13 September 2011

EUROPEAN SUGAR USERS CALL FOR THE RETURN OF A BALANCED AND COMPETITIVE EU SUGAR MARKET

Marketing Year 2011/12

- EU sugar supply is at its most critical level since the 2005 sugar reform, causing extreme volatility, instability and disruption to the EU food and drink industry.
- Stocks will remain too low for future demands in Marketing Year 2011-2012.
- Reports of a predicted EU 'bumper' beet crop will do little to help the situation as current inflexible quota levels will restrict market access to the EU crop.
- European sugar users call for immediate action to give a clear signal to the market.
- To create a stable and sustainable EU sugar market the Commission needs to abolish production quota as soon as possible.

The EU Sugar Regime

The EU sugar market is one of the last heavily regulated commodity markets in the EU. The system includes production, import and export quotas, a statutory minimum price on sugar beet for growers, and a reference price for raw and white sugar.

The EU Commission and the Sugar Management Committee are responsible for maintaining market balances. They control the option to add or withdraw sugar from the domestic market and set the limits of external protection from non-preferential imports, through a system of heavy duties.

Current market challenges

Over the course of 2010/11, the EU has seen sugar supply shortages. The events which brought about this loss of security of supply were manifold – lower EU sugar beet production and insufficient preferential cane sugar import volumes from African**,** Caribbean and Pacific Group of States (ACP EPAs) and Less Developed Countries (LDC EBAs) to meet EU demands. Poor market intelligence on actual sugar volume availability in the EU also led to inadequate planning and slow adoption of corrective measures.

CIUS has repeatedly called for the Commission to take decisive action to ensure the availability of sufficient sugar available to cover the market's needs and maintain buffer stock levels. Although the Commission has taken exceptional measures aimed at alleviating pressure on the sugar market during the 2010/11 marketing year, efforts to restore market balances were implemented too late. As a consequence, today, the market remains extremely tight and EU sugar users continue to face significant sourcing difficulties.

CIUS is the Committee of European Sugar Users – representing the European sugar-using food and beverage industries. CIUS members purchase and use almost 70% of the European annual consumption of sugar and provide direct employment for over 350,000 people.

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Using available market instruments to balance supply and demand in the short term

To avoid a deeper market supply crisis, decisions have to be taken in a timely manner so that a **minimum end of season stock level of 1.8 million tonnes can be achieved during the 2011/2012 Marketing Year**. This recommended figure refers to the level in 2009 when an unexpected 700,000 mt drop in preferential imports was met by sufficient buffer stocks. CIUS stresses the need for the Commission to obtain valid and adequate market intelligence.

CIUS strongly recommends the EU Commission to use market instruments available to balance supply and demand as soon as possible. We are informed that Europe will see a 'bumper' beet crop in the 11/12 Marketing Year however the current quota system means this will not relieve any market shortages unless the following measures are adopted. These measures will send the right signals to the market and ensure that sugar supply meets demand at the right time.

CIUS supports the adoption of the following measures for the 2011/2012 Marketing Year:

1. Initial release of at least 550 000 T of out-of-quota sugar onto the domestic EU market (by Nov. 2011)
2. Allow temporary TRQs at zero duty of at least 550 000 T, also accessible to users (by Dec. 2011)
3. Suspension of the CXL import duty (required by October 2011)

These measures only assist towards a short-term solution. Establishing structural reform through deregulation of the market is essential in the long-term.

Establishing a sustainable & competitive EU sugar regime

CIUS members are committed to sugar beet and sugar cane value chains which meet consumer requirements with regard to sustainable production. The current EU sugar regime continues to significantly undermine this approach on a daily basis. The situation of EU sugar supply has to be dealt with immediately.

CIUS supports an EU sugar market where market forces play an integral part. The EU sugar regime must be reformed with the abolition of production quotas by 2015, gradual elimination of import restrictions and the establishment of a transitional mechanism with the aim of securing supplies, creating new opportunities for farmers and promoting sustainable value chains.

GLOSSARY

ACP EPAs and LDC EBAs

Sugar imported duty free and quota free under two preferential arrangements:

"Everything But Arms" (EBA) arrangements for Least Developed Countries (LDC's) and Economic Partnership Agreements (EPA's) with African Caribbean and Pacific countries (ACP's)

The ACP EPA countries group themselves into **seven regions**: five in Africa, one in the Caribbean and one in the Pacific. The LDC countries are part of the ACP group of States. Please visit the EU Commission DG Trade website for the list of countries at http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/africa-caribbean-pacific/

TRQ's

Tariff rate quotas: limited quantity of sugar imported at reduced or zero duty

CXL import quotas

For each successive enlargement, the EU has to negotiate compensation in the WTO for existing suppliers. In 1995, the existing suppliers to Finland's refinery were granted an annual reduced tariff rate import quota into the EU of 85 463t of raw sugar for refining – **the so-called CXL import quota** – split between Brazil, Cuba and 'others' category. With subsequent enlargements the CXL import quotas have been increased and currently are as below, with an **import duty rate of 98€/t**, apart from India which benefits from a zero duty.

Country	Quota	Import duty
Australia	9,925	98€/t
Brazil	334,054	98€/t
Cuba	68,969	98€/t
Others	253,977	98€/t
India	10,000	0€/t
TOTAL	**676,925**	