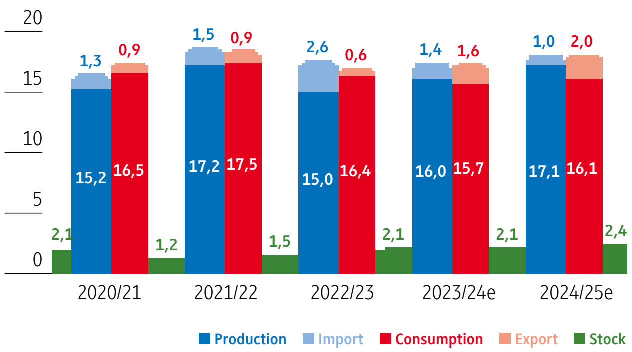
EU sugar market

For the past 2023/24 sugar marketing year, the EU Commission expects production (including isoglucose) to increase to 16.1 (15.0) million tonnes with a slight growth in cultivation area, high beet yields but low sugar content. Consumption declined by about 4 % compared to the previous year.

For the current 2024/25 sugar marketing year, the EU Commission expects a moderate increase in cultivation area by 6 % to 1.48 million hectares in the EU 27 and thus, with average yields, higher production (including isoglucose) of 17.1 (16.1) million tonnes. The EU Commission anticipates a recovery in consumption compared to the previous year. Market observers anticipate a significant reduction in cultivation area in the EU for the 2025/26 growing season.

EU sugar balance

Million of tonnes white sugar value



Source: EU Commission, AGRI G4, EU sugar balance estimate, March 2025; EU 27.

DIAGRAM 006

The price of sugar (food and non-food; ex factory) published by the EU Commission peaked at 856 €/t in December 2023. From that point, the reported prices steadily declined to 758 €/t by the conclusion of the past 2023/24 sugar marketing year. Prices dropped significantly again at the beginning of the current 2024/25 sugar marketing year declining to 541 €/t by February 2025. There are significant regional price differences between the deficit and surplus regions within the EU.

Sugar markets

The largest markets for sugar continue to be the beverage industry (soft drinks and alcoholic beverages), followed by confectionery and baked goods manufacturers.

After the coronavirus pandemic, sugar demand in the EU recovered to 13.1 million tonnes in the 2021/22 sugar marketing year but then dropped to 12.2 million tonnes in the 2022/23 sugar marketing year, according to data from the EU Commission. Sugar demand is expected to increase slightly to 12.4 million tonnes in the 2023/24 and 2024/25 sugar marketing years.

The healthy eating trend thus continues and is even accelerating in some areas. In this context, the societal and political focus on sugar reduction and the associated consumer topics has sharpened further. Falling inflation has led to a slight recovery in consumer purchasing power.

Target markets for sugary byproducts

The markets for sugary byproducts were shaped by generally weak demand and – particularly for molasses – a substantial supply growth in fiscal 2024/25. In functioning markets, weak demand and increasing supply lead to a decline in prices. We therefore expect significantly lower prices for sugary byproducts in fiscal year 2024/25.

S&P Global Commodity Insights estimates global molasses production at 67.7 (68.5) million tonnes. Forecasts predict an increase in production of around 9 % to 3.7 (3.4) million tonnes for the EU 27, which resulted in lower prices for the full calendar year 2024.

Within the EU, the production of dried beet pulp is again not expected to meet expectations in terms of volume. Reasons for this include the use of beet pulp in biogas plants and as silage, as well as a significant reduction in the amount of beet pulp and beet pellets due to beet diseases. The diminished production quantities are expected to stabilize prices until at least the upcoming 2025/26 beet campaign.

Legal and political environment

Free trade agreements

The EU is negotiating potential free trade agreements with various countries and communities of states. In the event sugar and sugary products are not classified as sensitive products – contrary to current trade practice – additional sugar volumes could be imported into the EU at preferential tariff rates in future.

EU sugar market international competitive position

From our perspective, the EU has one of the world's least regulated sugar markets. In contrast to other major sugar producing countries, sugar exports are not subsidized by the state. As long as the EU Commission does not take action against these differing competitive practices, make further import concessions or allow imports that circumvent the rules of origin, it can be assumed that this will have negative impacts on Südzucker.

