



**INTERNATIONAL CONFEDERATION
OF EUROPEAN BEET GROWERS**



EU Sugar after 2015: consequences of the new regulations

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CIBE today

Founded in 1927

- 23 MEMBERS (regional or national beet growers' associations)
 - 150 000 growers from 19 EU countries producing sugar beet
 - + growers from 2 non EU countries (Switzerland and Turkey)
- ➔ A strong expertise based on a great diversity





to represent and defend sugar beet growers' interests at European and international level, official representation and lobby before the European Commission, the European Parliament, the Council and other institutions

to monitor and analyse the management of the Common Market Organisation and its regulations

to promote the sustainability of sugar beet growing (technical progress, environmental issues, good agricultural practices, interprofessional relations etc.)

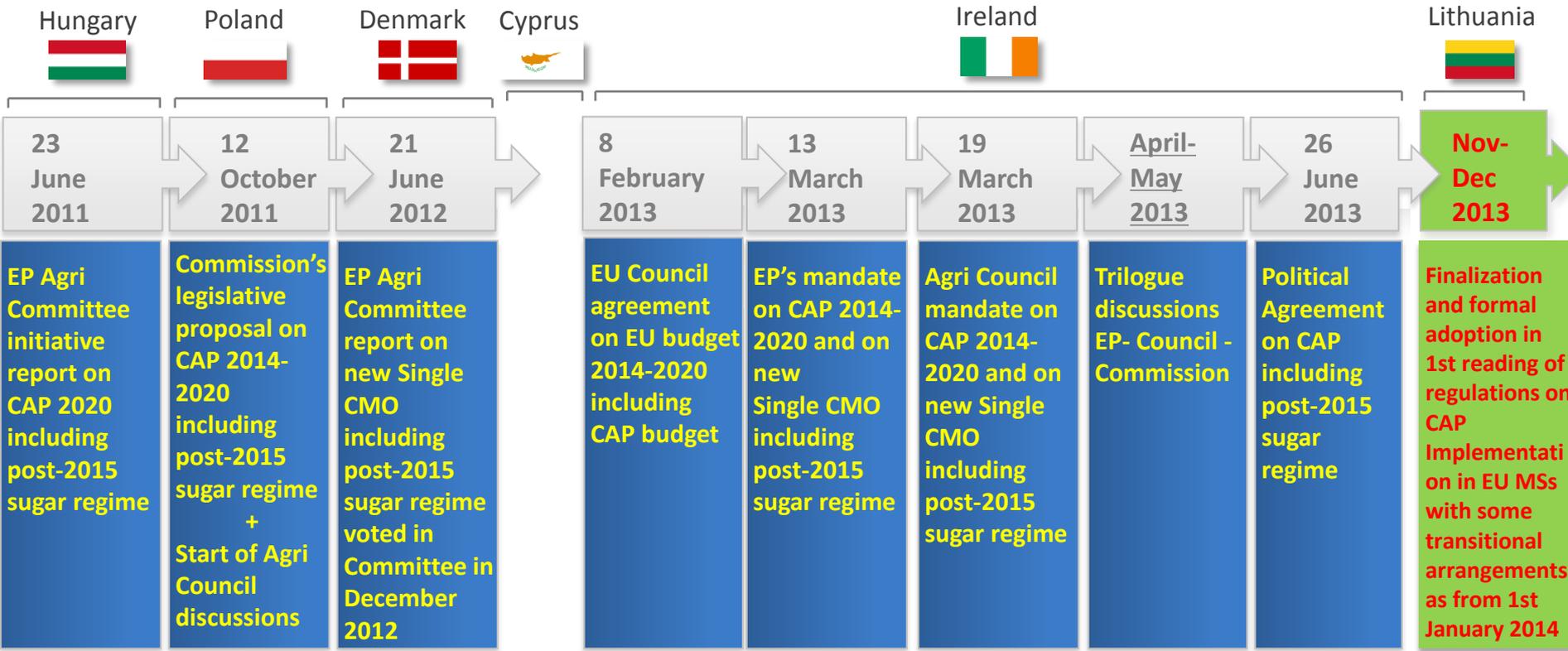
to provide expertise on the European sugar beet economy (statistics, annual reports and surveys)

