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EU SUGAR POLICY REFORM

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IMPACT OF THE EUROPEAN SUGAR REFORM

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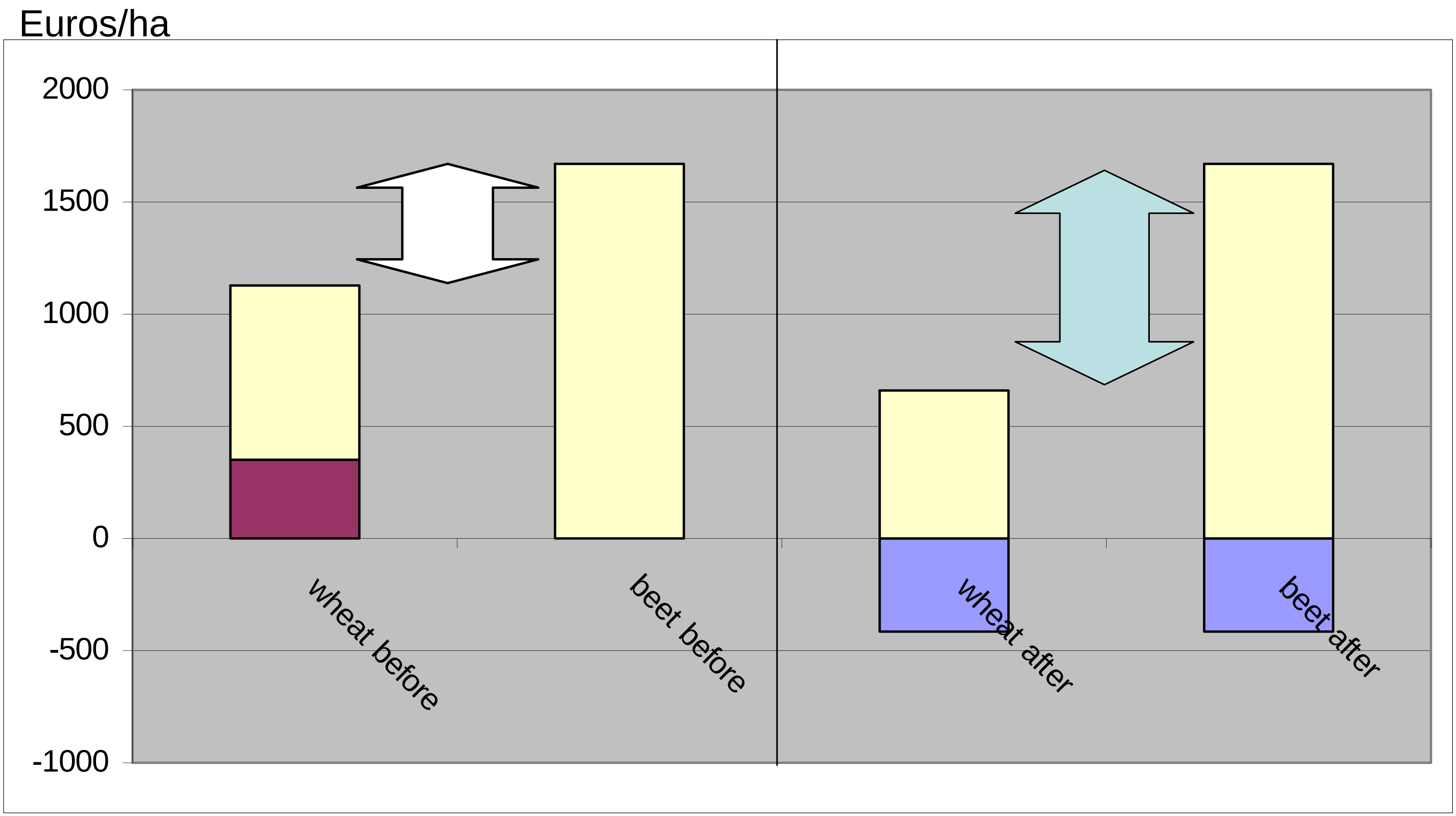
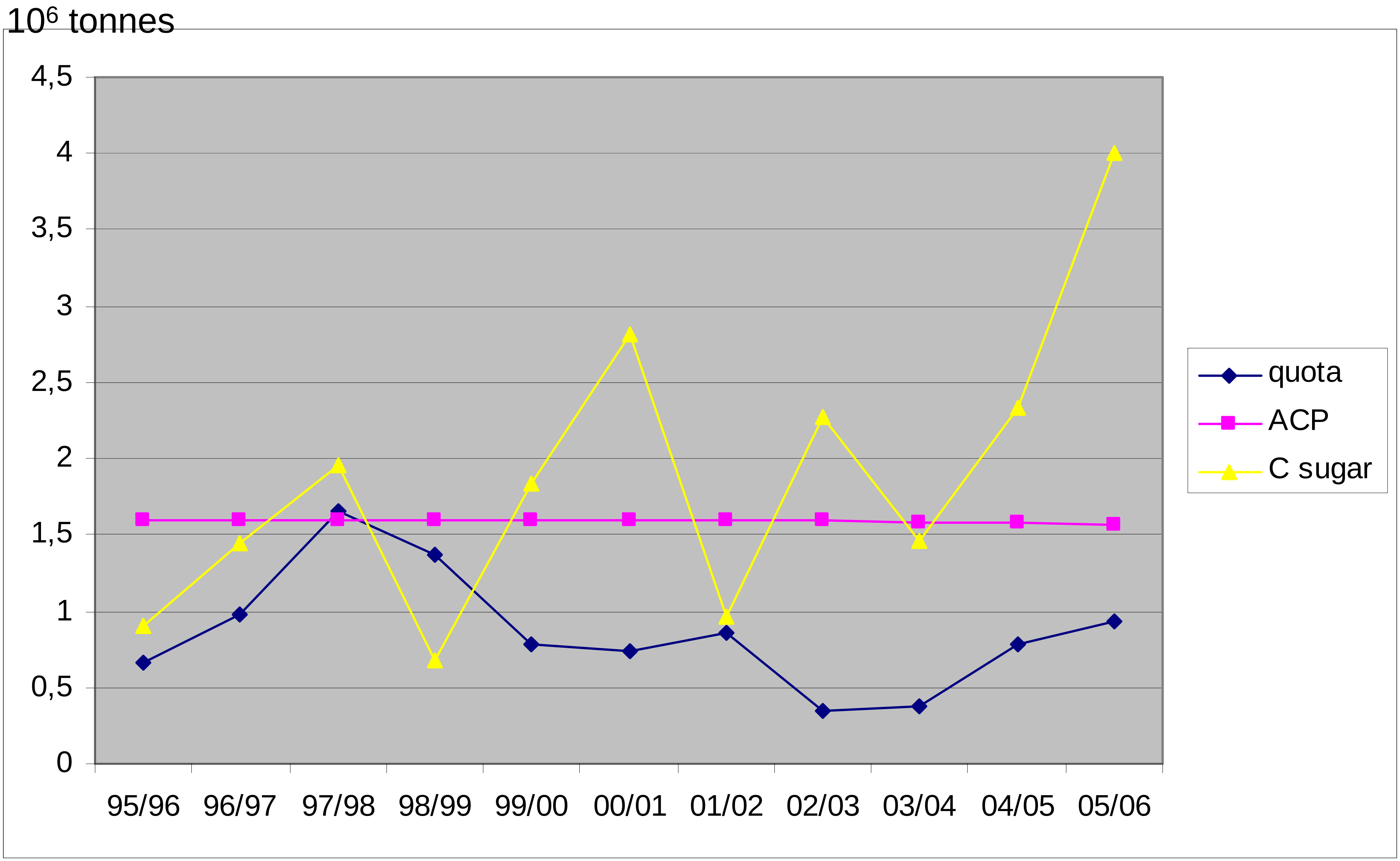
THE EUROPEAN SUGAR REFORM

