



# ISO INTERNATIONAL SUGAR ORGANIZATION

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## PRESS RELEASE

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### **"Sugar freight rates: trends and prospects" – MECAS(05)18**

Over the past three years, the world sugar economy has witnessed an unprecedented rise in freight volatility and freight rates. Indeed, the nominal Caribbean/UK freight and insurance element of the LDP (raws), increased from USD24/tonne in October 2002 to the all-time record high at USD70/tonne in December 2004-January 2005. Although since then the freight and insurance element has eased to a level of USD50-60/tonne, it still remains at historically exceptionally high levels and can account for up to 40% of the landed cost of imported sugar. In a new ISO study the recent dynamics of freight rates in the context of world sugar market price developments are reviewed, in order to identify existing trends and driving forces in the market and examine their implications for the global sugar market.

The study concludes that despite the fact that the sugar market is fully exposed to the ocean freight volatility, sugar has minimum impact on freight rates. Sugar trade is a "price taker" in the freight market, with rates being determined by factors beyond its control. Due to the unimportant role played by sugar in the world dry cargo market, sugar trade has no choice but to adapt itself to a changing freight market environment. Also of importance, although exceptionally high freight rates and consequent increases in CIF prices paid by importers might limit import demand in some price sensitive markets, the analysis of major sugar trade flows since 1998 indicates a minimal impact of mid-term changes in freight rates (e.g. a steep increase in 2003-2004) on the global sugar trade flows as against other factors affecting the world sugar trade matrix.

The study is available on request at £125 a copy. To obtain a copy of the Study please contact Catherine Roussière, publications depart., International Sugar Organization, One Canada Square, Canary Wharf, London E14 5AA,  
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