Restrictions on duty-free sugar imports from Ukraine to the EU

In June 2022, the EU Parliament and the 27 EU member states approved a temporary suspension of customs duties and import quotas for sugar for the first time due to the war in Ukraine. This agreement was extended in spring 2023 for the period until June 2024. In the original 2014 agreement, Ukraine only had duty-free access to the EU market for just 20,070 tonnes.

In the 2022/23 sugar marketing year, duty-free sugar imports from Ukraine significantly increased to around 415,000 tonnes as a result of the suspension of customs duties and import quotas for sugar. This increase in duty-free exports from Ukraine to the EU continued in the first months of fiscal 2023/24. However, due to the repeated high and steadily increasing quantities of duty-free sugar supplies to the EU sugar market – a total of around 450,000 tonnes in the 2023/24 sugar marketing year – the special regulation for duty-free imports of agricultural products from Ukraine to the EU, which was extended in April 2024, has now been given an automatic safeguard mechanism for selected sensitive products, including sugar.

This special regulation is valid from 6 June 2024 to 5 June 2025. Accordingly, the limit for duty-free Ukrainian exports to the EU in the calendar year 2024 was around 265,000 tonnes. This limit for 2024 was reached in June, after which customs duties on imports from Ukraine were reintroduced in the EU on 2 July. A new duty-free import quota of around 110,000 tonnes has been set for the period from 1 January to 5 June 2025. Quantities in excess of this will then be subject to the normal customs duty of 419 €/t when imported into the EU.

Negotiations are currently underway between the EU and Ukraine regarding the market access regulation for the period beyond 6 June 2025. Plans foresee a revision of the existing trade agreement with the aim of avoiding another temporary solution.

Political agreement between the Mercosur countries and the EU

In early December 2024, the European Commission and the Mercosur countries jointly announced the conclusion of the negotiations on the EU-Mercosur agreement. If the agreement is ratified by the European Council and the European Parliament, it could enter into force at the earliest in fiscal year 2026/27. The implications for the sugar market would be that

- customs duties for 180,000 tonnes of Brazil's current import quota will be reduced from 98 €/t to 0 €/t.
- Paraguay will be granted a new duty-free import quota of 10,000 tonnes of raw cane sugar per year for refining.

The EU-Mercosur agreement also includes arrangements for ethanol imports into the EU, as shown in the → CropEnergies segment.

Continued coupled direct payments in the European domestic sugar market

Coupled premiums for sugar beets are still paid in 11 out of 19 beet-growing EU countries. As a result, different competitive conditions continue to exist within the domestic European sugar market. This conclusion was reached, for instance, by a study conducted by Wageningen University in the Netherlands. Coupled support for sugar beet is to be continued in the new funding period of the European Agricultural Policy until 2027.

Business performance

Revenues and operating result

In fiscal 2024/25, the sugar segment's revenues of € 3,876 (4,162) million were moderately below the previous year's level. Significantly higher volumes, driven by lower imports and higher beet sugar production in Europe, were no longer enough to offset the sharp fall in prices. Prices fell more and more sharply over the course of the fiscal year and dropped again significantly since the beginning of the new 2024/25 sugar marketing year. Rising exports from the EU to the world market also caused average prices to fall.

At € −13 (558) million, operating result was significantly lower than last year. Since the beginning of the financial year, the significant rise in production costs in the 2023 campaign had a particularly negative impact. Throughout the remainder of the year, the burdens from the ongoing and deepening fall in sugar prices increased and constitute the main reason for the drop in results. The third quarter was affected to an above-average extent by the sale of inventories with high production costs from the 2023 campaign at prices that fell significantly again at the start of the 2024/2025 sugar marketing year. Following this, the lower manufacturing costs from the new 2024 campaign, despite further reduced prices, and the proceeds from the sale of CO_2 certificates, among other things, provided relief.

Business performance – Sugar segment

		2024/25	2023/24	+/– in %
Revenues	€ million	**3,876**	**4,162**	**−6.9**
EBITDA	€ million	**146**	**714**	**−79.6**
EBITDA margin	%	3.8	17.2	
Depreciation	€ million	−159	−156	1.9
Operating result	€ million	**−13**	**558**	**–**
Operating margin	%	−0.3	13.4	
Result from restructuring / special items	€ million	−159	−6	> 100
Result from companies consolidated at equity	€ million	0	0	–
Result from operations	€ million	**−172**	**552**	**–**
Investments in fixed assets and intangible assets	€ million	282	257	9.7
Investments in financial assets / acquisitions	€ million	0	0	–
Total investments	€ million	**282**	**257**	**9.7**
Shares in companies consolidated at equity	€ million	30	30	–
Capital employed	€ million	3,056	3,347	−8.7
Return on capital employed	%	−0.4	16.7	
Working capital	€ million	1,441	1,727	−16.6
Employees (FTE)		**6,457**	**6,458**	**–**

