European Commission

Sugar Market situation

AGRI G 4
Social Dialogue
30 January 2019

Agriculture and Rural Development

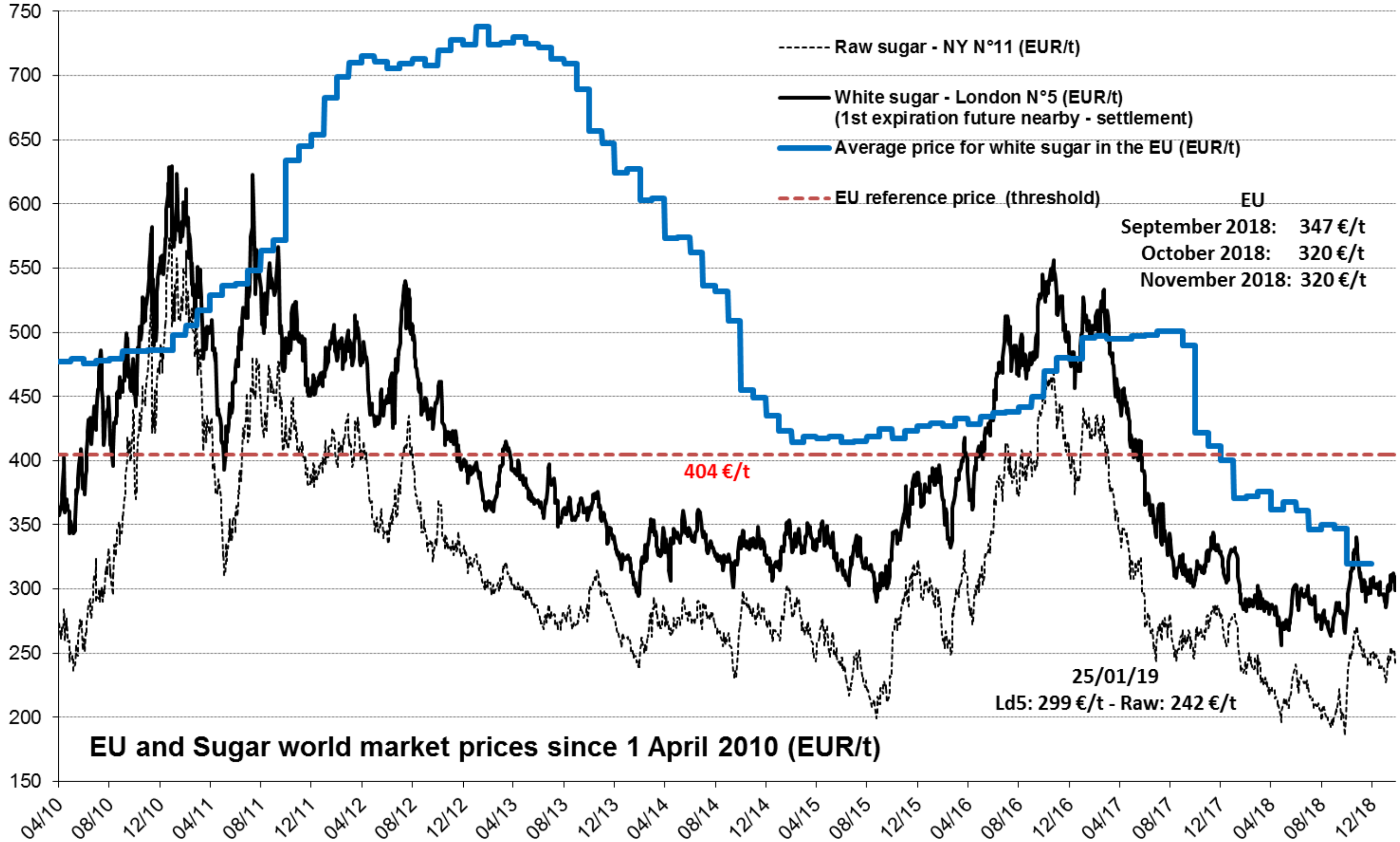
The 2006 sugar reform process

- **Production cuts**: quota from 17 to 13.5 million tonnes, non-quota -1.8 million tonnes
- **Sector restructuring:** overall EUR 5,4 billion spent between 2006 and 2011
- **Concentration of production:** -41 percent of factories, concentrated in the most competitive areas
- ~ 60 companies with **110 factories left**
- End of the quota system planned for 2015, and then **delayed by two more years until 2017**