- 1. The new European picture: the results of the legislative co-decision process on CAP and on the sugar regime**
- 2. The competitiveness of EU sugar beet**
- 3. The EU market outlook and growers' perspectives after 2017**



1- The new European picture: the results of the legislative co-decision process on CAP and on the sugar regime

The EU co-decision legislative process on CAP reform: a long journey!



The CAP Reform as from 1st January 2014: a financial issue and a complex toolbox

- A political agreement on EU Budget (MFF) 2014-2020 to reduce the CAP 2014-2020 budget compared to 2007-2013 period (by 8% for Pillar 1 and 13% for Pillar 2)
- A political agreement between 28 MSs on a package of 4 legislative texts with some improvement of the original Commission proposals :
 1. Pillar 1: Direct support scheme(s) → a reduction and a strong reallocation of support as well as more obligations/burdens for many farmers (“greening”) and more complexity!
 2. Pillar 2: Rural Development Scheme
- ➔ + 15% flexibility between Pillar 1 and 2 (and in certain MSs up to 25% from Pillar 2 to 1)
- ➔ **Toolbox/Flexibilities given to MSs: Impacts in and between MSs??**
- 3. Rules on the Financing of the CAP

The CAP Reform as from 1st January 2014: sugar included in a large package

4. Single Common Market Organisation (Single CMO) includes provisions related to market measures

Objectives

- Simplification
- Completed market orientation: end of milk quotas, end of sugar quotas, end of wine plantation rights, market management measures reduced to safety nets in the event of severe crisis
- Improved farmers' cooperation, in particular in certain sectors / improved functioning of food supply chain (but to be confirmed by implementation)

The Single CMO and the sugar regime as from 1st January 2014 : drastic with very short adaptation period for EU growers

Very short!

Up to 30th
September
2017

- Prolongation of the current sugar regime (but end of sugar reference price)
- Sugar quota and current sugar market provisions extended (incl. temporary measures)

Uncertain times!
Opportunities
and challenges

As from 1st
October 2017

- End of the sugar quota system → liberalisation of sugar and isoglucose supply
- End of all sugar market provisions, including end of minimum beet price
- Maintenance of contractual framework
- Maintenance of preferential access

The sugar regime in the post-quota period from 1st October 2017: Results 1

- Very short time of adaptation/transition period : only 3 further beet campaigns under the quota system : 2014/15, 2015/16, 2016/17
- Sowing decisions for the 2017/18 beet campaign, the 1st one under the new regime, at the latest in summer/autumn 2016, i.e. in less than 3 years
- Interprofessional agreement between growers and beet processors under the new scheme to be negotiated before autumn 2016 at the latest
 - ☀ **Key decisions will be taken by the sector before 2017! With possibly some new developments before 2017!**
 - ☀ **On what basis, what strategy in a fluctuating short and medium-term context?**

