

Will the EU become a net sugar exporter again?

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Bangkok May 2013

The EU: a major sugar producer

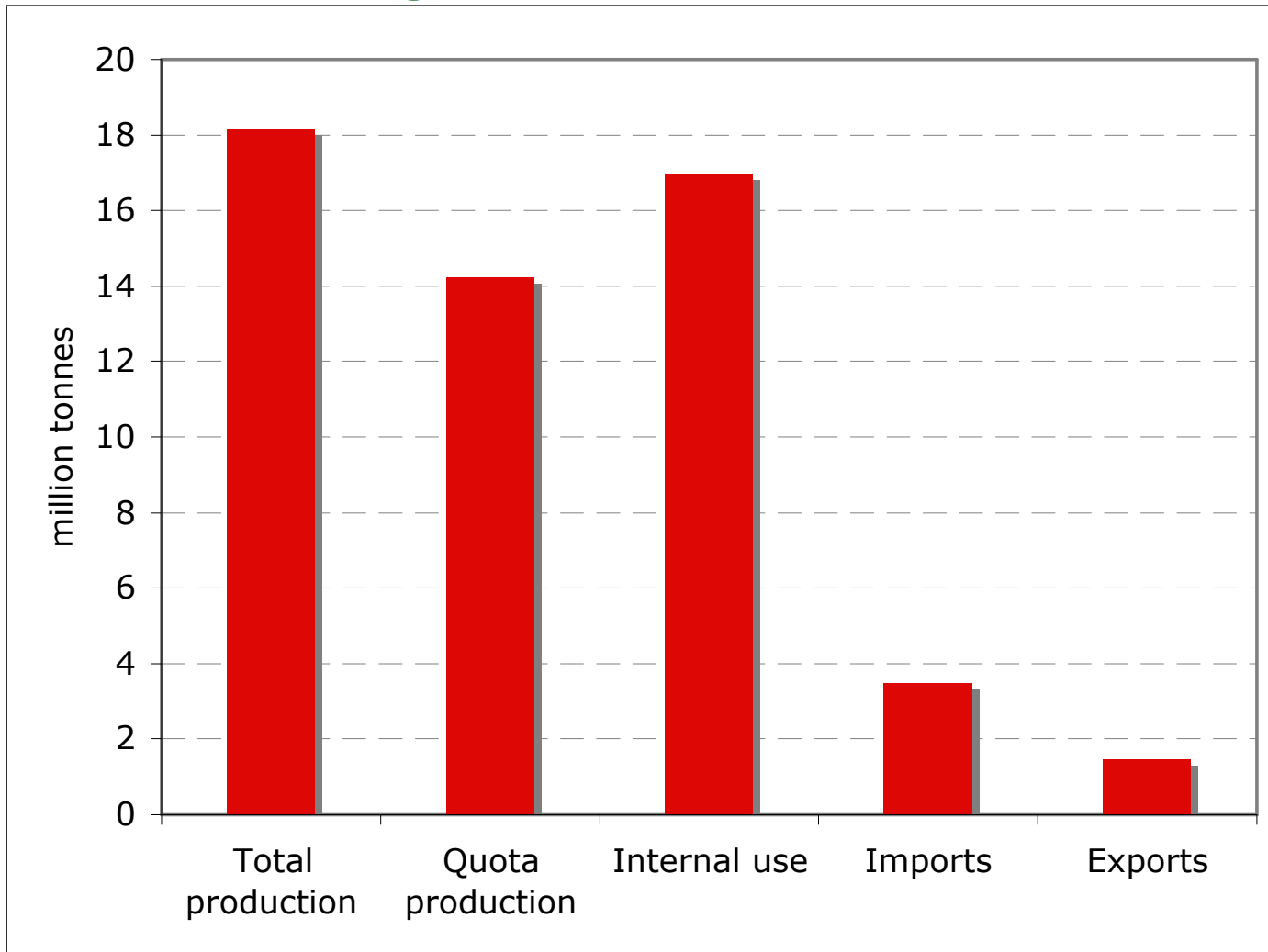
Produced sugar
from beet since
Napoleonic times



A significant importer
of raw cane sugar
for its refineries



EU27 sugar supply balance



3 year average 2010/11 to 2012/13

Source: European Commission



European sugar production

- Aims of the common agricultural policy since 1968 resulted in a high level of self sufficiency
- High world sugar prices in 1974/5 and 1980/81 encouraged production and increased quotas