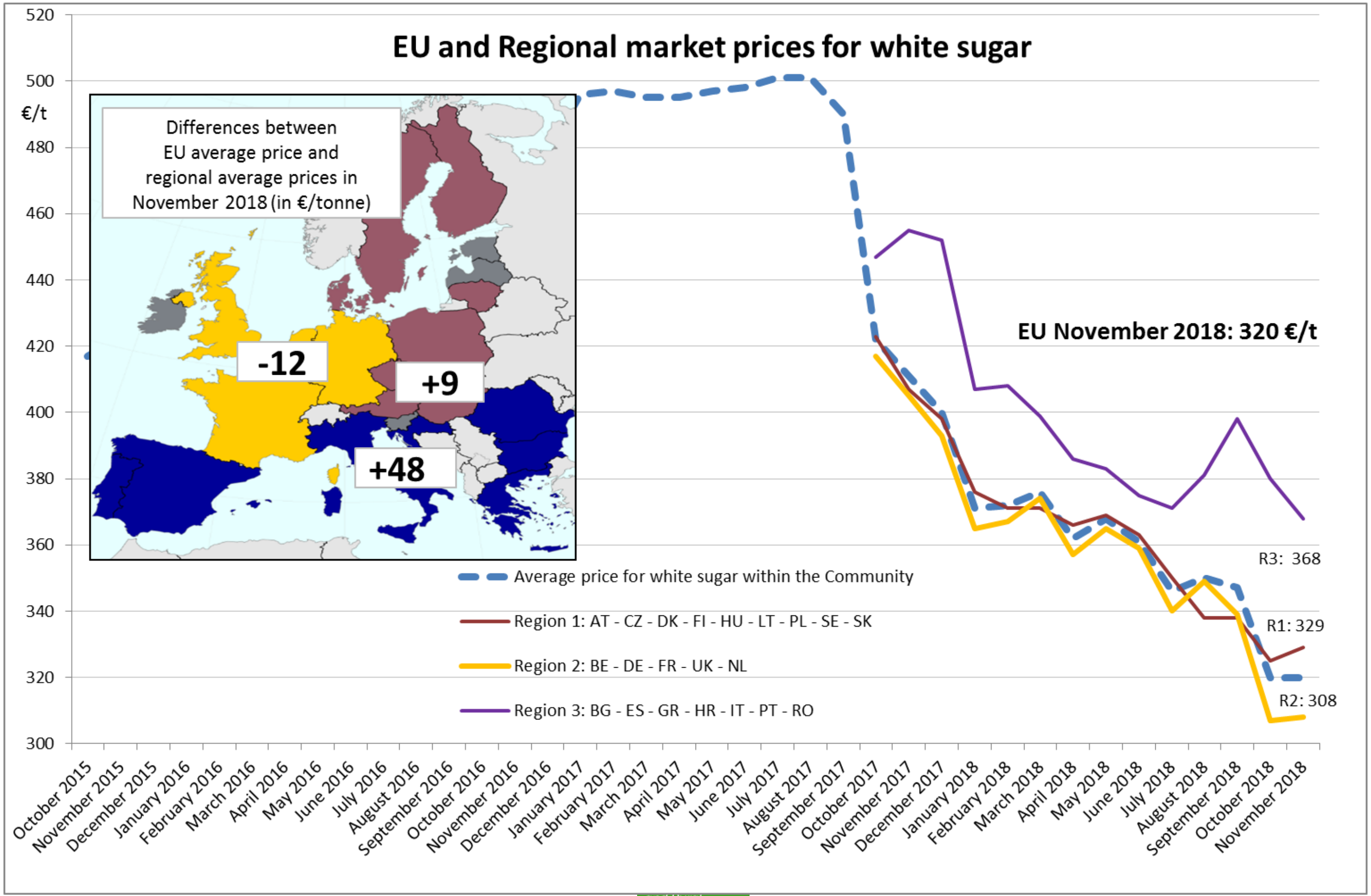
The end of sugar quota

- No more **limit to production**
- No more **minimum price for beet**
- No more **limit to exports**
- No more **preferential access** to import TRQ granted to full-time refiners

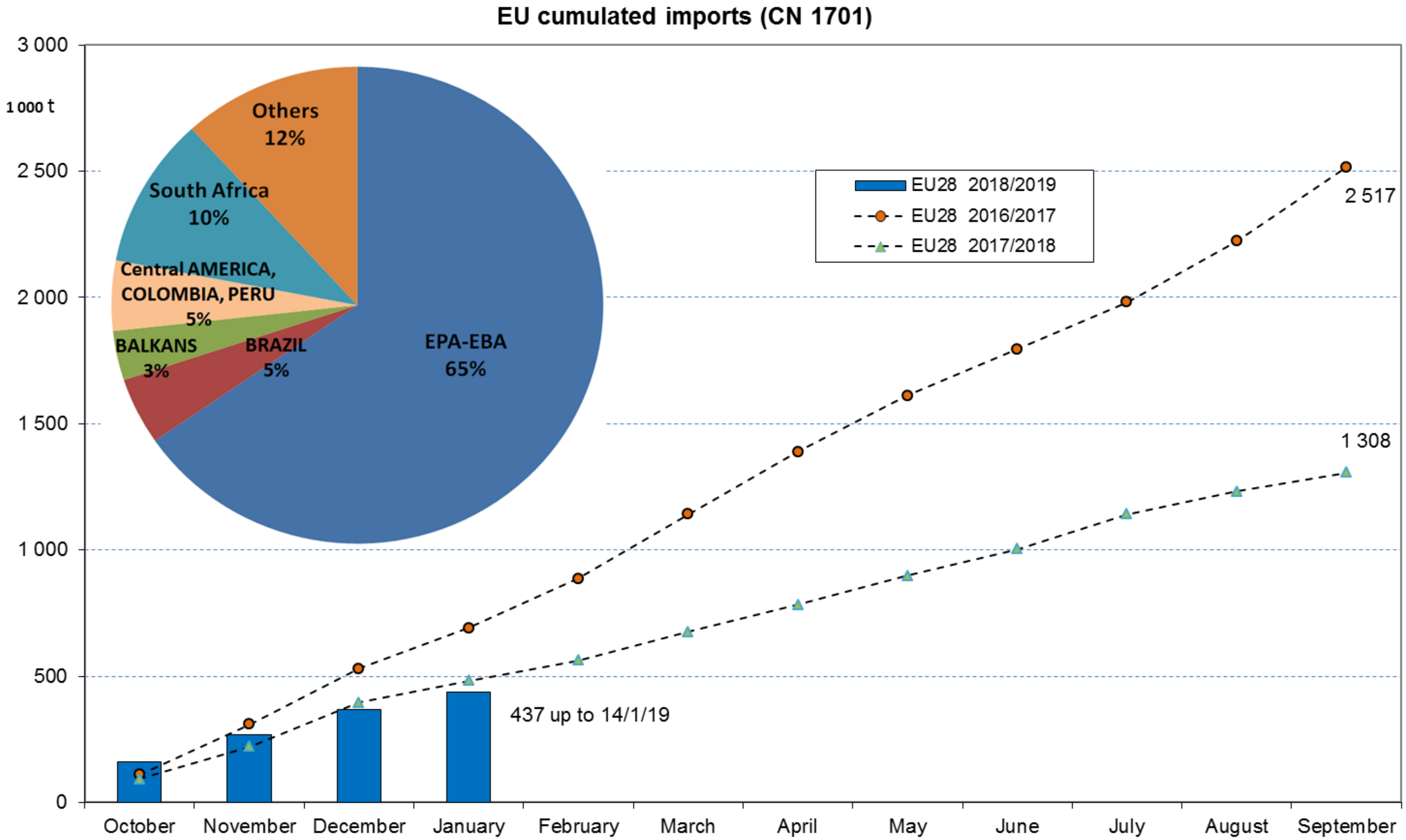
EU market price and world market prices
London 5 and NY 11 - first future - €/t