The sugar regime in the post-quota period from 1st October 2017: Results 2

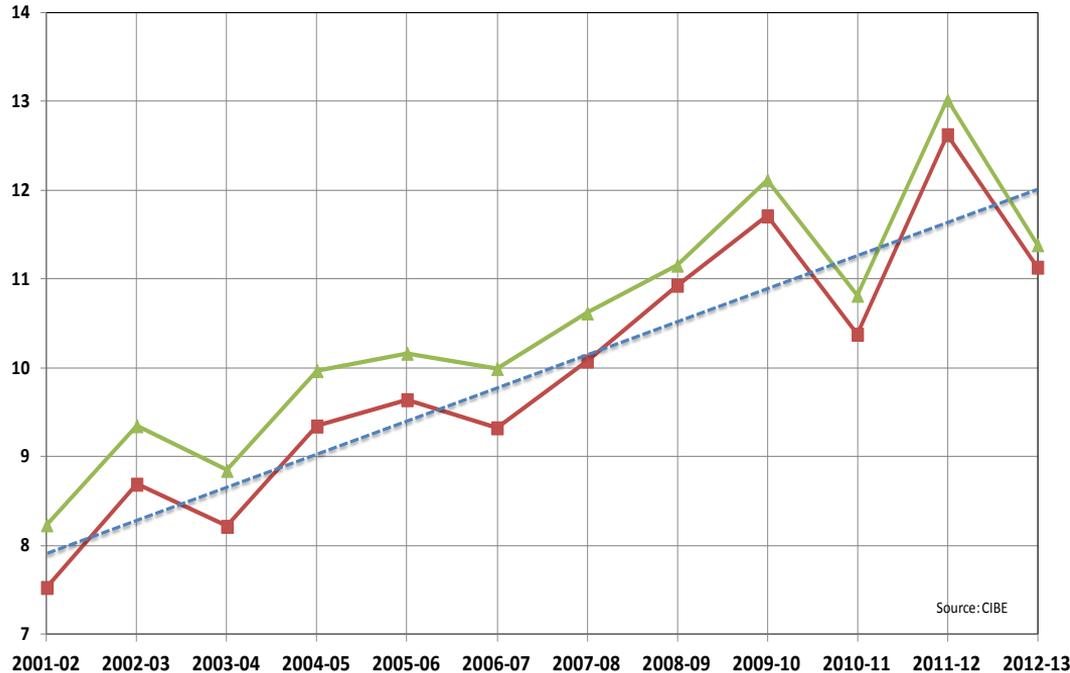
- Organisation of the sector remains with contractual framework between growers and manufacturers but with some adaptations and without previous safeguards and benchmarks for growers
- Fundamental elements of the contracts will remain collectively negotiated
- Growers and processors will have to agree together the new basis of the contracts
- Determination and bargaining strength of growers will be key
- Strong and fair partnership between growers and processors will remain essential



2- The competitiveness of EU sugar beet

A constant gain in the EU sugar yield...

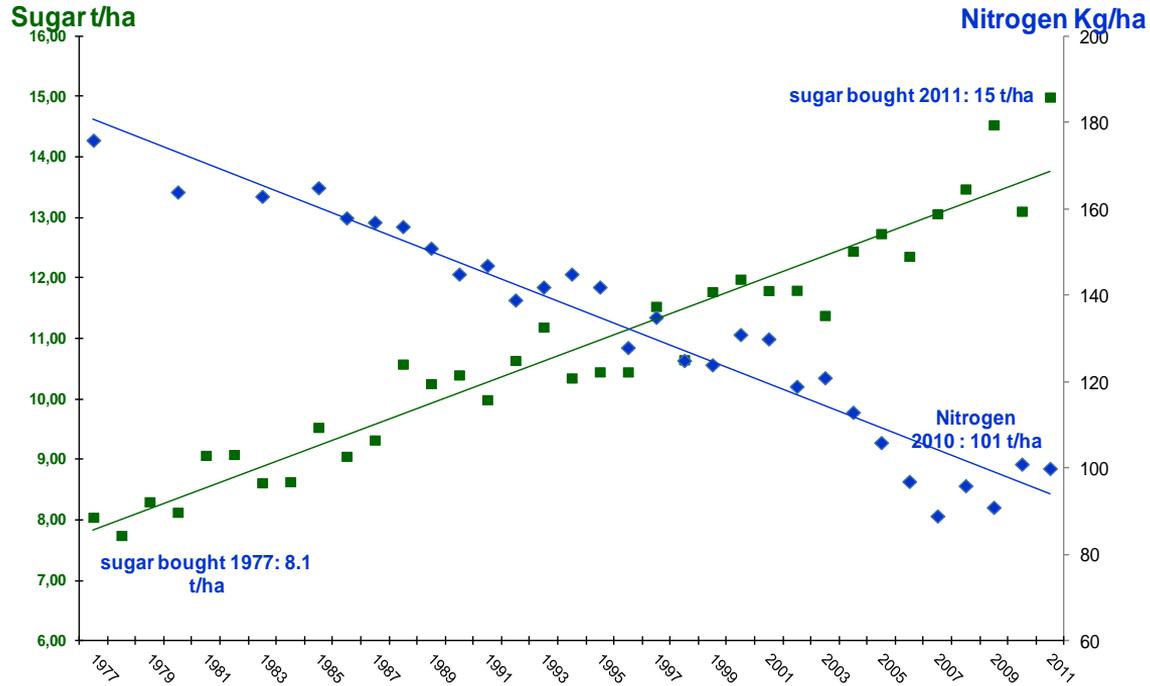
Evolution of the average sugar yield in the EU-15 and the EU-27 (t. sugar /ha)