TABLE 015

Result of restructuring and special items

The result from restructuring and special items totaled € −159 (−6) million and included impairment losses on fixed assets, which related to both the temporary shutdown of raw sugar refining at AGRANA's sugar factory in Buzău, Romania, and the closure of AGRANA's beet sugar production in Leopoldsdorf, Austria, and Hrušovany, Czech Republic. In total, the sugar segment's impairment losses, including impairment of goodwill, amounted to € 138 million. Additional costs were also incurred at the Buzău location in connection with the temporary shutdown for a social plan.

Capital employed and return on capital employed (ROCE)

The reduction in capital employed by € 291 million to € 3,056 (3,347) million was mainly a result of the factoring program launched in the 2024/25 financial year. In addition, total goodwill impairment of the sugar CGU was required. With an operating result of € −13 (558) million, a negative ROCE of −0.4 (16.7) % was recorded in fiscal year 2024/25.

Investments in fixed assets

Investments in the sugar segment climbed moderately to € 282 (257) million.

The main projects included:

- the implementation of the switch from coal to gas as the primary energy source at the Strzelin location in Poland,
- the implementation of the switch from coal to gas as the primary energy source at the Zeitz location in Germany and
- the expansion of the loading area and the sugar silo at the Wabern location in Germany.

Raw materials and production

2024 campaign

At around 373,800 (354,300) ha, Südzucker Group's beet cultivation area in 2024 was 5.5 % larger than in the previous year. Beet sowing was mostly completed between the end of March and mid-April 2024, around two weeks earlier than in the previous year.

Cultivation and production

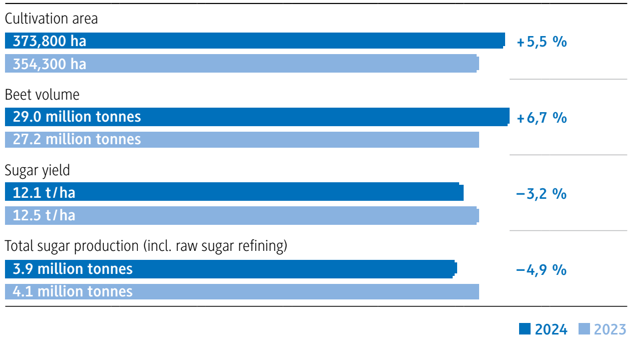


DIAGRAM 007

However, due to persistent rainfall, sowing in western regions, particularly in Belgium could only be completed in June. The growth of the beets has been impacted by extreme weather conditions, ranging from drought to flooding, and diseases such as SBR/Stolbur and Cercospora. Heavy precipitation in many areas resulted in higher yields, while sugar content gradually declined. Südzucker Group's beet yield rose to 77.7 (76.8) t/ha. Meanwhile sugar content was below the average for the last five years at 15.6 (16.3) %, resulting in a theoretical sugar yield of 12.1 (12.5) t/ha. A total of 29.0 (27.2) million tonnes of beets were processed over an average of 135 (128) campaign days. Thanks to low temperatures and no prolonged frost or extreme fluctuations, the beets remained well preserved until the end of processing in February 2025.

Production of sugar and sugar-containing byproducts

The Group's total sugar production, including raw sugar refining, fell to 3.9 (4.1) million tonnes. Organic sugar production at the Rain and Hrušovany plants also declined year-on-year, reflecting the reduction in organic beet cultivation areas and lower sugar yields. The volume of sugary byproducts produced was on par with the previous year's level at 3.5 (3.5) million tonnes.

Volumes

Sugar

The higher sugar production led to a 14.1 % increase in consolidated sugar volumes in the group in fiscal 2024/25 to 4.4 (3.9) million tonnes. Contributing factors included volumes at the companies in the EU, exports from the EU to the global market, and volumes at the companies based in Moldova and the Western Balkans.

Sugary byproducts

Sales of sugary byproducts rose to around 3.4 (3.3) million tonnes in fiscal 2024/25.