Internal reasons

CAP REFORM MADE BEET TOO ATTRACTIVE AS A CROP



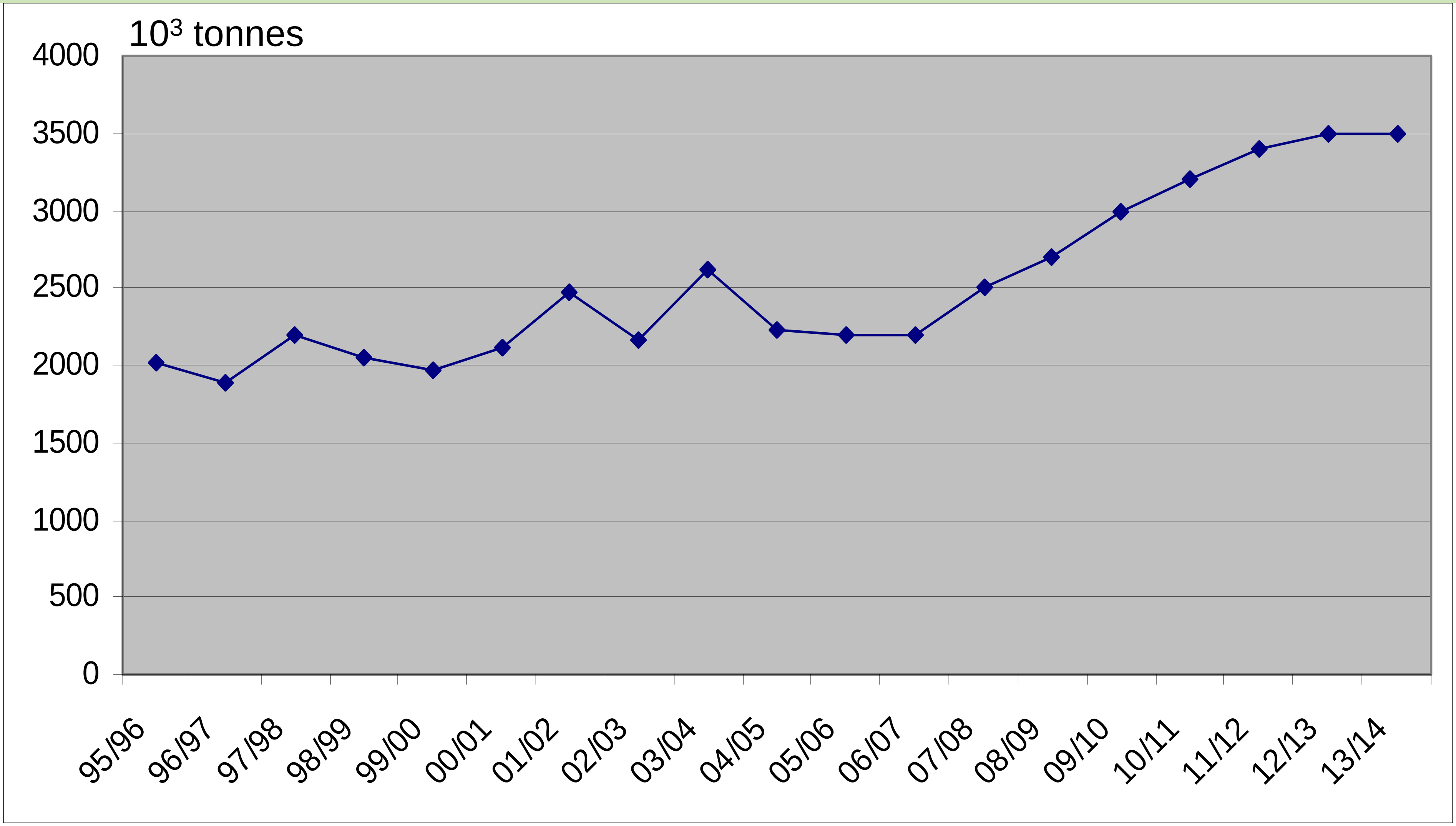
WHICH LED TO HIGHER 'C' SUGAR EXPORTS AS PRODUCTION ROSE