- Result of constant investments in R&D, breeding and improvement/diffusion of good agricultural practices
- No other choice for all growers and their seed partners than to continue this trend

...with a constant gain in efficiency...

Evolution of N-fertilizer use and sugar yield since 1977 in France



Sources: CGB (1977-1996), ITB (1997-2011)

- High environmental sustainability of EU beet
- CIBE-CEFS-EFFAT sustainability partnership launched in October 2013

...how to maintain this trend?

The future competitiveness of the EU sugar sector

Main factors of competitiveness	Potential gains
Beet variety / breeding techniques	++
Global warming	+
Agricultural practices	+
Land price	-
Labour costs	.
Industrial costs	
campaign length	. → +
processing capacity	. → +
Energy costs	-
Environmental costs	-
Logistics	. → +
Trading	. → +
Exchange rate	????



- EU beet growers in the forefront of competitiveness challenges



3- The EU market outlook and EU growers' perspectives after 2017

■ Concluded:

- Ukraine, Georgia, Moldova
- Singapore
- Colombia - Peru
- Central America
- = + 266 000 t sugar as such
- Canada

■ Under negotiations:

- South Africa
- US
- Thailand
- Other ASEAN (Vietnam)
- India
- Japan
- Mercosur (Brazil)
- = ?

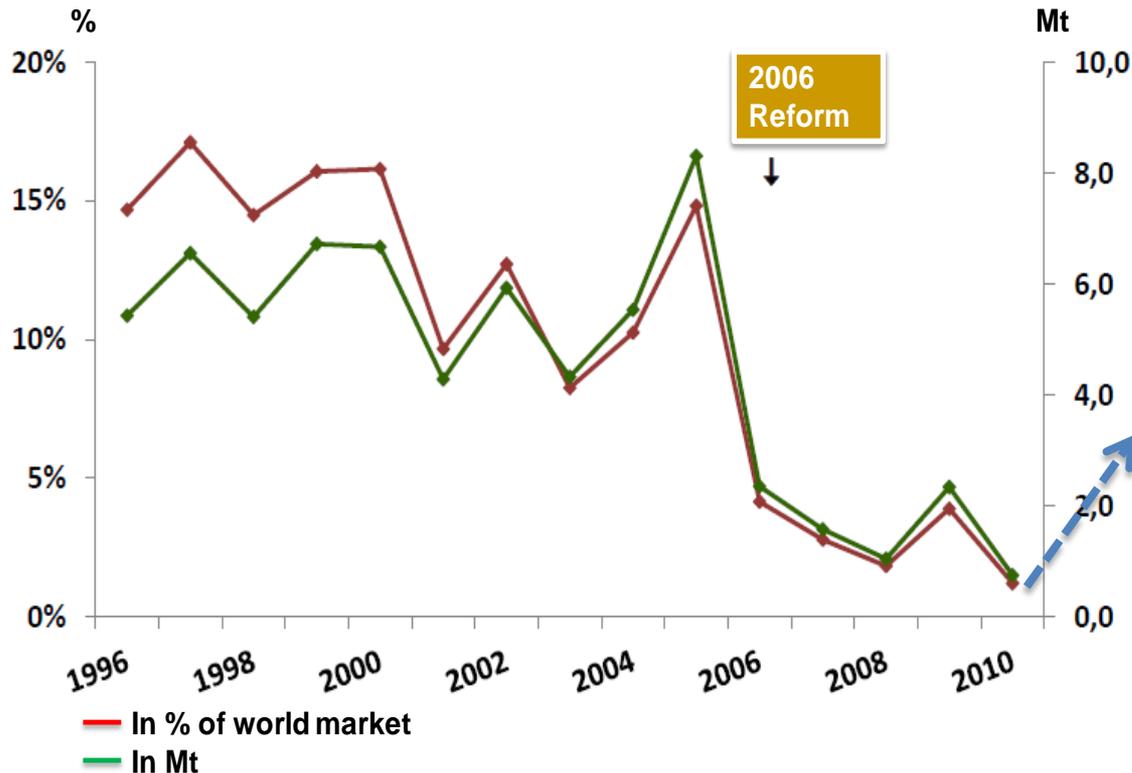


■ EU future imports:

- More sources for preferential imports → ACP/LDC erosion of preferences
- Pressure of new FTAs on the EU market
- Attractiveness of EU market vs. US and world markets will shape future EU imports

- Market access concessions through bilateral FTAs jeopardize EU market balance!

...to a net exporter? EU exports increase essential for EU market balance in the future



- EU future exports dependent on:
 - EU market balance
 - competitiveness with third competitors (a reduced difference between most competitive EU countries and Brazil)
 - world sugar prices
 - global demand
 - management of the volatility

- A highly concentrated sugar industry: the first 7 EU sugar companies hold around 85 % of the EU quota and EU production; the first 6 EU sugar companies represent 93% of the current out-of-quota production of which 60% dedicated to food an non-food domestic market
- The EU sugar cooperatives represent 70% of EU production but “only” 45% of EU growers are “members” of a cooperative