EU as a sugar exporter

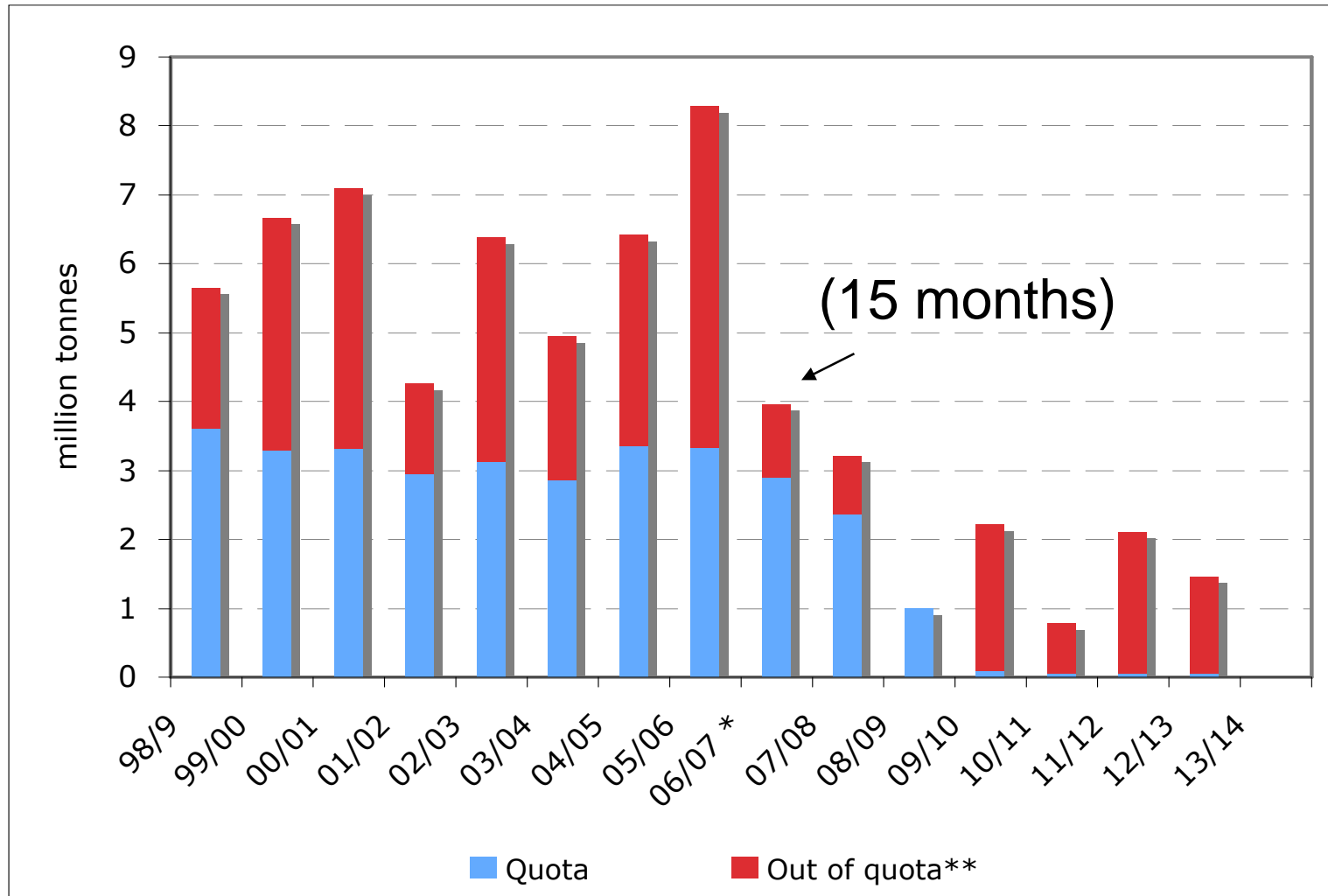
- For decades the EU was a net exporter to the world market

WTO Uruguay round agreement on agriculture

- Prior to WTO agreement on agriculture, the EU exported on average 5-7 million tonnes
- Agreement on agriculture restricted exports



