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The EU sugar market situation: an unprecedented price decline

At 372 EUR/tonne in February 2018, the EU average white sugar price is currently at its lowest level since the establishment of the European Commission Price Reporting System in July 2006, and down by more than 25 per cent since August 2017. It is almost ten per cent below the white sugar reference threshold, the only objective benchmark that exists to monitor the health of the sector. And it is far below EU average production costs.

Current sugar prices are not sustainable for beet and sugar production. This is confirmed by press reports that even the most competitive producers are sustaining heavy losses.[1]

Unfortunately, calls from the European Commission for the sector to regulate itself take no account of market realities.

- Sugar production is up by logic: relative high world market prices at the end of 2016 and the abolition of quotas led to higher production. Higher production also allows for a greater distribution of fixed costs, increasing operators' competitiveness in a more liberal environment characterised by increased competition.
- Meanwhile, low world market prices are dragging down the EU market. Sugar exports, while greater than under the quota system, are restricted by current world market price levels, debasing a major outlet. Substantial zero- and reduced-tariff import quotas set up since 2013, along with complete market opening to the ACP/LDC, prevents the gap between EU prices and world prices from exceeding 100 EUR/tonne for any sustained period. But world market prices do not reflect economic realities: as a residual dump market, world sugar prices are depressed in large part by subsidised production and exports from Brazil, Thailand, Pakistan, and India, and by excess production pushed onto the world market by a host of smaller players that is often sold at below cost.

If the gap between current EU prices and those until September 2017 remains at the present level, the net transfer of wealth from the sugar sector (farmers and industry) to secondary processors and retailers will be at least 2 billion EUR by the end of 2018.

We urge the European Commission and Member States to take account of the escalating crisis in the sector, and to consider ways to minimise the ongoing and potentially irreversible damage to farmers, workers, and sugar manufacturers.

[1] *Reuters*. 3 April 2018. EU sugar companies struggle to survive as prices plunge post-quotas.