EU and Regional market prices for white sugar

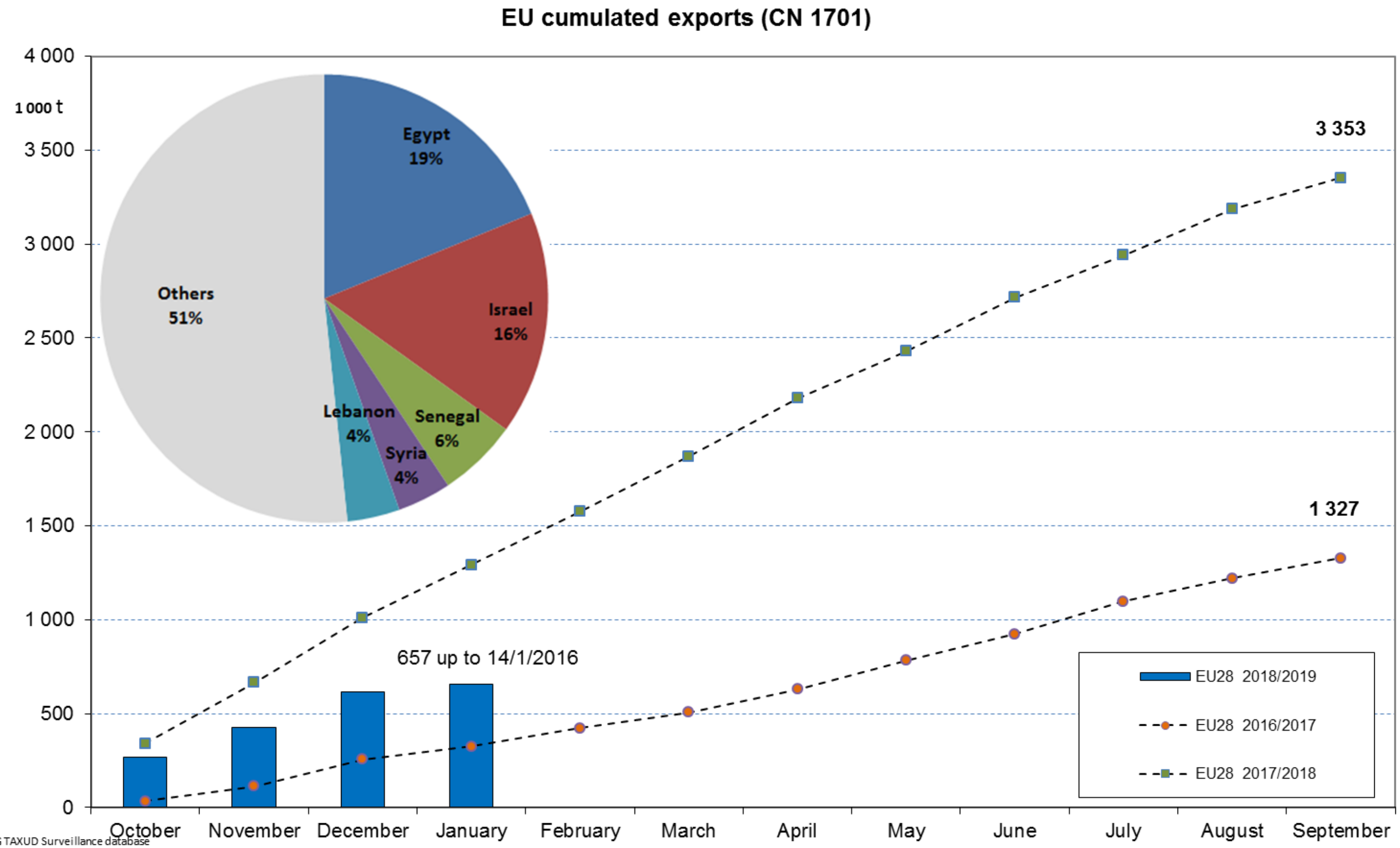


EU Total imports

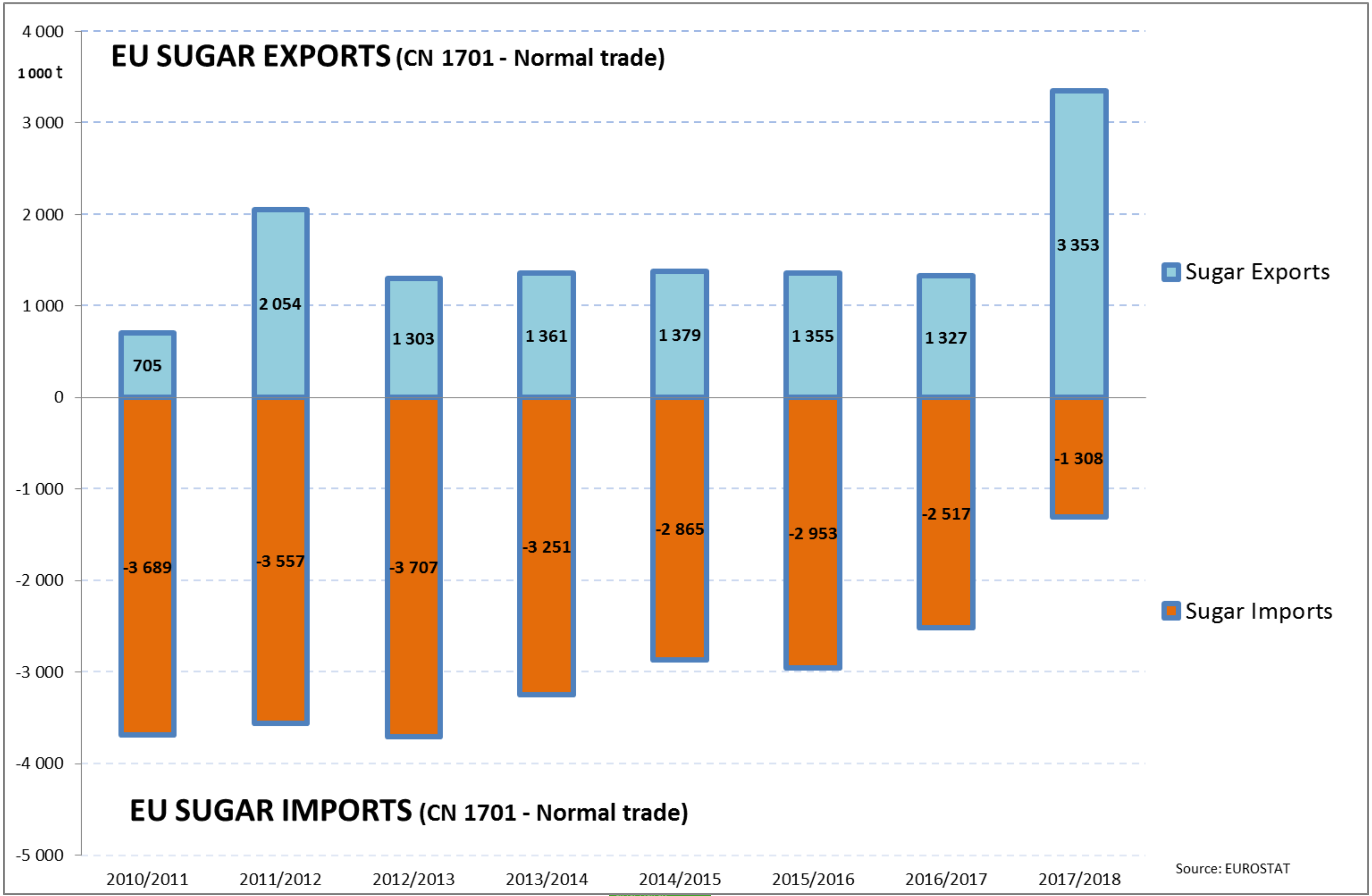


Source: EUROSTAT

EU Total exports

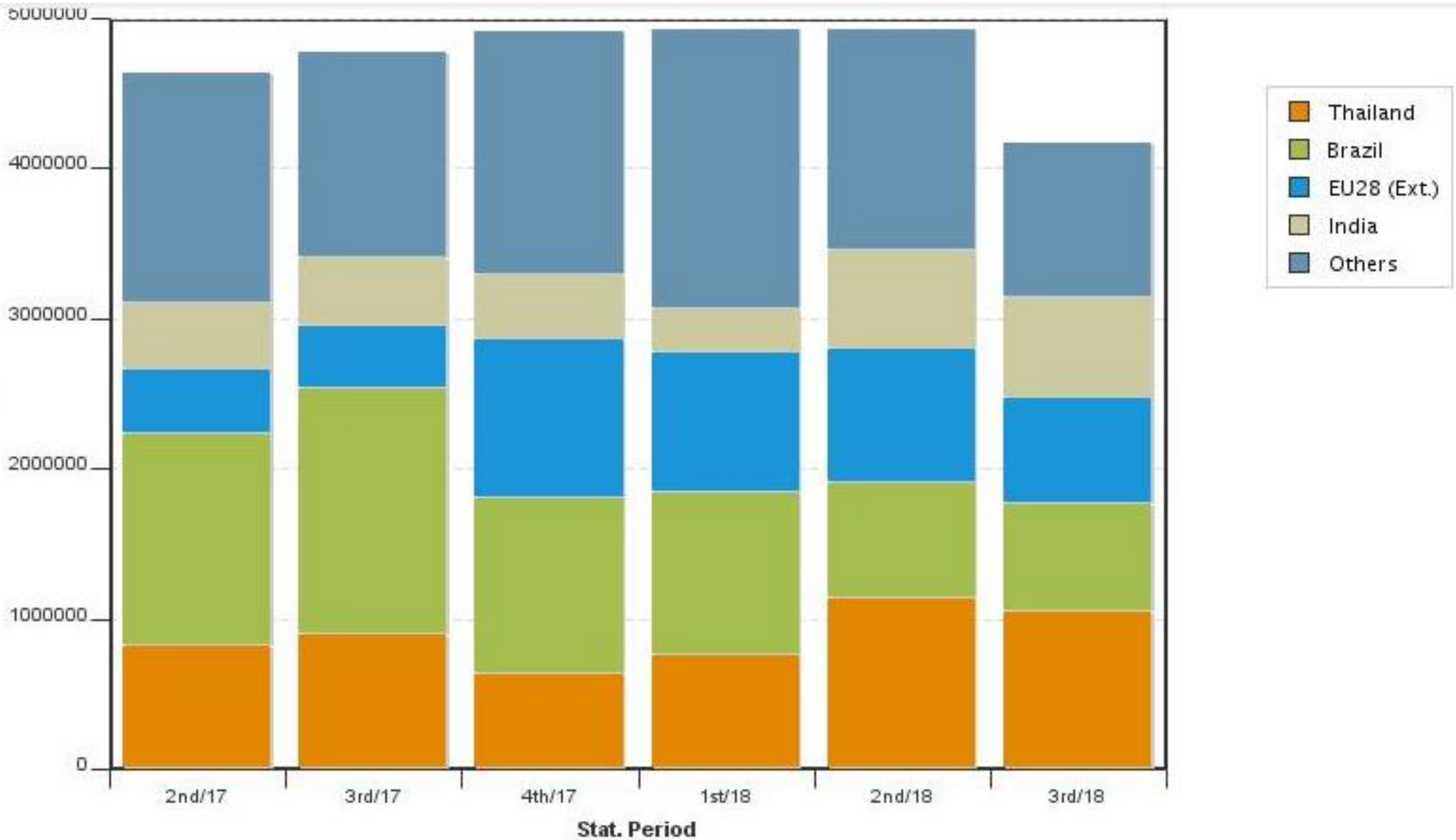


DG TAXUD Surveillance database
Source: EUROSTAT

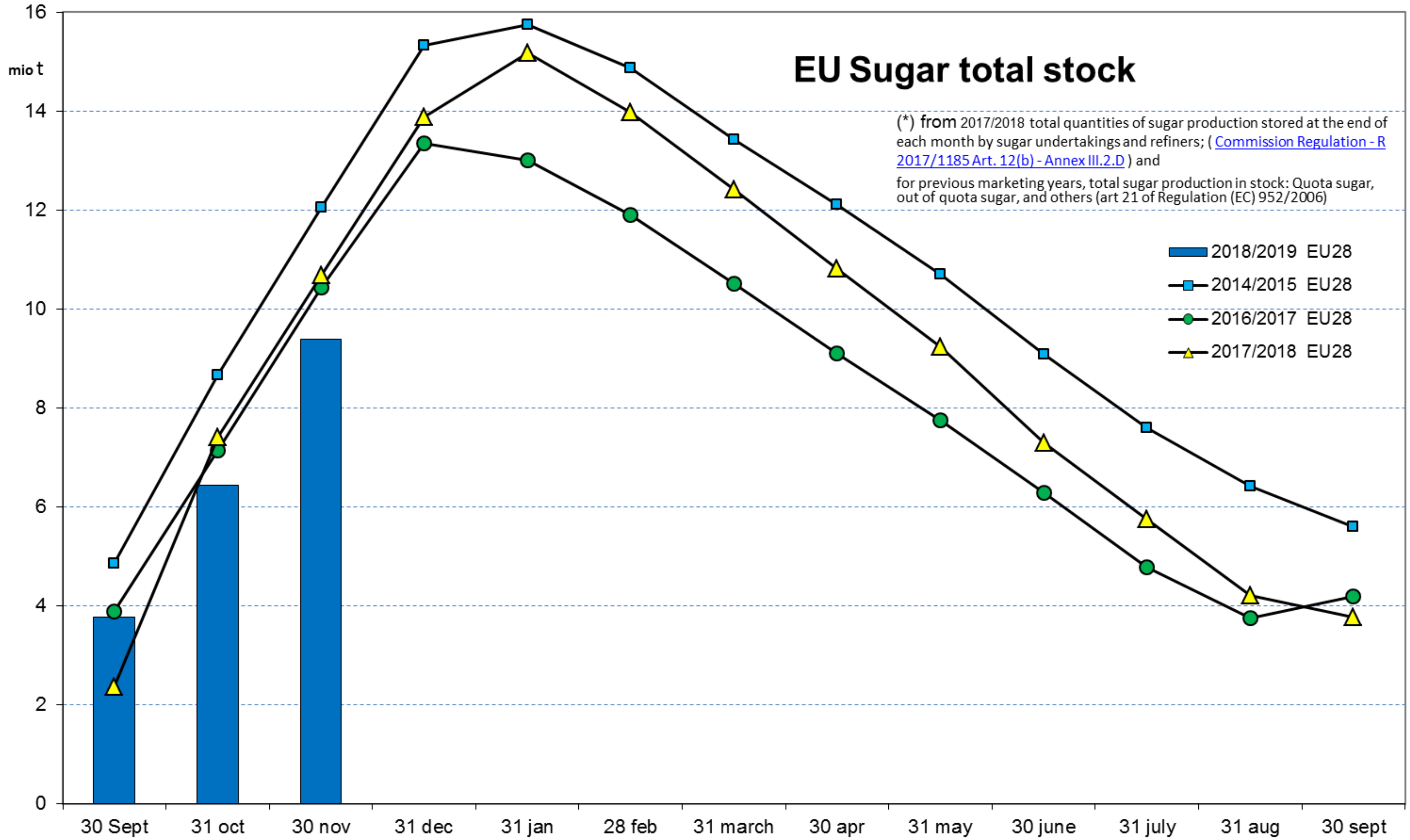

EU SUGAR EXPORTS (CN 1701 - Normal trade)
1 000 t
4 000
3 000
2 000
1 000
0
-1 000
-2 000
-3 000
-4 000
-5 000
705
2 054
1 303
1 361
1 379
1 355
1 327
3 353
-3 689
-3 557
-3 707
-3 251
-2 865
-2 953
-2 517
-1 308
Sugar Exports
Sugar Imports
EU SUGAR IMPORTS (CN 1701 - Normal trade)
2010/2011
2011/2012
2012/2013
2013/2014
2014/2015
2015/2016
2016/2017
2017/2018
Source: EUROSTAT