EU sugar exports



EU15 until April 2004, EU 25 from May 2004, EU 27 from January 2007

* 2006/07 15 month year July to September

**From 2006/07 exports are either quota or out of quota or both

Source: European Commission

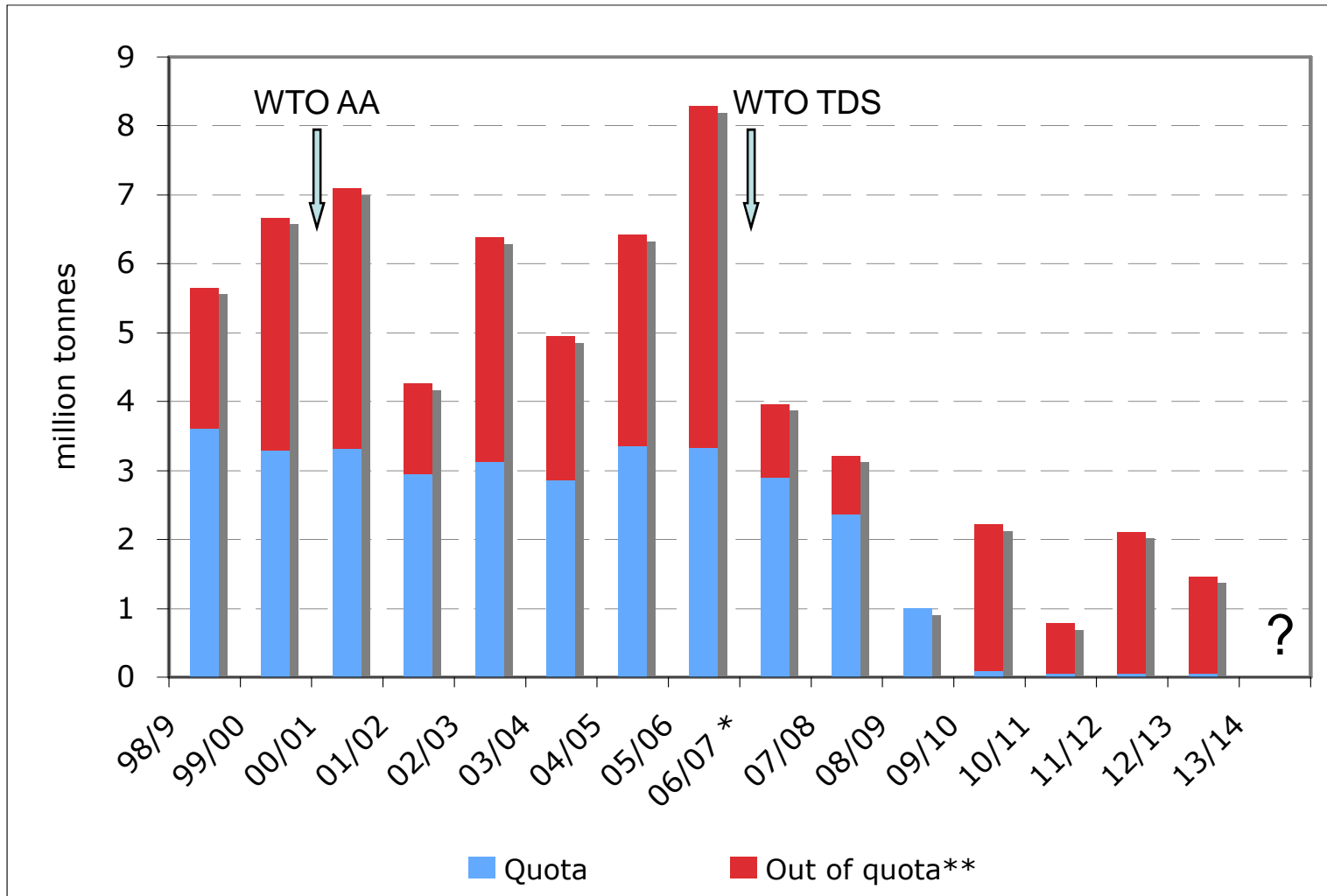


WTO Uruguay round agreement on agriculture

- Prior to WTO agreement on agriculture, EU exported 5-7 million tonnes
- Agreement on agriculture restricted exports
- Further restriction following WTO trade dispute settlement (case brought by Australia, Brazil and Thailand) limiting exports to 1.37 million tonnes



EU sugar exports



EU15 until April 2004, EU 25 from May 2004, EU 27 from January 2007

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Impact of WTO trade dispute settlement

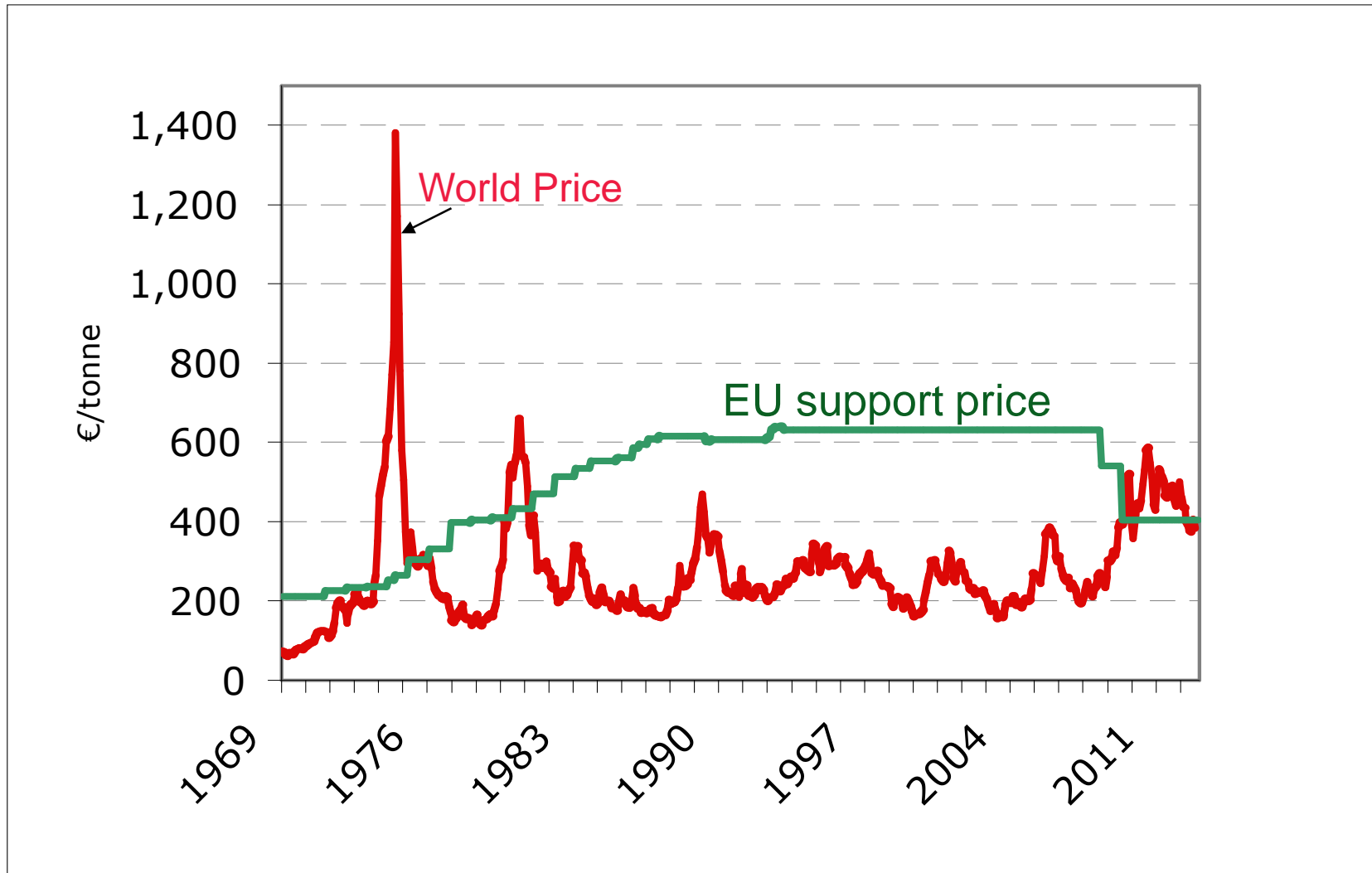
- EU had to cut its sugar exports from 5-7 million tonnes (on average) to 1.37 million tonnes
- EU reformed its sugar policy in 2006