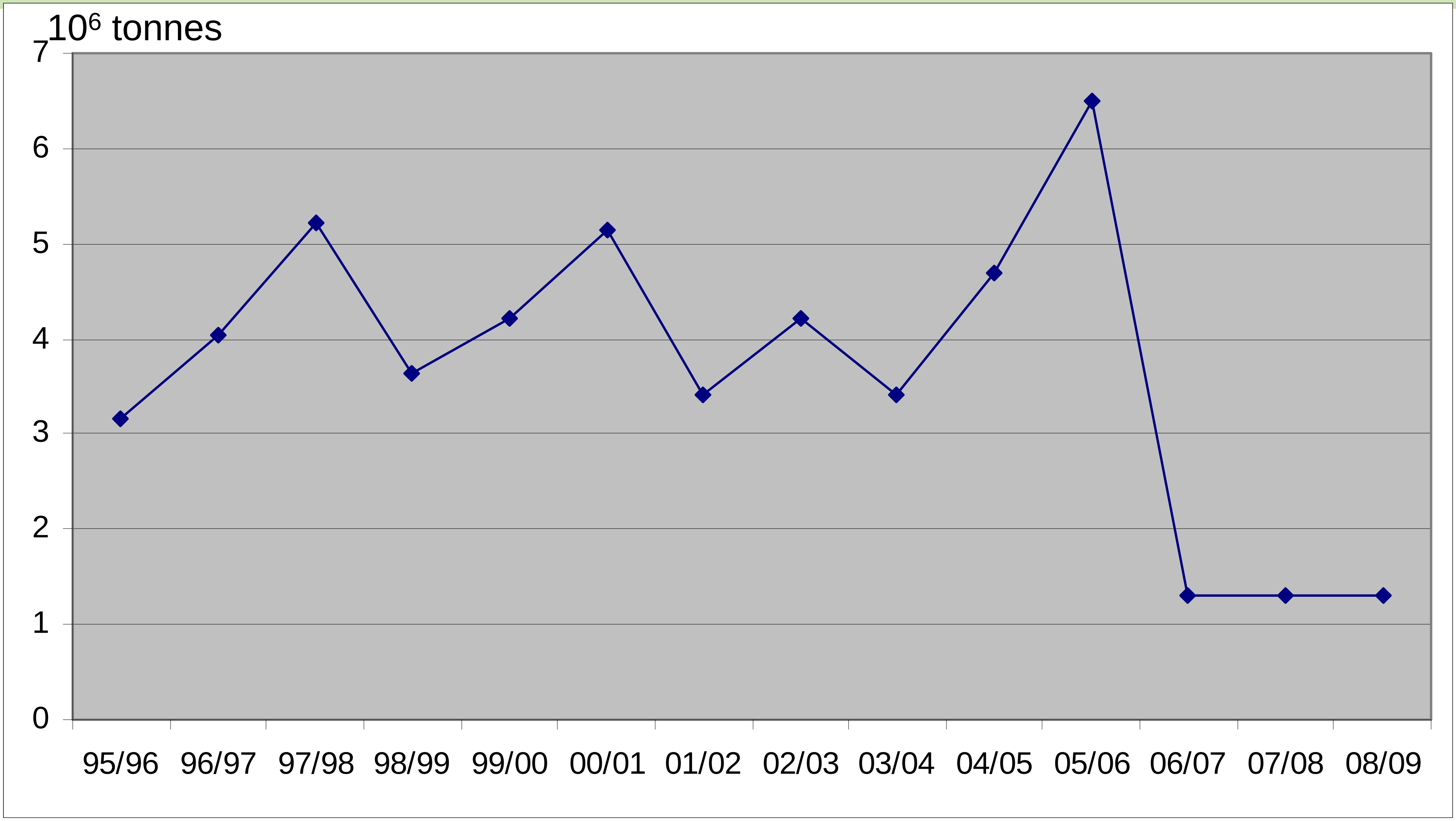
THE EUROPEAN SUGAR REFORM

External reasons

