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THE SUPPLY OF THE EU SUGAR MARKET

HOW IS THE EU SUGAR MARKET SUPPLIED?

- The EU's annual consumption of sugar for food is estimated at 16 million t.
- The European sugar-using food and beverage industries purchase and use almost 70% of the European annual food consumption of sugar by its incorporation in a wide variety of products.
- Since the 2006 reform, the EU beet sugar quota, dedicated to the food market, amounts to 13 million t. Therefore, there is a structural deficit of 3 million t of quota sugar.
- The beet producers can produce out-of-quota beet sugar only for non-food uses (chemical industry, bioethanol, bioplastics) and for exports to the world market. In the event of surplus of out-of-quota sugar, beet producers have to carry forward these quantities to the next marketing year.
- The EU market balance is ensured with around 3 million t. of sugar imports. These consist of both raw and white ACP/LDCs imports (preferential agreements EPAs and EBA) and other preferential imports resulting from EU enlargement (CXL, Balkans). From 2012/2013 onwards, new Free Trade Agreements (FTAs) will enter into force, granting additional sugar market concessions; imports from Central America and Colombia and Peru will be added.
- These imports can be either raw cane sugar or white sugar.
- Mauritius (an ACP country) made major investments in 2009 and switched all its supplies to the EU from raw to white sugar, reducing EU imports of raw sugar. This is to the advantage of Mauritius and has not affected the overall amount of sugar available on the EU market. Currently, the EU imports around 1 million t. of white sugar and 2 million t. of raw cane sugar.

IS THE EU SUGAR MARKET SUFFICIENTLY SUPPLIED? YES!

- The EU Commission has market tools at its disposal to balance the market if necessary:
  - In the event of total imports being higher than 3 million t., the Commission can reduce the quantity of beet sugar quota (withdrawal). It is important to note that currently this measure only applies to beet sugar and not to sugar imports. The withdrawal affects beet growers and beet sugar producers but not raw cane sugar refiners. It was implemented in the 2007/08 marketing year.
  - In the event of total imports being insufficient and lower than 3 million t., the Commission can apply two measures: additional imports at a zero or reduced customs duty (in this case essentially Brazilian sugar) and/or the release of out-of-quota sugar onto the market at a zero or reduced levy. These two measures were implemented equitably in the 2010/11 and 2011/12 marketing years.
- If the EU Commission implements appropriate and timely market measures, there is no supply problem and the market can be balanced.
- The EU market is currently sufficiently supplied: since 2010/11, stocks at the end of the marketing year (average 14% of food consumption) are higher than stocks at the beginning of the marketing year.

HOW HAS THE EU SUGAR PRICE EVOLVED?

- EU white sugar market prices are the result of negotiations between sugar manufacturers and sugar users. Because sugar users wish to secure their supplies and prices, a majority of the contracts between sugar users and manufacturers are annual contracts. Consequently, this induces some inertia in the evolution of market prices on the EU market.

- After having strongly decreased between 2006/07 and 2009/10, EU white sugar market prices have increased. On average, the 2011/12 (10 months) price was around €690/t ex-works. This is higher than the EU sugar reference price of €404/t, but lower than EU prices before the 2006 reform.

- This development follows the general trend of agricultural raw material prices and the increased domestic prices for sugar in industrialised countries around the world, resulting from the bullish world sugar market in 2009/10 and 2010/11. The EU sugar market price is not higher than domestic sugar prices in other industrialised countries.

IS THE COMPETITIVENESS OF SUGAR USERS AT STAKE? NO!

- The EU sugar market is quota-free duty-free for ACP and LDC countries, provides TRQ access at zero duty for the Balkans and India and TRQ access at reduced duty for Brazil, Cuba, and Australia.

- Non-preferential imports are subjected to the payment of import duties while respecting the WTO commitments.

- Non-EU food companies exporting sugar or high sugar content products to the EU must pay sugar duties to enter the EU, unless some specific trade agreements have been made.

- Moreover, European sugar users benefit from the Inward Processing Relief (IPR) procedure which allows them (not only for sugar) to avoid any distortion of competition on world markets. Indeed, the IPR allows importing sugar at zero-duty and without quantitative limit provided this sugar is processed in a food product and re-exported to world markets. The average quantity of sugar used under this scheme amounts to around 400 000 t.

- EU sugar exports in processed products have remained very stable since 2006/07 and amount to around 1.1 million t. This stable situation does not indicate any problem of competitiveness.

- The sugar CMO does not negatively impact the food industry in the EU; there is no distortion of competition.

- In addition, it should be noted that sugar represents a very low part of the total cost of production of food products. For example, in high sugar content products like soft drinks, it represents around 5% of the selling price of a can (i.e. in 2012 around €0.02/can).

- Finally, European consumers would certainly appreciate to buy sugar at a lower price. But if agricultural price increases are always transmitted to the final consumer, agricultural price decreases are rarely if ever transmitted to the final consumer.

- The strong decrease in the EU sugar market price between 2006 and 2010 has not been passed on to the final consumer, as shown by the recent evolution in consumer prices and selling prices of processed products in the EU. And, contrary to what was forecast by the European Commission, this decrease has mainly benefited the food and drinks industry and the retail sector, amounting to around €4 billion in four years.

The current sugar CMO and its market tools have proven to efficiently balance the EU market and to ensure a regular supply of the EU market, under conditions which have allowed European sugar users to improve their competitiveness at European and at global level. The objective of the new CAP post-2013 is to secure the EU white sugar market thanks to a domestic beet sugar production representing 85% of EU consumption in order to supply the EU market with a high quality and readily available product.