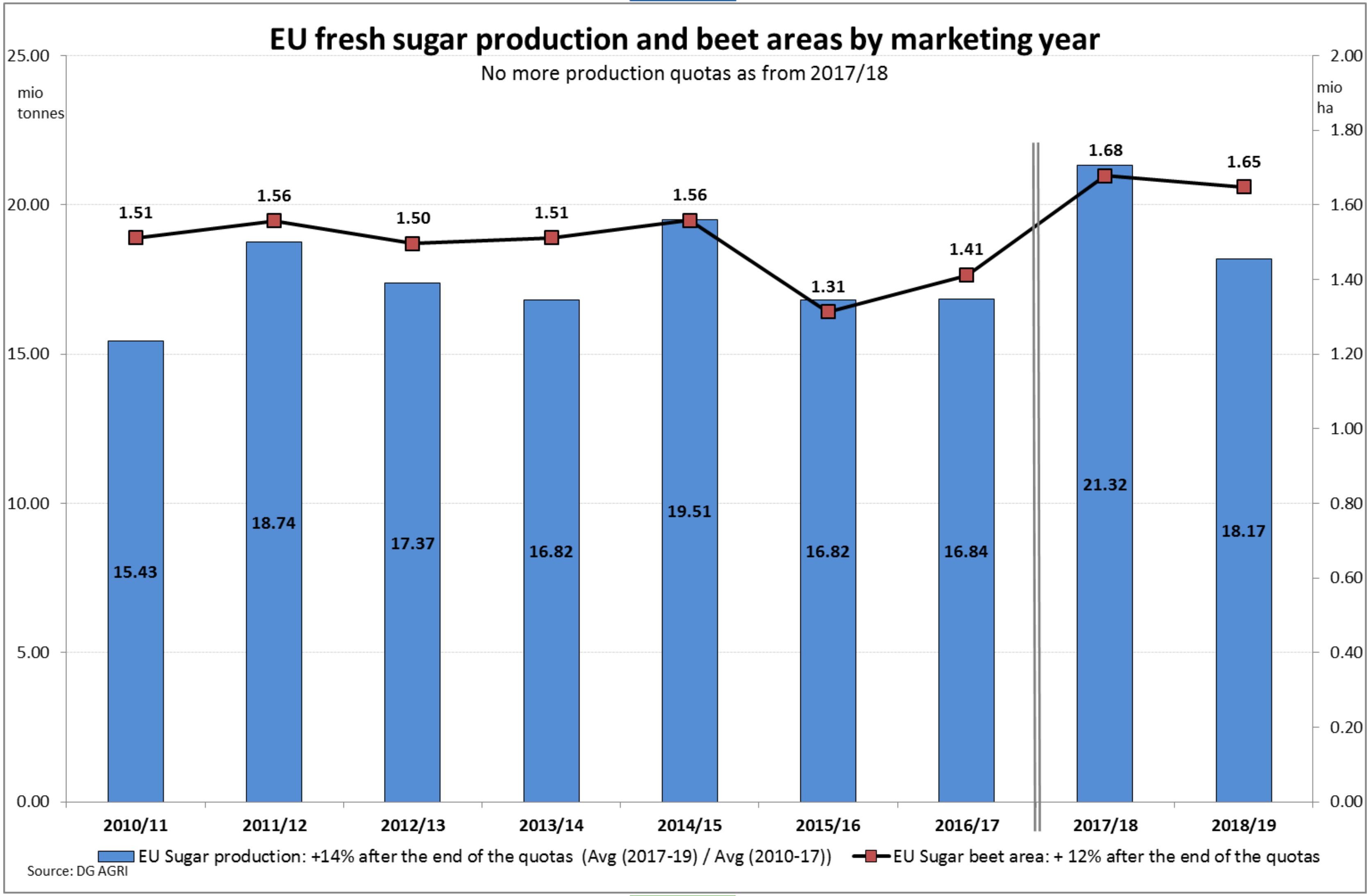
Top 4 World white sugar exporters

(quarterly series 2nd 17 – 3rd 18 - white sugar CN code 170199 – copyright IHS Markit Ltd 2018)

