

CAP REFORM

EUROPEAN SUGAR USERS SUPPORT COMMISSION AND COUNCIL TO OPPOSE ANY ATTEMPTS TO REVERT BACK TO SUGAR MARKET INTERVENTION

23 March 2021

CIUS represents more than 15 000 sugar using companies, ranging from artisan, small and medium sized enterprises to multi-nationals. Together our members purchase about 70% of the EU's annual production of sugar and provide direct employment to over 700.000 people in Europe.

In light of the Council meeting on 22-23 March and the trilogue discussions this week between the Council, Commission and the European Parliament on the CAP reform and in particular on the reform of the CMO Regulation, **the Committee of European Sugar Users (CIUS), would like to strongly support the European Commission and Council not to give in to any attempts to revert back to a more regulated sugar market as wished for by the European Parliament.**

“The European Parliament’s position to support a more regulated sugar market is incomprehensible. The European sugar sector is very competitive and already protected by highly restricted imports of sugar that are currently at record lows”, says the Secretary-General of CIUS, Muriel Korter. “Adding more intervention tools is totally unnecessary and would be detrimental to the entire competitive sugar supply chain.”

Going back to market intervention instead of market orientation, would give a very wrong signal to the market. The sugar market still remains highly regulated, with management tools available to help the sugar sector and a highly restricted import regime, although exports and production of sugar have been freed since 2017, after the last CAP Reform.

EU Sugar beet growers and manufacturers are very competitive. There is no need for additional safety nets to protect the sector. The existing Private Storage Aid for sugar linked to the reference price and the existing crisis reserve, are available in case of severe market disturbances. Additional safety nets are unnecessary and would undoubtedly add more complexity to the market.

In addition to the available tools in the current CMO Regulation, many Member States have granted Voluntary Coupled Support (VCS) to aid their national beet sector. And because sugar beet production and yields have been affected by the yellow disease, major producing countries have reintroduced the right to use neonicotinoids on beet plantations.

EU Stakeholders should be given an accurate analysis of the sugar market dynamics and realities. Sugar imports are relatively low for the moment, although they are needed to compensate for the insufficient EU sugar production. In parallel, the world market has also seen very low prices, even if it is not recovering those last couple of months. This has also an impact on EU market prices.

However, the low average EU sugar prices reported by the European Commission during the last years do not reflect the realities of the spot and forward markets in the EU. For instance, they do include sugar inter-companies flows which do not reflect end user prices and they can't accurately report the significant volumes that have been contracted with hedging models, where invoiced price is not in line with hedged prices.

Reports on spot market prices show a significant difference with the EU reported prices that fail to give an accurate reality of the market: in average, these last 12 months, when adding transport costs evaluated at EUR 20-30 /mT, the price gap between the EU reported price and the spot market price is of +/- 10% .¹

This March, some small and medium-sized companies have testified that they were currently facing supply issues for the moment, while the EU Commission is forecasting record low sugar end stock levels at only 1 million mT for October. Given this low stock and tight supply, sugar users need to be able to easily access to duty-free imports to compensate the fact that many sugar beet producers are sold-out and cannot supply any additional demand.

CIUS believes that by improving the EU's market monitoring like the EU Commission is currently undertaking with the newly implemented Market Transparency Regulation, should hopefully improve the analysis of market dynamics in the future.

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¹Spot market prices for white sugar have been reported at EUR 450 /mT delivered in Western Europe, compared to EUR 378 /mT Ex-Works by the EU Commission, Adding the transport costs of EUR 20-30 /mT, shows an important gap of +/- 10% price difference. Sources: EU Commission and S&P Global Platts