2006 sugar reforms

- Reduced support prices by 36%



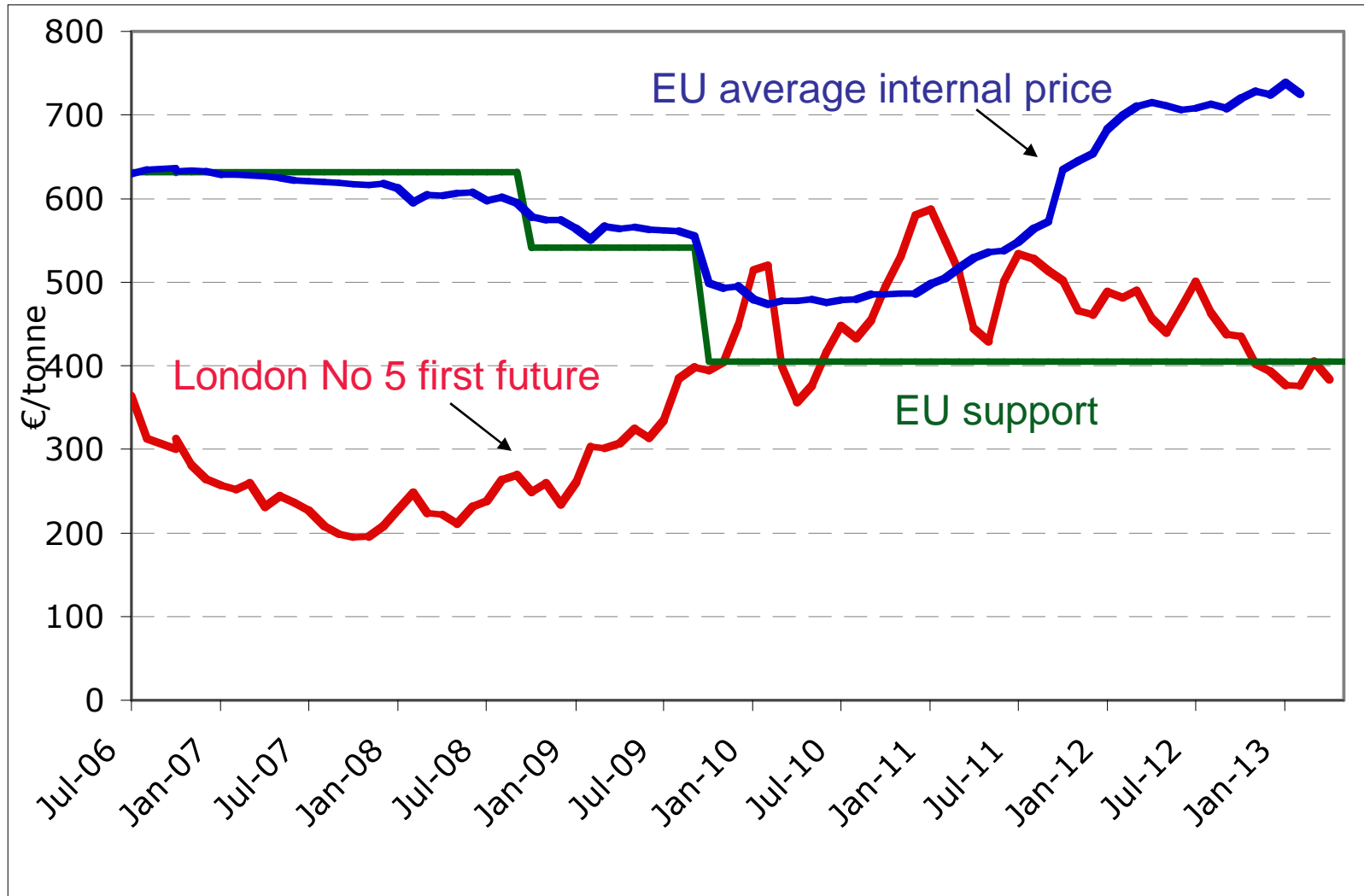
Prices



Sources: USDA (Paris spot then LDP no 5), ECB and European Commission



Prices



Sources: USDA (LIFFE), ECB and European Commission



Prices

QuickTime™ and a
decompressor
are needed to see this picture.