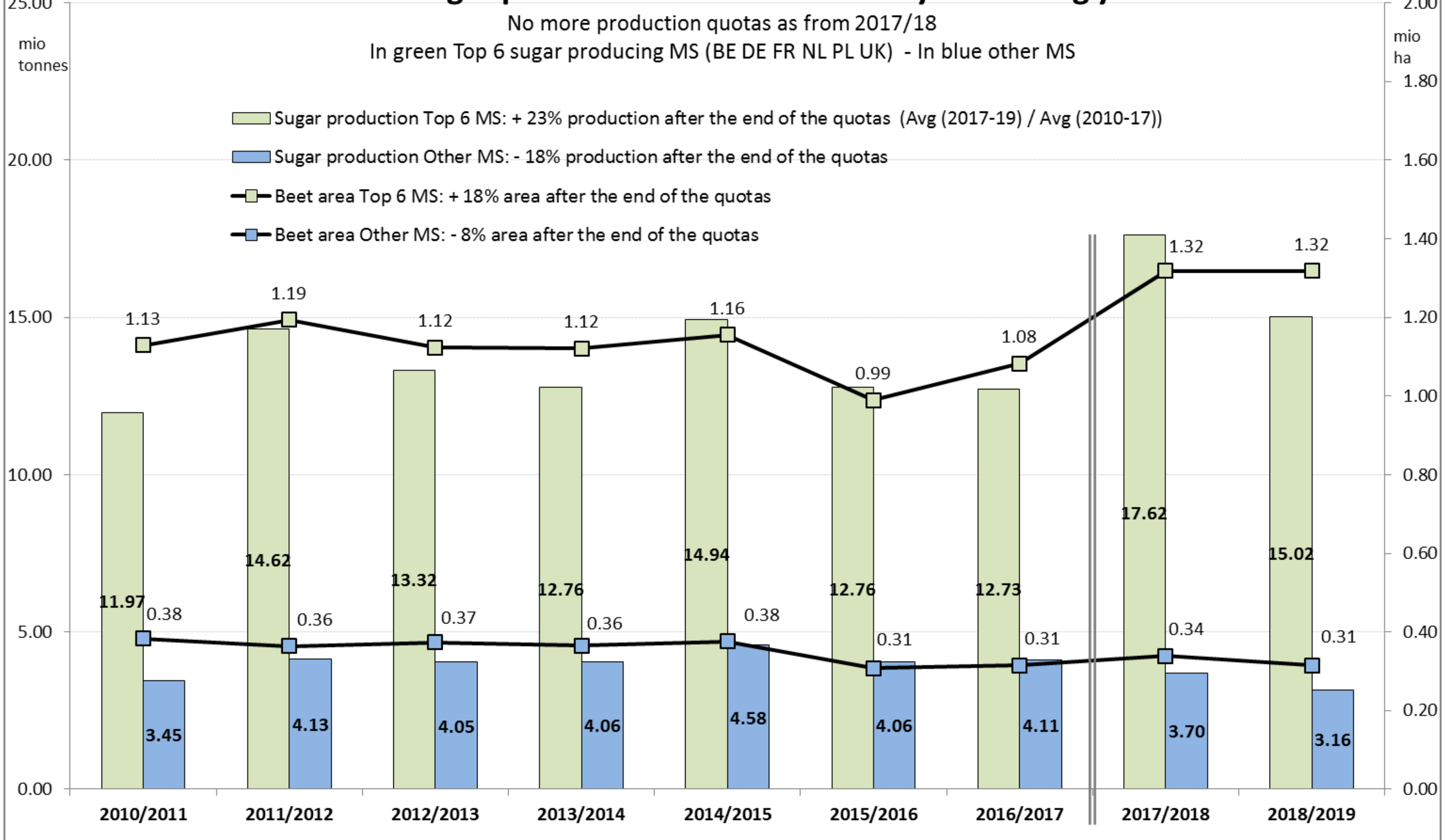


Sugar stocks




EU fresh sugar production and beet areas by marketing year
No more production quotas as from 2017/18
mio tonnes
mio ha
25.00
20.00
15.00
10.00
5.00
0.00
2.00
1.80
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
1.51
1.56
1.50
1.51
1.56
1.31
1.41
1.68
1.65
15.43
18.74
17.37
16.82
19.51
16.82
16.84
21.32
18.17
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
EU Sugar production: +14% after the end of the quotas (Avg (2017-19) / Avg (2010-17))
EU Sugar beet area: + 12% after the end of the quotas
Source: DG AGRI

EU fresh sugar production and beet areas by marketing year



Source: DG AGRI

SUGAR AND ISOGLUCOSE BALANCE SHEET
2017/18 – 2018/19 December 2018

million tonnes December 2018	2017/18 (EU28) (provisional)		2018/19 (EU28) (forecast)	
	Sugar	Isoglucose	Sugar	Isoglucose
Beginning stocks	***2.17***	***0.03***	***2.42***	***0.03***
Production	***21.35***	***0.60***	***18.20***	***0.60***
Imports	***1.84***	***0.01***	***1.86***	***0.01***
as such	*1.29*		*1.30*	
in processed products	*0.56*		*0.56*	
Total availability	***25.4***	***0.64***	***22.5***	***0.64***
Consumption/disappearance	***18.04***	***0.57***	***17.67***	***0.56***
Exports	***4.90***	***0.05***	***3.35***	***0.05***
as such	*3.35*		*1.80*	
in processed products	*1.55*		*1.55*	
End stocks	***2.42***	***0.03***	***1.46***	***0.03***
Total outlets	***25.4***	***0.64***	***22.5***	***0.64***

Medium term outlook

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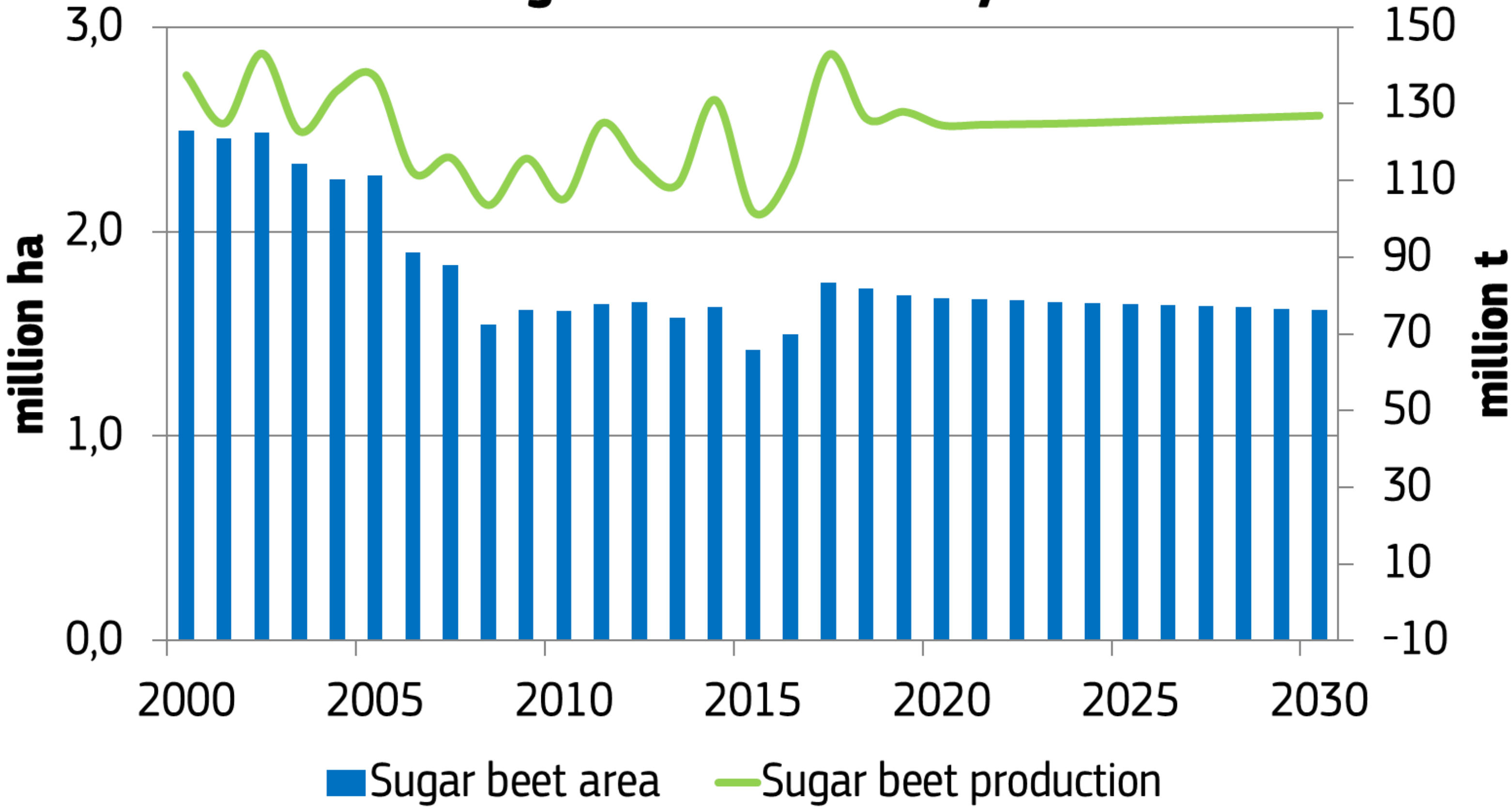
EU sugar beet area and yield