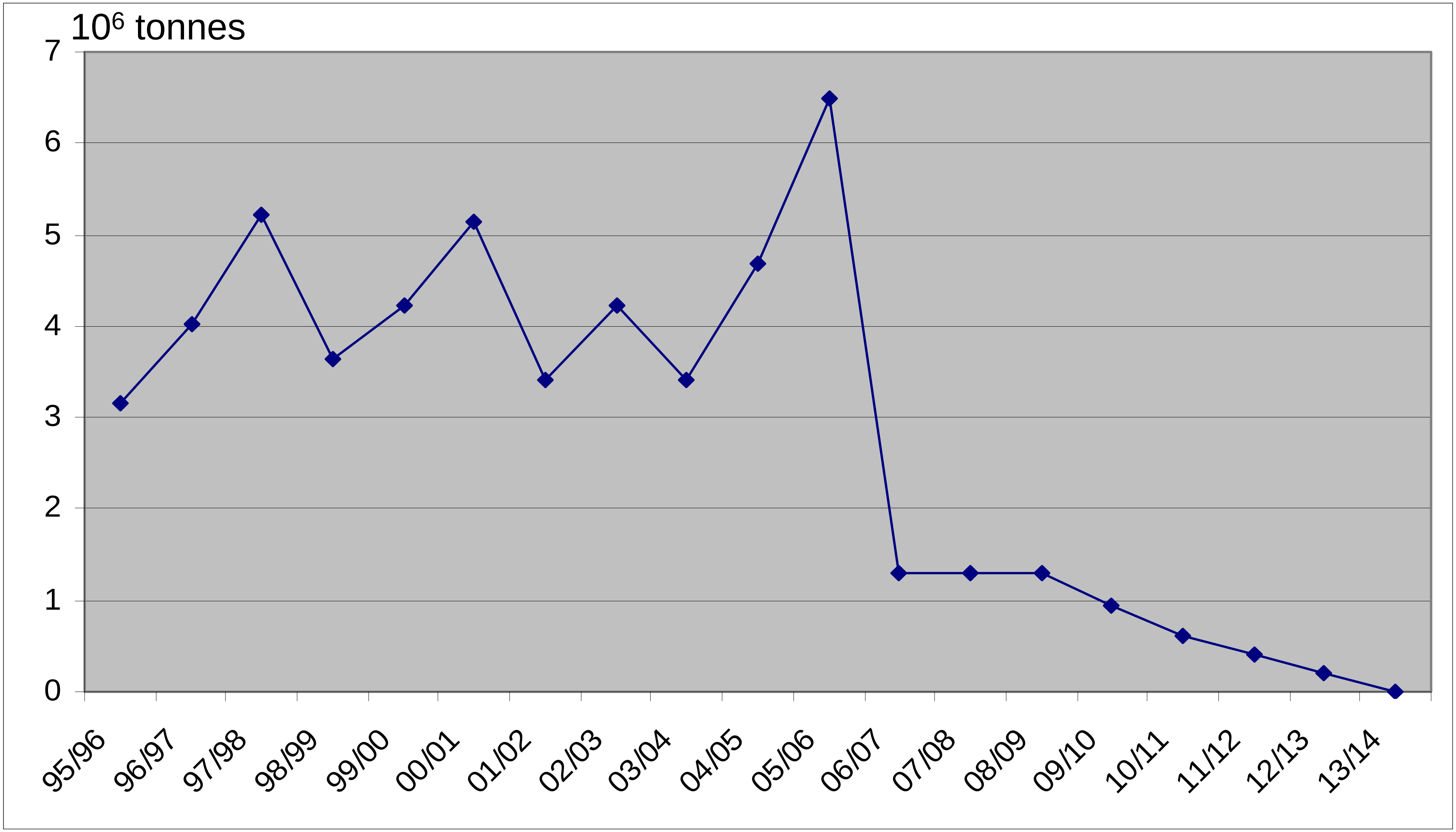
MORE IMPORTS FROM LDC's DUE TO THE EBA INITIATIVE



