The impact of EU sugar quota removal on EU external trade in sugar: a bilateral perspective

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EU sugar reform (2006)

European Commission

Objective:

- "… simplification and greater **market orientation** of the EU's sugar policy … "
- " … integration of income support for sugar beet farmers into the direct payment system … "

How ?

- Stepwise reduction of the EU reference prices and minimum beet price for the production of quota sugar
- Restructuring of the sugar production (decrease of sugar quota: -5.8 mio tons; restructuring and diversification aid, …)
- Final step : expiry of sugar quota in 2014/15

Methodology

CAPRI modelling system

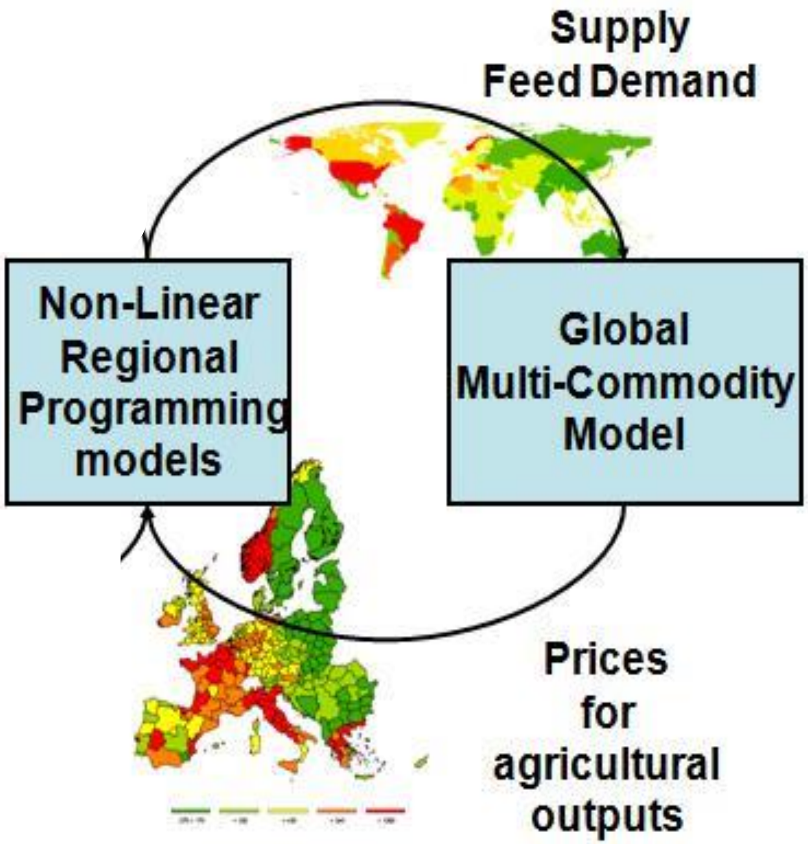
Market module:

- **Bilateral trade**
- **47 products**
- **40 trade blocks**

Regional supply module:

- **CAP, incl. EU sugar policy**
- **Trade restrictions**
- **Link to biofuel market**

Iteratively linked



Methodology

Scenario

- comparative static analysis of situation in 2020
- EU sugar quota expiry (vs. no expiry in reference)
- no WTO limit on exports
- no change in other trade measures (TRQs or tariffs)