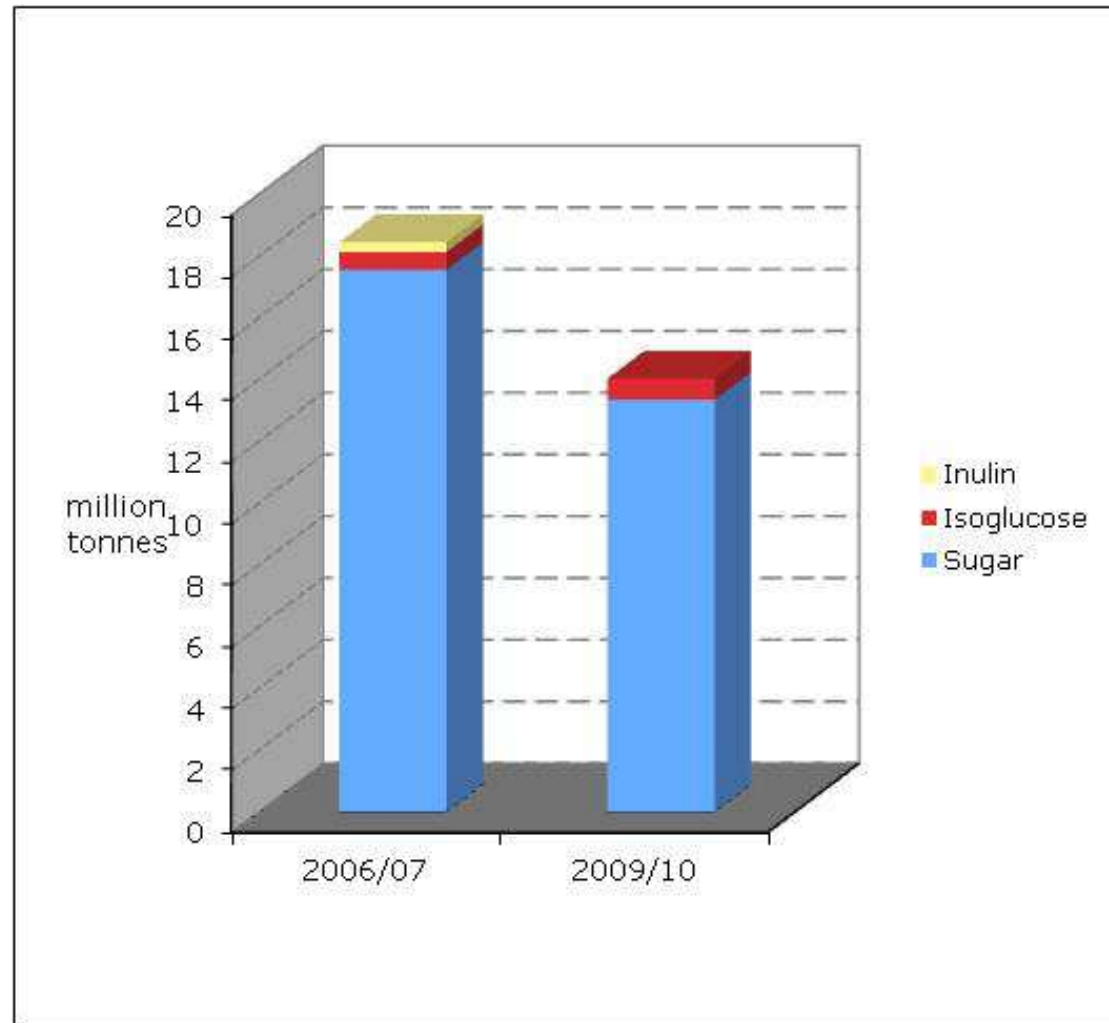
Source: European Commission



2006 sugar reforms

- Reduced support prices by 36%
- Voluntary restructuring reduced sugar production quotas by 4 million tonnes