MAJOR CUT IN EXPORTS DUE TO THE WTO SUGAR PANEL RULING



ELIMINATION OF SUBSIDISED EXPORTS DUE TO DOHA ROUND



THE EUROPEAN SUGAR REFOM

Main decisions

- A 45% basic beet price cut with fully decoupled income compensation (after 5 transition years with some coupled payments)

- A 36% sugar price cut

- A production charge of €12/t, split 50/50 with growers instead of the 60/40 split with the current production levy

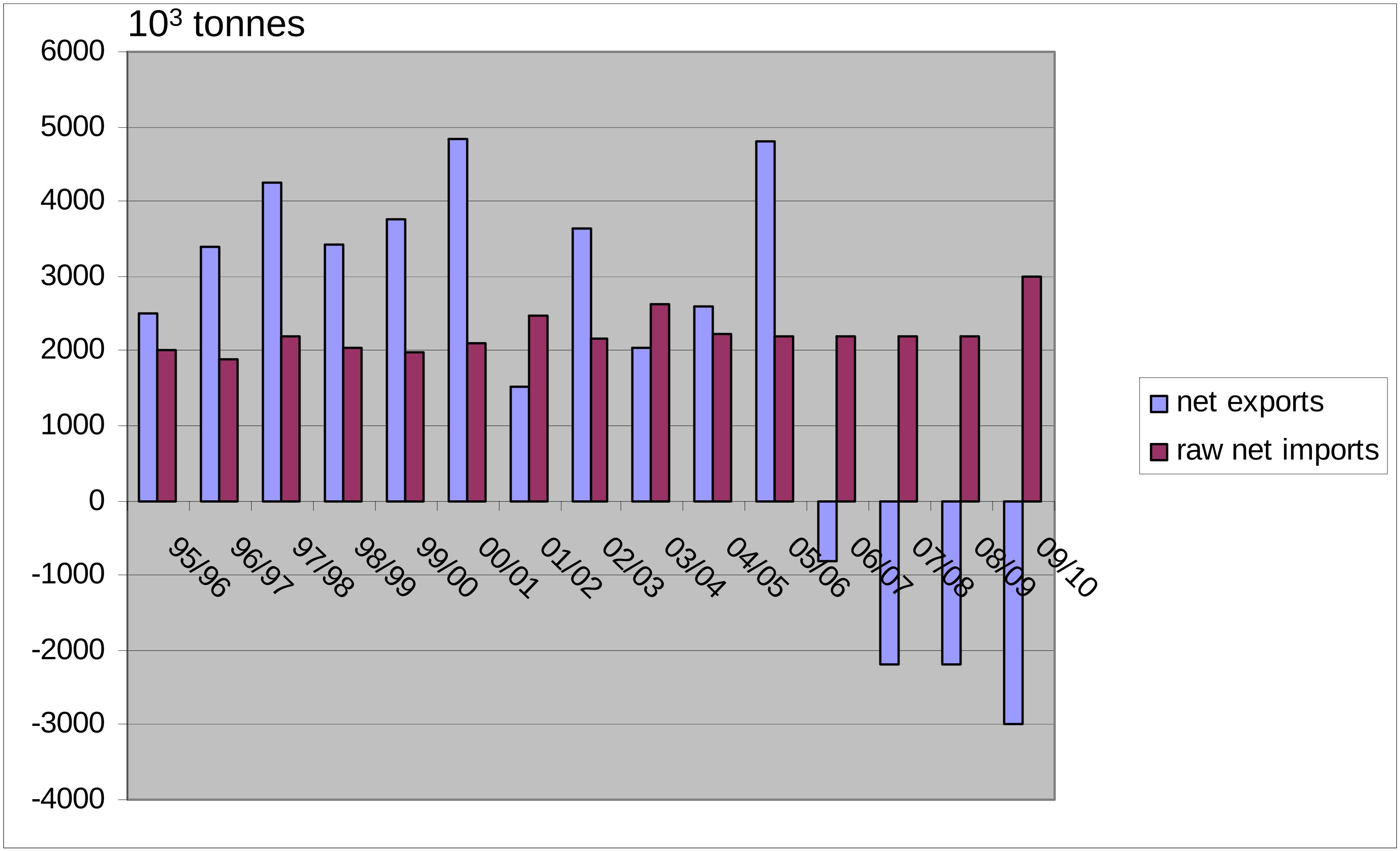
- A 4-year industrial restructuring program for the sugar industry targeted to eliminate a gross 6 mt of quota (a 34% cut)

