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ESRA and CIUS call for access to sugar in EU-Mercosur Free Trade Agreement

The current EU trade agenda shows a level of ambition and leadership never seen before, as Europe takes on the mantle of global champion of free trade. Ongoing negotiations with Mercosur could well lead to the most valuable free trade deal the EU has ever negotiated, showing that Europe's rhetoric on free trade is backed up by concrete results.

As representatives of EU cane sugar refiners and EU sugar users, ESRA (the European Sugar Refineries Association) and CIUS (the Committee of European Sugar Users) are coming together to convey an important message to European negotiators: EU access to sugar should be included in these trade deals, in line with the overall spirit of the negotiations, which foresee significant increases in market access for both partners.

Europe benefits from the positive trade balance and growing exports of sugar containing products such as chocolate, confectionery and fine bakery wares, which carry a high EU added value. However their future success depends on a reliable, competitive and sustainable supply of sugar. Under the current circumstances, all of these aspects of the sugar supply chain are under threat.

Security of EU sugar supply chains has long been assured through a combination of EU domestic production and imports from third countries. However, especially since the removal of EU sugar production quotas, currently available modes of access to cane sugarⁱ leave the EU cane refining sector under-supplied, and almost incapable of operating profitably. Indeed, under the current framework, EU cane refining will soon cease to exist as an industry.

This is bad news for Europe.

Firstly, it would see the EU reliant on just one (at times unreliable) crop for sugar production. Imports of sugar are vital to ensure the reliability of sugar supply to the European market, and indeed has been necessary multiple times during the last decade. Access to imports should always be available when needed, as the ad hoc opening of TRQs has not always occurred in a timely fashion in the past, meaning that just-in-time access to sugar was not always possible for EU industry.

Secondly, the geographic concentration of the EU sugar production sector would also be magnified. While sugar users – particularly the food and drink industries – are spread across Europe, beet production and cane refining are mostly located in different European regionsⁱⁱ. This complementary mix of locations offers great benefits to sugar users in terms of proximity.

Thirdly, 7 companies currently control 80% of EU sugar production. Losing the cane refining sector would only increase unhealthy regional concentrations. It is essential that the EU takes action to ensure a correct level of competition in our sector.

Any access granted for sugar in these deals should be through a tariff-rate quota (TRQ), where volumes are pre-defined and strictly controlled both for raw and white sugar. This should dispel once and for all the myth that Europe could become “flooded” with cheap, third country sugar.

If the EU wants to become the global standard-setter in free trade, it cannot approach negotiations with partners such as Mercosur from a position that can be perceived to be protectionist. Offensive and defensive interests must of course be balanced, but we cannot allow one sector to hold back the drive towards modern agreements that produce meaningful free trade.

European Sugar Users (CIUS)

CIUS represents the European sugar-using food and beverage industries with more than 15 000 companies across Europe. Members range from artisan, small-and medium sized enterprises to large multinationals. CIUS members purchase and use almost 70% of the European annual consumption of sugar through its incorporation in a wide variety of added-value products and provide direct employment for over 700,000 people.

For more information, please visit CIUS [website](#)

European Sugar Refineries Association (ESRA)

The European Sugar Refineries Association (ESRA) represents the majority of the cane refining sector in the EU. ESRA Members provide over 4,500 direct jobs across EU member states and contribute to consumer choice and food security in Europe. ESRA promotes a fair and efficient regulatory framework for the sugar sector in Europe. We advocate for improved access to and greater volumes of quality raw material to permit cane refiners to compete on a level playing field in the EU sugar industry.

For more information, please visit the ESRA [website](#).

ⁱ The MFN import tariff is prohibitive at €339/T for raw and €419/T for white sugar. This is equivalent to more than 100% at current sugar price levels. It means that essentially no sugar comes into the EU unless it comes through inward processing relief (IPR, which is restricted to use for exports, and is only viable for certain companies and in certain circumstances) or the following “preferential” arrangements.

- (i) EPA and EBA countries benefit from duty free quota free access to the EU, and have traditionally accounted for the majority of EU sugar imports. However, with low overall production levels, fast growing local demand, and convergence between EU and world market prices, these countries do not always target the EU market and imports from these countries are expected to continue to decline.
- (ii) A handful of other countries have small duty free TRQ's in FTA agreements, but these are negligible by comparison to the size of the EU market.
- (iii) CXL quotas which amount to 790 000 tonnes in total are available. However CXL quotas are rarely fully used. With a €98/tn duty to pay on imports under CXL, they are only economically viable when there is a very significant difference between the EU and world market prices. This has only occasionally been the case during the last decade and is not expected to be the case in the future. EU cane refiners can no longer produce competitively when they have to pay such duties.

ⁱⁱ Sugar beet production is concentrated in Northern France, Belgium, the Netherlands, Denmark, Germany, the UK, and Poland, where climatic conditions are such that it is a globally competitive crop. Cane refining in the EU is particularly important in peripheral countries where the farming conditions are less conducive and/or where former colonial ties still play a role such as in Portugal, Italy, Bulgaria, Romania, Finland, the UK and French outer regions.