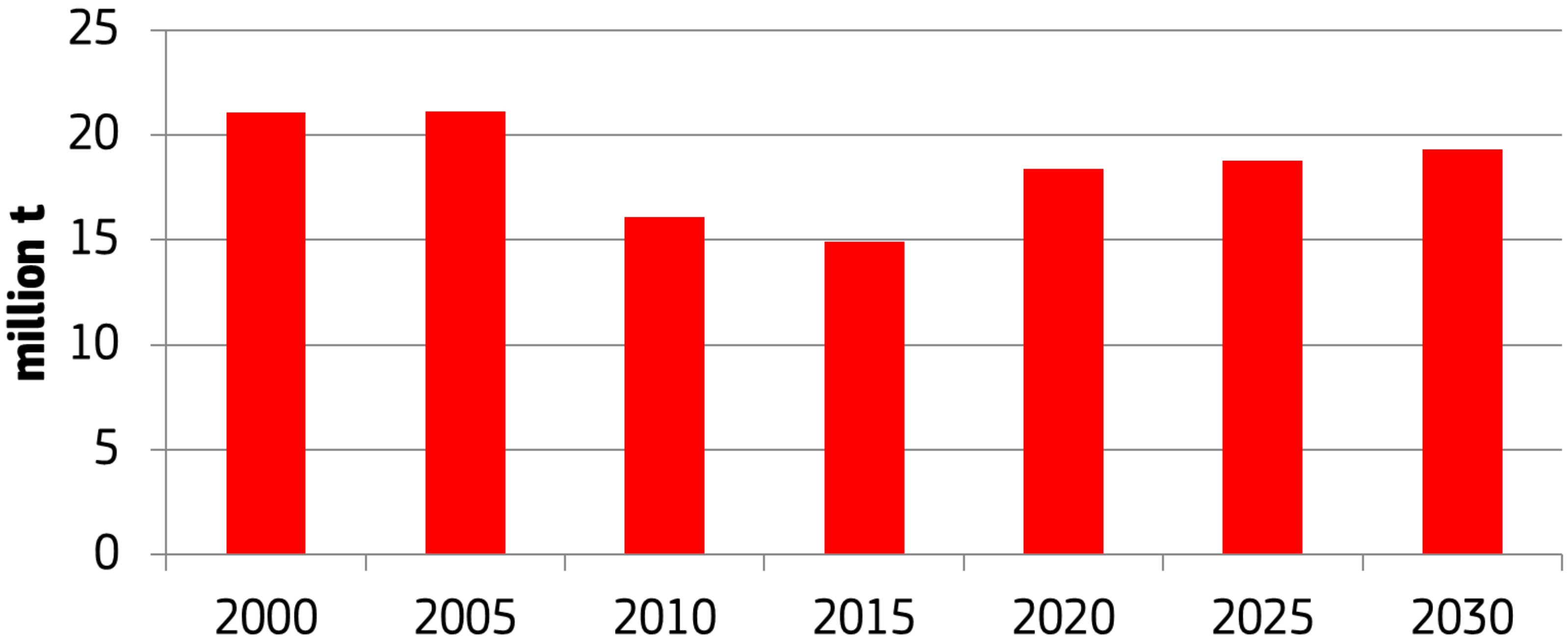


Small area decrease (~0.1 million ha) due to :