- Stricter rules on « out-of-quota » production

THE EUROPEAN SUGAR REFORM

Consequences

From net exporter to net importer



THE PROFILE OF COUNTRIES EXPORTING TO THE EU CHANGES

- Currently 15 ACP countries supply the EU under the Sugar Protocol. Of these the largest suppliers are Mauritius, Fiji, Guyana and Jamaica. How many ACP will survive the 36% cut in the EU guaranteed price for raw sugar?

- Among the 27 LDC’s producing sugar how many will be able to take advantage of their free access to the EU ? (The largest potential exporters are Mozambique and Sudan).

A MAJOR RESTRUCTURING OF THE EUROPEAN SUGAR INDUSTRY

- As a result of the reduction in exports and the growth in imports, total EU sugar production will have to decrease by

  30% – 35% from 20 mt to 13 - 14 mt
- The reform will cut the institutional processing margin by 20%, necessitating a drastic cut in fixed costs

CUT IN PROCESSING MARGINS

- The current institutional processing margin = guaranteed price (€632/t) minus the sugar in beet price (€367/t), minus the levy to finance the regime (€22/t as an average) = €243/t

- The future institutional processing margin = reference price (€404/t) minus the sugar in beet price (€202/t), minus levy (€6/t) = €196/t

AN EXPECTED CONCENTRATION OF THE EU SUGAR INDUSTRY

- Currently there are 39 sugar groups (including refiners) in 21 EU countries with 190 factories
- The 10 largest groups (2 UK, 1 Danish, 1 French, 3 German, 1 Italian, 1 Polish and 1 Spanish) cover three quarters of production
- Three countries (Germany, France and Poland) produce around half of EU sugar production - including cane refining

TOMORROW ?

- > 40% of factories will close
- The number of EU countries producing sugar will decrease
- There will be fewer independent sugar companies and more cooperatives, as has happened in the USA
- The 10 largest groups will produce more than 75% of EU production

RESULTING IN A MORE EFFICIENT SUGAR INDUSTRY

- Campaign lengths will be longer than the current 90 days to lower fixed costs
- Fewer people will be employed in the industry
- Total processing costs will be lower
- Beet growing costs will drop as production specializes
- Lower costs to transport beets to the factories

THE EUROPEAN SUGAR REFORM

Consequences in WTO-terms with comparisons with the USA

WTO AND DOMESTIC SUPPORT

- EU domestic support for sugar is moving from Amber Box to Green Box (fully decoupled payments) via the Blue Box (five years with some coupled payments)
- US domestic support for sugar is still in the Amber Box

WTO AND EXPORT SUBSIDIES

- The EU will stop exporting sugar with export subsidies and will become a net importer like the USA

WTO AND MARKET ACCESS

- From 1 July 2009, EU producers will have to compete with LDC sugar exports having duty free access under the EBA initiative
- Whether the US will include sugar in its equivalent LDC initiative is not known and, if it does do so, when?
- Both the USA and the EU will face the highest level of WTO import duty cuts and will have to consider designating sugar a ‘Sensitive Product’

GLOBALISATION

- The EU sugar industry is involved in the globalisation of the world sugar industry in Australia, Brazil, China and the Congo. The most recent investment is in Mozambique
- In the recent past foreign investors – Tate & Lyle, Illovo and Greencore have dis-invested in the USA
- Currently the US industry is not taking part in the globalisation of the world sugar industry (apart from in the Dominican Republic)

THANK YOU FOR YOUR ATTENTION

More information on www.cefs.org