Caveat : no explicit modelling of isoglucose market

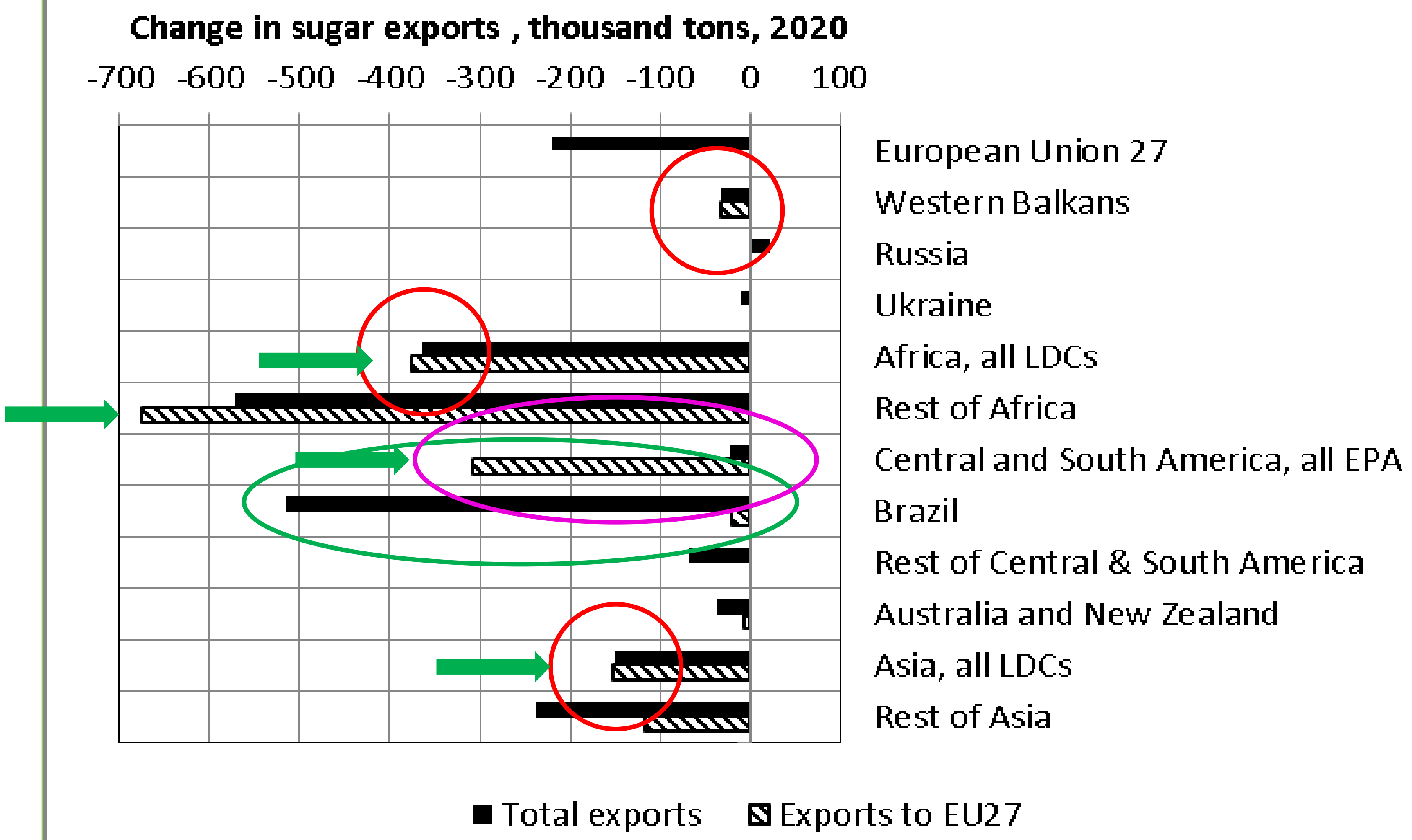
Scenario results

European Commission

	Units of measurement	Reference (EU quotas continue)	Scenario (EU quotas removed)	Percentage difference
EU27 sugar production*	'000 tons	20,096.7	20,948.2	4.2
EU27 sugar total use	'000 tons			
Human consumption		16,380.3	16,507.4	0.8
Industrial use		6,339.9	5,289.6	-12.2
EU27 sugar exports	'000 tons	1,392.2	1,171.8	-15.8
EU27 sugar imports	'000 tons	4,030.8	2,314.0	-42.6

* Sugar production includes the sugar equivalent of sugar beet that is directly processed into bio-ethanol

Scenario results



Scenario results

Welfare effects :

Total welfare gain : + 989 mio EUR

EU-27: + 845 mio EUR (consumers gain, sugar production looses)

Brazil: - 40 mio EUR (sugar producer and exporter loose)

Africa: + 28 mio EUR (consumers gain more than sugar sector looses)

Conclusion

Impact of removal of EU sugar quota on trade

Direct impact: replacement by EU production of sugar imports from high-cost third country sugar exporters (LDCs, Africa, …)

Indirect impact: Brazil is squeezed out of African markets by African sugar no longer exported to the EU

Overall welfare change is positive and goes mainly to the EU consumers, but consumers outside the EU gain as well thanks to the drop in local consumer price of sugar (Africa, Asia and North America)

European Commission

Thank you for your attention.