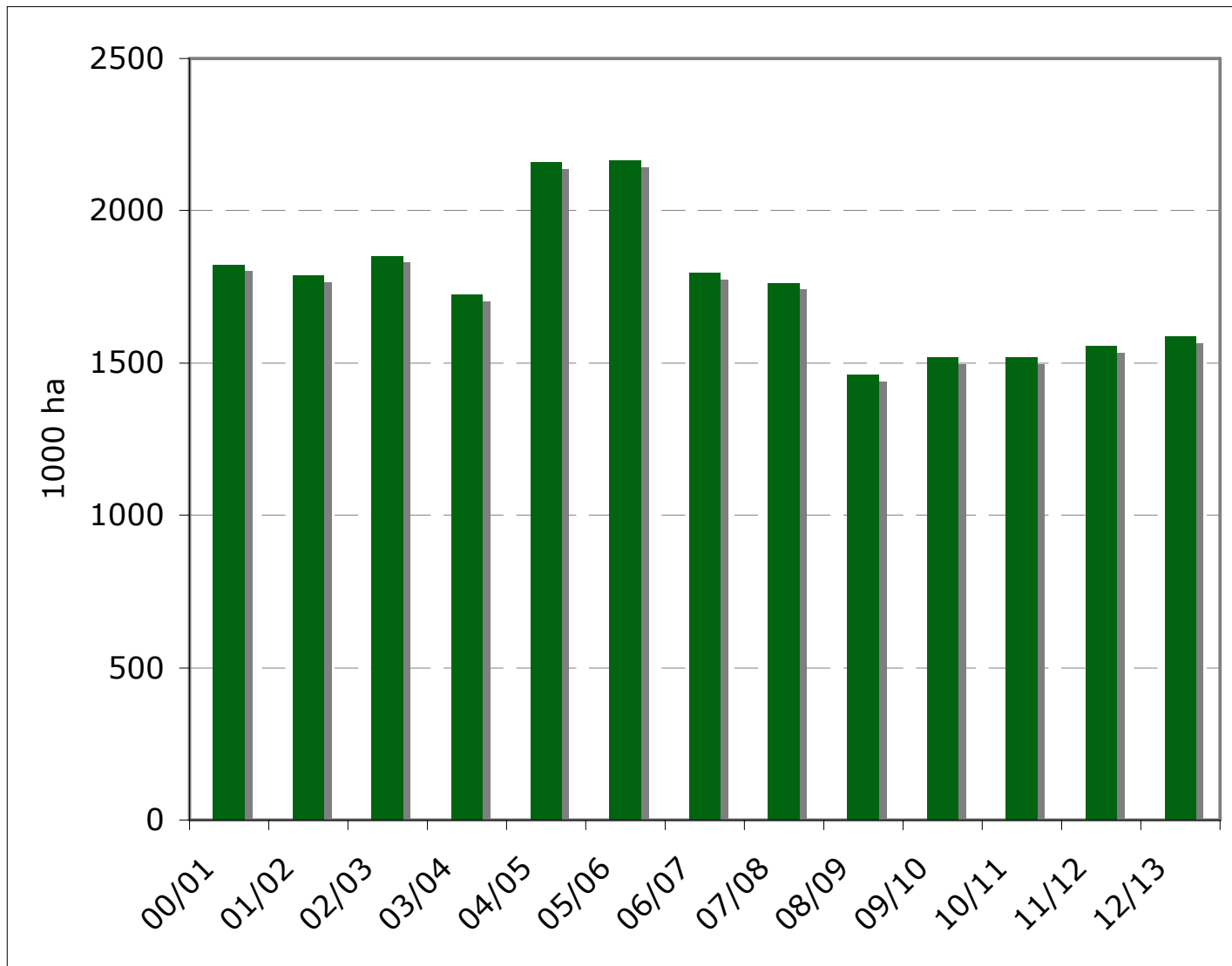
EU 27 production quotas



Source: European Commission



EU area planted to sugar beet

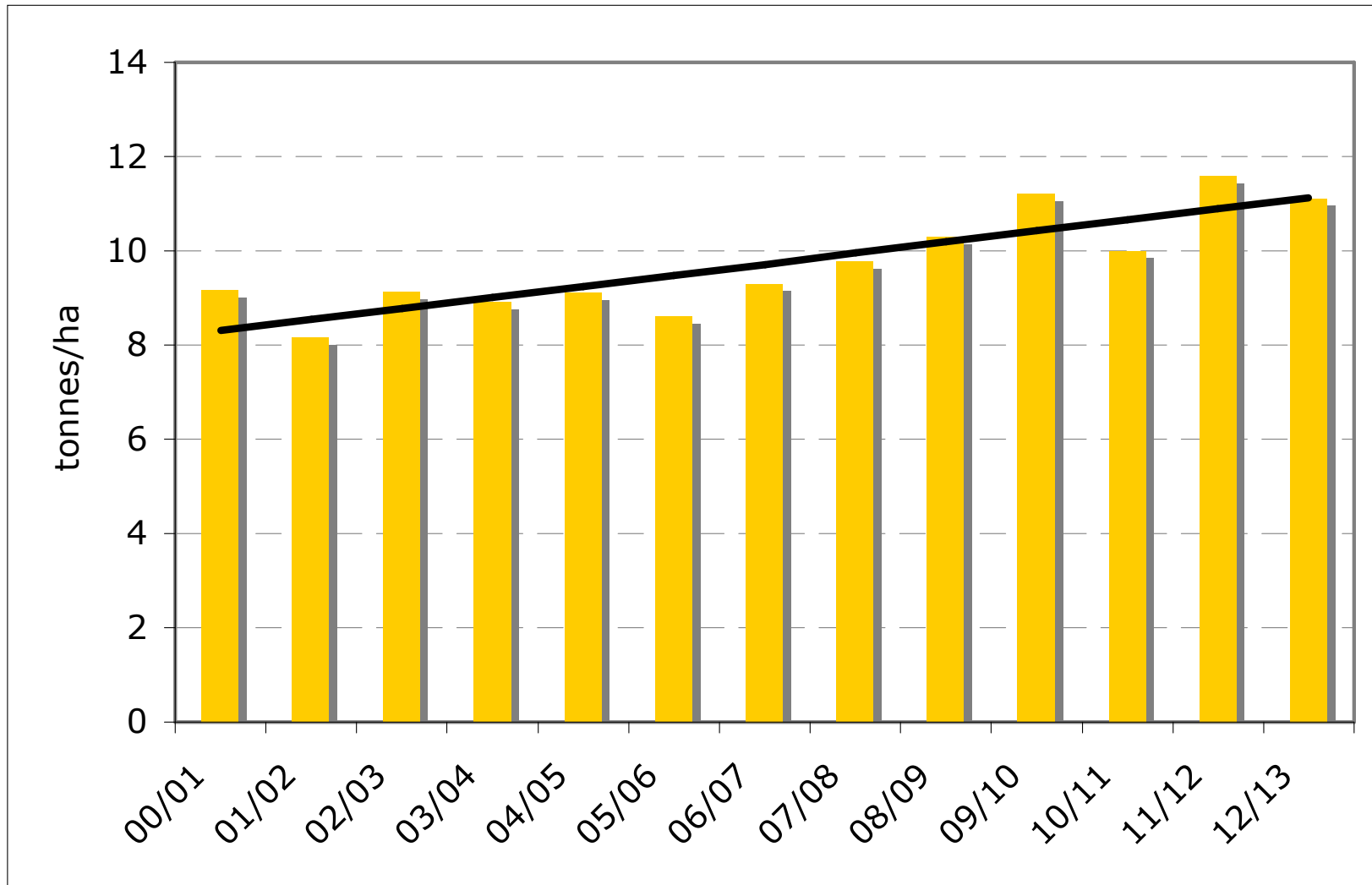


1. EU15 until April 2004, EU 25 from May 2004, EU 27 from January 2007 2. 2012/13 forecast