- increasing costs for pest control
- lower yields

Source: DG Agriculture and Rural Development

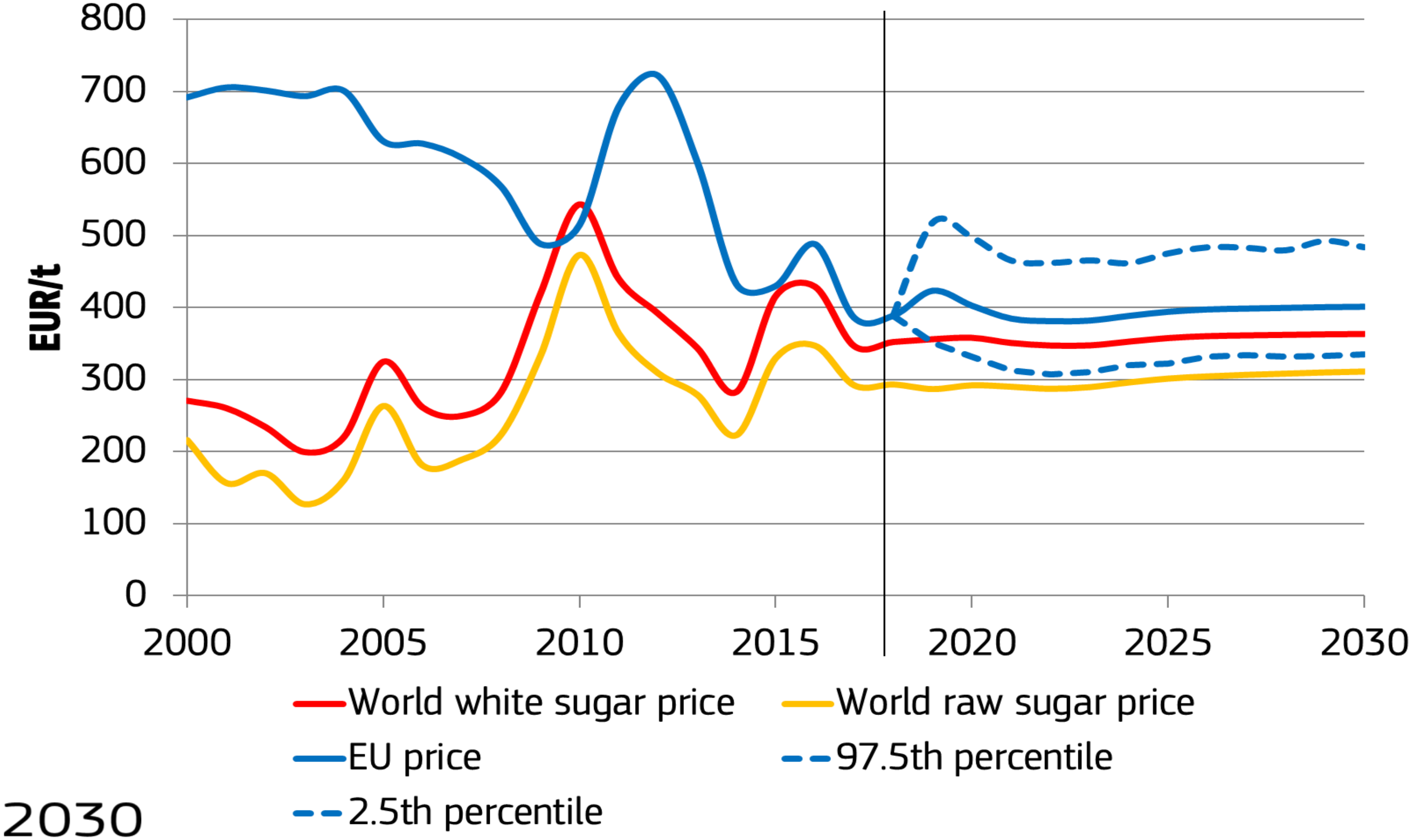
EU sugar production



Sugar production forecast at 19.3 million t in 2030
~13% above quota production

Source: DG Agriculture and Rural Development

World and EU sugar prices



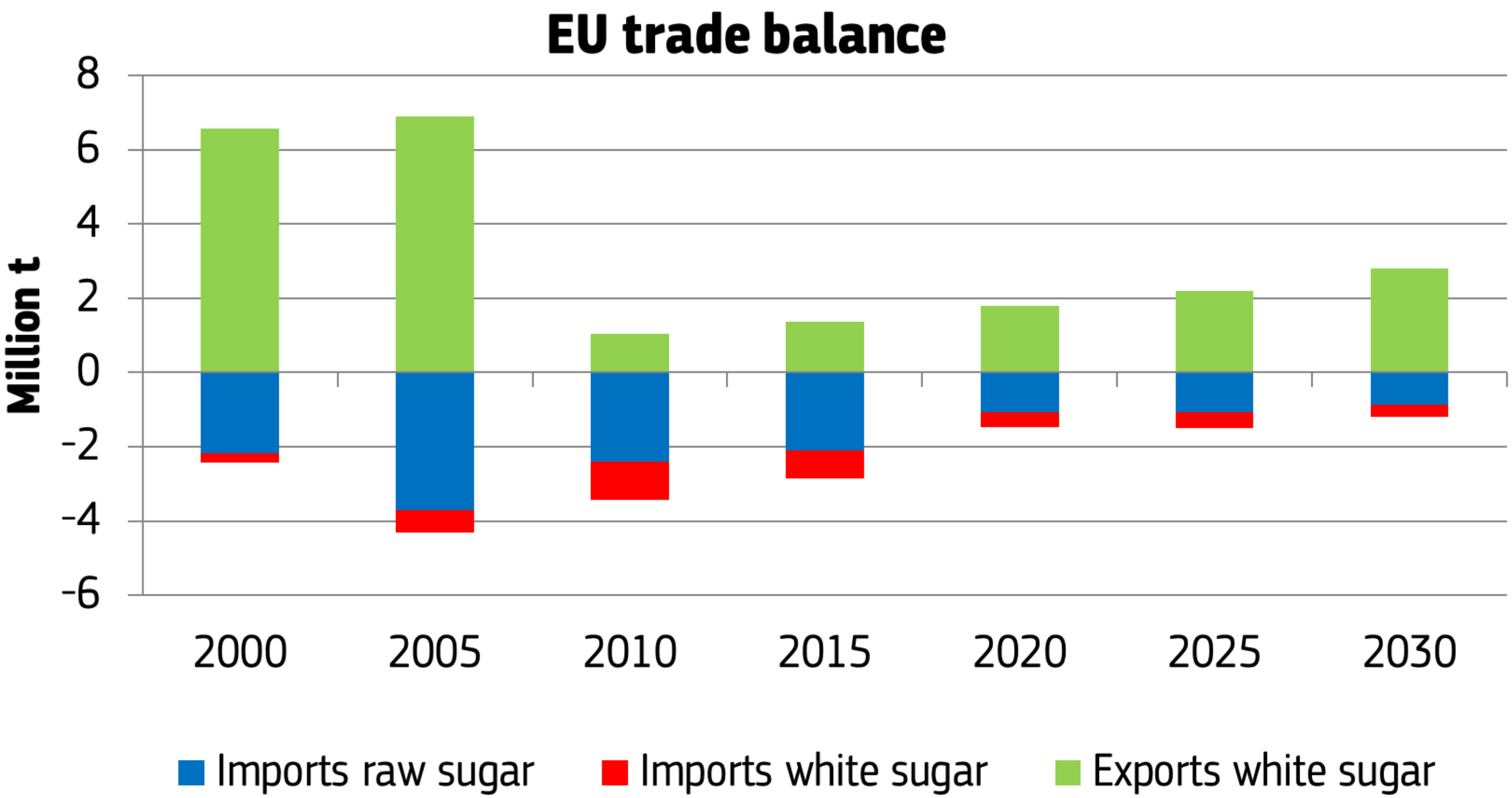
By 2030

- World white sugar price at 363 EUR/t
- EU price at 401 EUR/t

Agriculture and Rural Development

Source: DG Agriculture and Rural Development

European Commission



EU remains net exporter

Agriculture and Rural Development

Source: DG Agriculture and Rural Development

Market measures available
-
Sugar sector

European Commission

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CMO – Sugar sector

Private Storage Aid (PSA) (Art 17)

Sugar sector agreements (Art 125 and Annex X)

Measures against market disturbance (Art 219)

Measures to resolve specific problems (Art 221)

Derogation from Art 101 TFEU (Art 222)

Private Storage Aid (1)

- Tool to balance the market and stabilise prices

- For white sugar of EU origin

- Two options: aid fixed in advance or by tender

- **Fixed in advance: quickly operational**
- **Tender: offers market information, adjusted cost**

Private Storage Aid (2)

- Long period sowing contracts between beet growers and sugar producers: slow reaction to adapt production to market forces

- Sector still adapting to post-quota environment

- Operational stocks:

- **above 6 million t during 2/3 of the marketing year**
- **at least 1 to 1,5 million t at any given point**

Private Storage Aid (3)

- Limited effect unless:

- **quantity under PSA is substantial**
- **quantity is released the following marketing year**
- **measure taken before sowing decisions for next year are made**

- Quantity under PSA adds to next year production

Sugar sector agreements (Art 125 and Annex X)

Framework for better balance in negotiating power between beet growers and sugar producers

New value sharing clauses – large variety of use:

- **fixed or variable beet price**
- **Variable beet price often linked to sugar price or to the performance of the company**

Measures against market disturbance (Art 219)

To address market disturbance or threat thereof

May extend or modify scope, duration or other aspects of other CMO measures

Only if other CMO measures not sufficient

Measures for specific problems (Art 221)

Commission can take urgency measures to resolve specific problems

Only if Art 219 not possible

May derogate from other CMO provisions to the extent and period strictly necessary

Not exceeding 12 months

Derogation Art 101 TFEU (Art 222)

Commission may derogate from competition rules so stakeholders can agree to adjust/planify production, store, processing, etc

By recognised POs/APOs and IBOS and now also farmers' associations

Short period of application: 6 months, extendable

Restrictive interpretation – only in severe cases

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Thank you

for your attention