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Annexes

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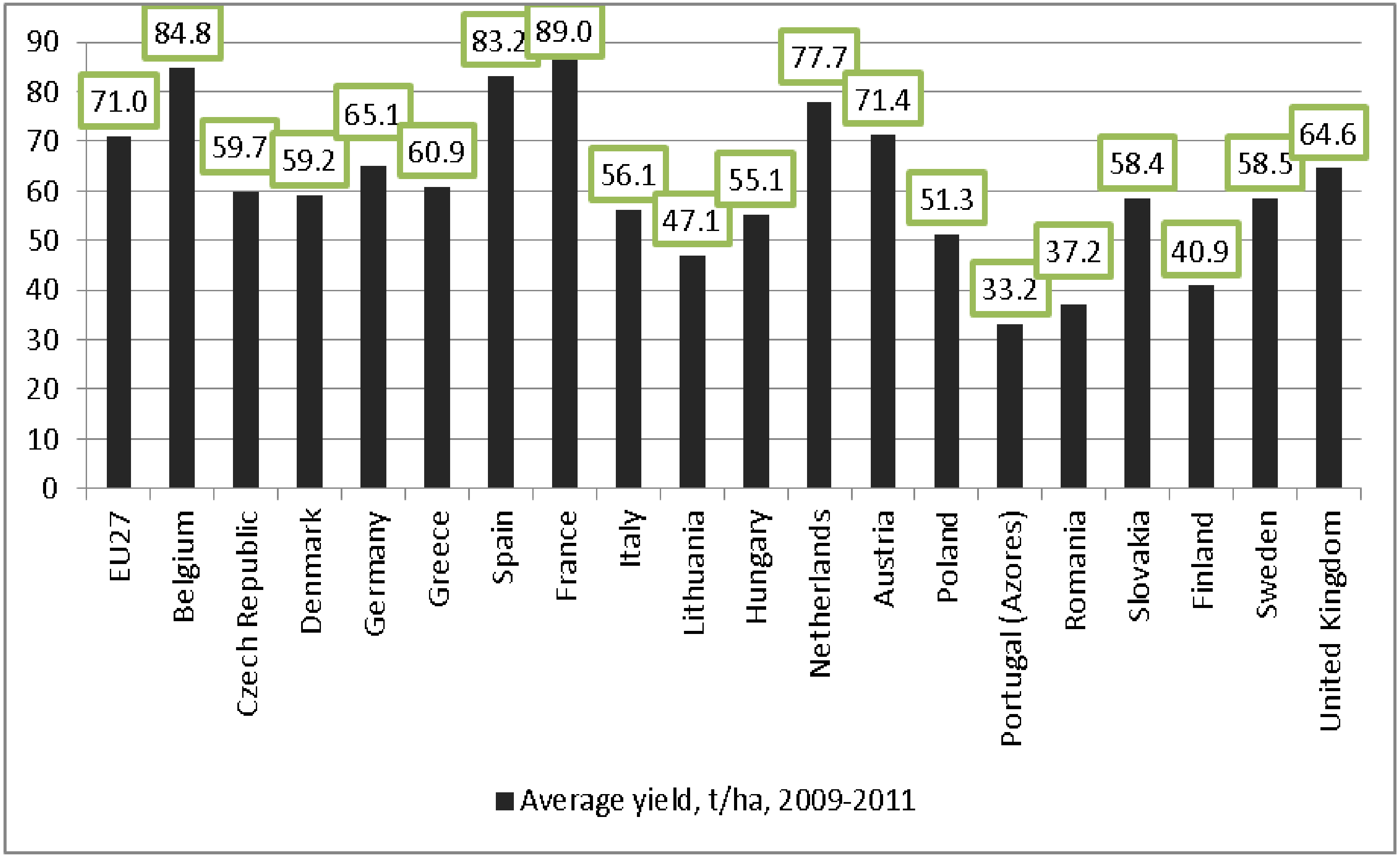
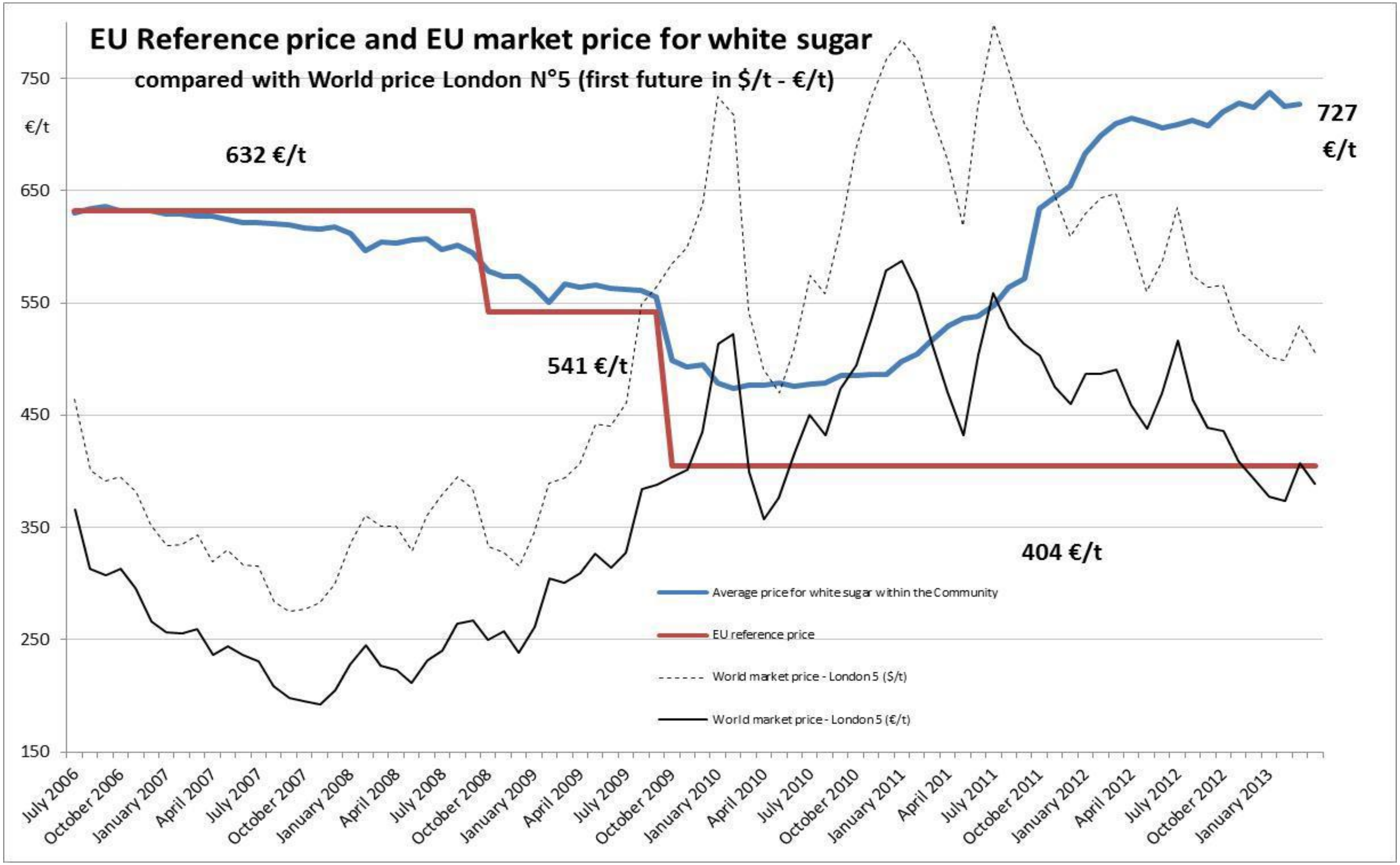
Sugar beet yields by EU Member State, t/ha, average 2009-11.





Source : European Commission, DG AGRI (2013)

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