Source: European Commission



EU sugar yields

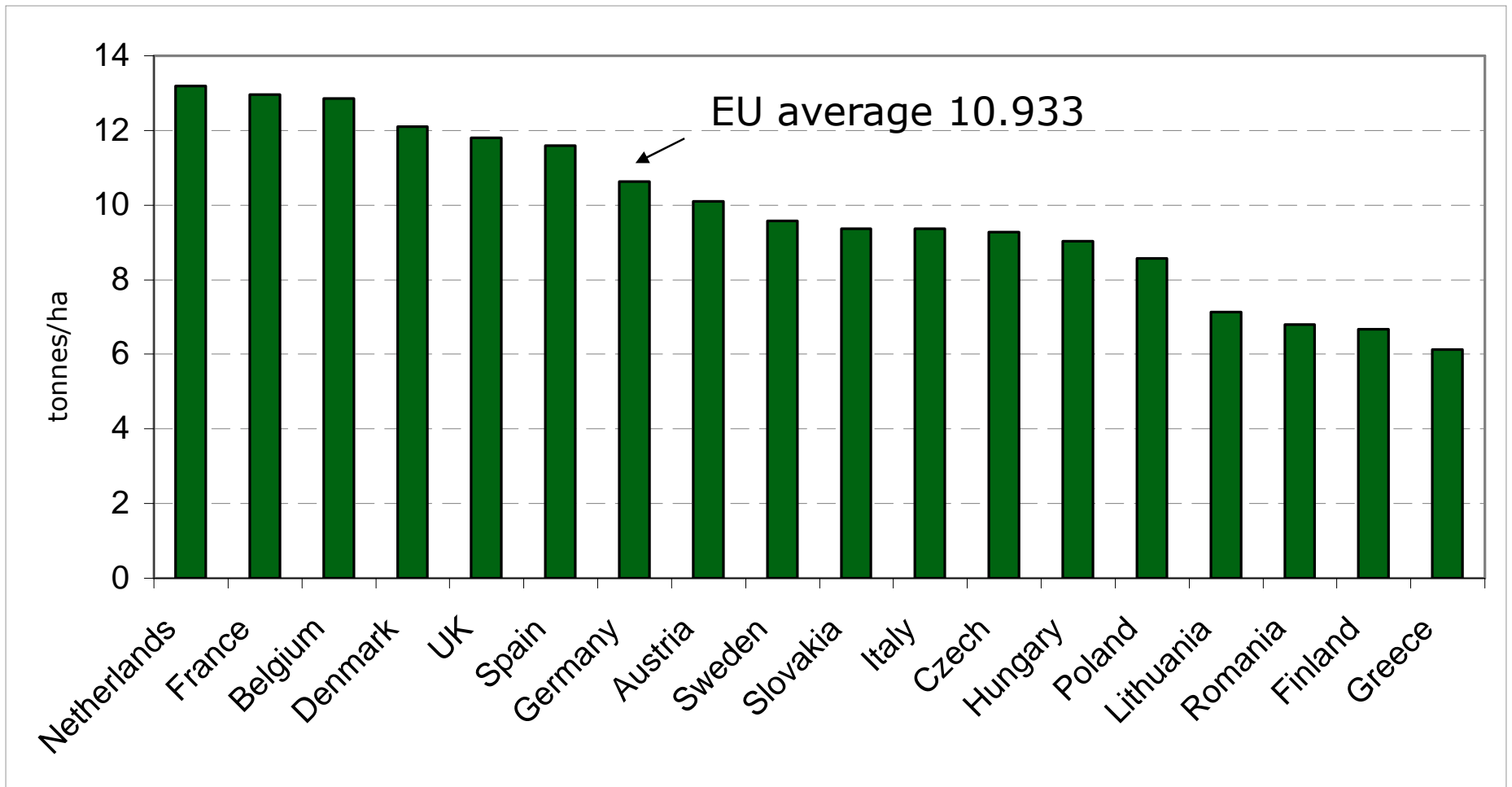


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Source: European Commission



EU sugar yields