- An asymmetric transmission of sugar prices along the supply chain: sugar users do not transfer sugar price decrease to consumers
- EU sugar companies are diversified and have different strategies:
 - In raw cane sugar refining
 - In isoglucose and other sweeteners production
 - In bioenergy production (bioethanol, biogas)
 - In other food products (fruits)

EU beet growers' perspectives: before 30 September 2017: a progressively moving context

- **EU sugar market balance stability and EU market prices under pressure:**
 - from new FTAs
 - from EU sugar industry's early decisions
- **Possible further consolidation of the EU sugar industry (incl. raw cane sugar refining) – corporate alliances**
- **Renegotiation of interprofessional agreements between beet growers' organisations and undertakings: indispensable fair partnership**

EU beet growers' perspectives: after 1st October 2017: a volatile and uncertain context

Challenges	Opportunities	Variables
Increased competition	Liberalisation of EU domestic market	Cereal and alternative crop prices vs. Beet prices
Liberalisation of EU sugar production	Liberalisation of EU export	Sugar world market prices Evolution of EU competitiveness
Liberalisation of EU isoglucose production	High sustainability of EU beet	Isoglucose prices
Pressure of FTAs	Possible decrease of preferential imports	Evolution of ACP/LDCs and other preferential partners competitiveness
Increased domestic market volatility	Strong Contractual framework	Management of volatility
Increased domestic instability	Increase of global demand	Consumption growth in Asia, Africa, Middle East
Further consolidation of EU sugar industry – corporate alliances	Investments in bio-economy	Growth of non-food uses/renewable energy/bioproducts

- **Big challenges ahead for EU beet growers who will implement the new CAP and manage their beet area/production in a new context!**
- **Reversing the consequences of the 2006 reform will be challenging!**
- **EU beet growers ready to accept challenges and to share risks and bad years at the condition to be in capacity as well to share opportunities and good years!**
- **EU beet = one of the most sustainable crop of our regions!**

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**Thank you
for your attention!**



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