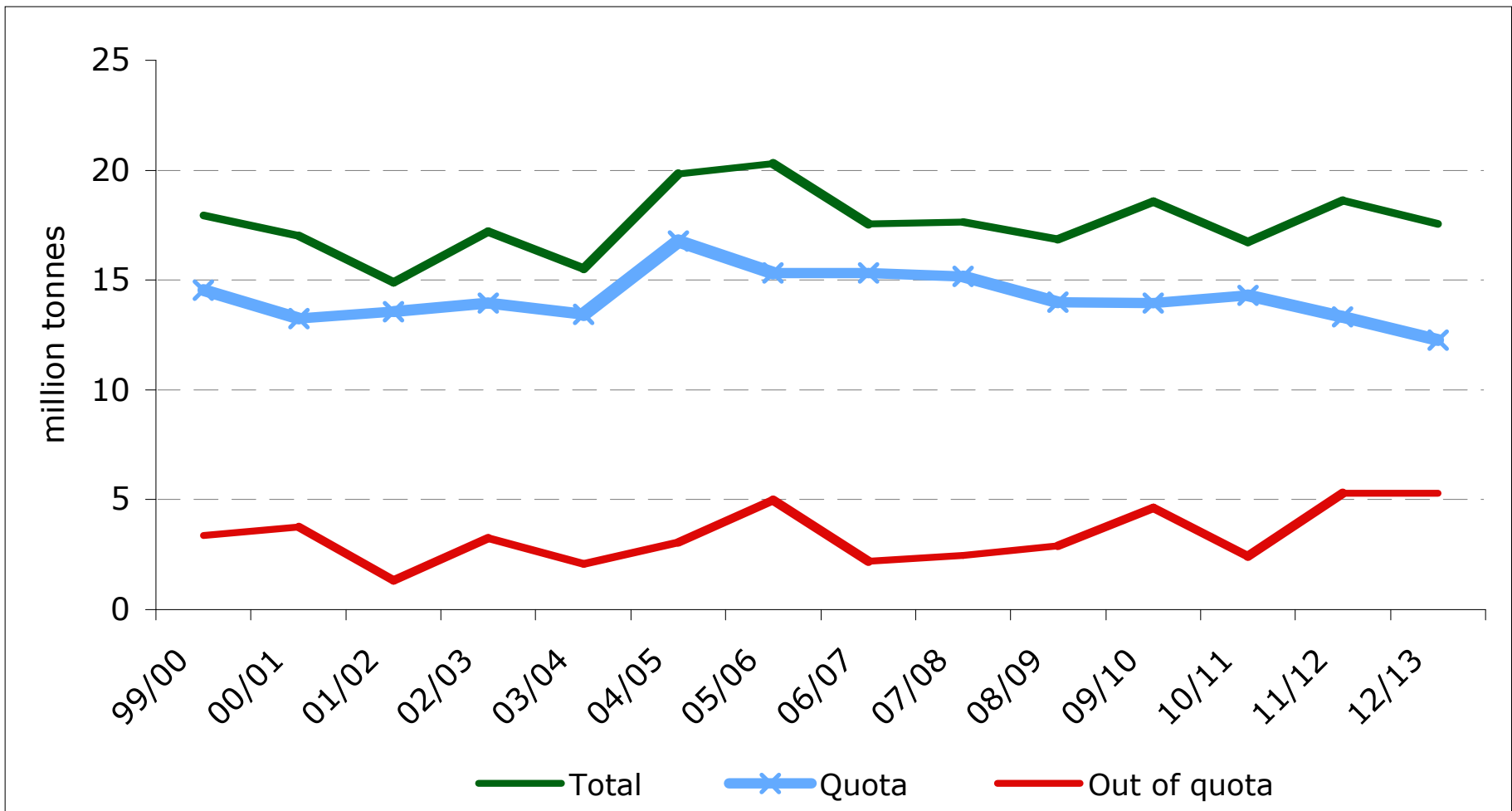


3 year average 2009-2012

Source: European Commission



EU sugar production



1. EU15 until April 2004, EU 25 from May 2004, EU 27 from January 2007 2. 2012/13 forecast

Source: European Commission

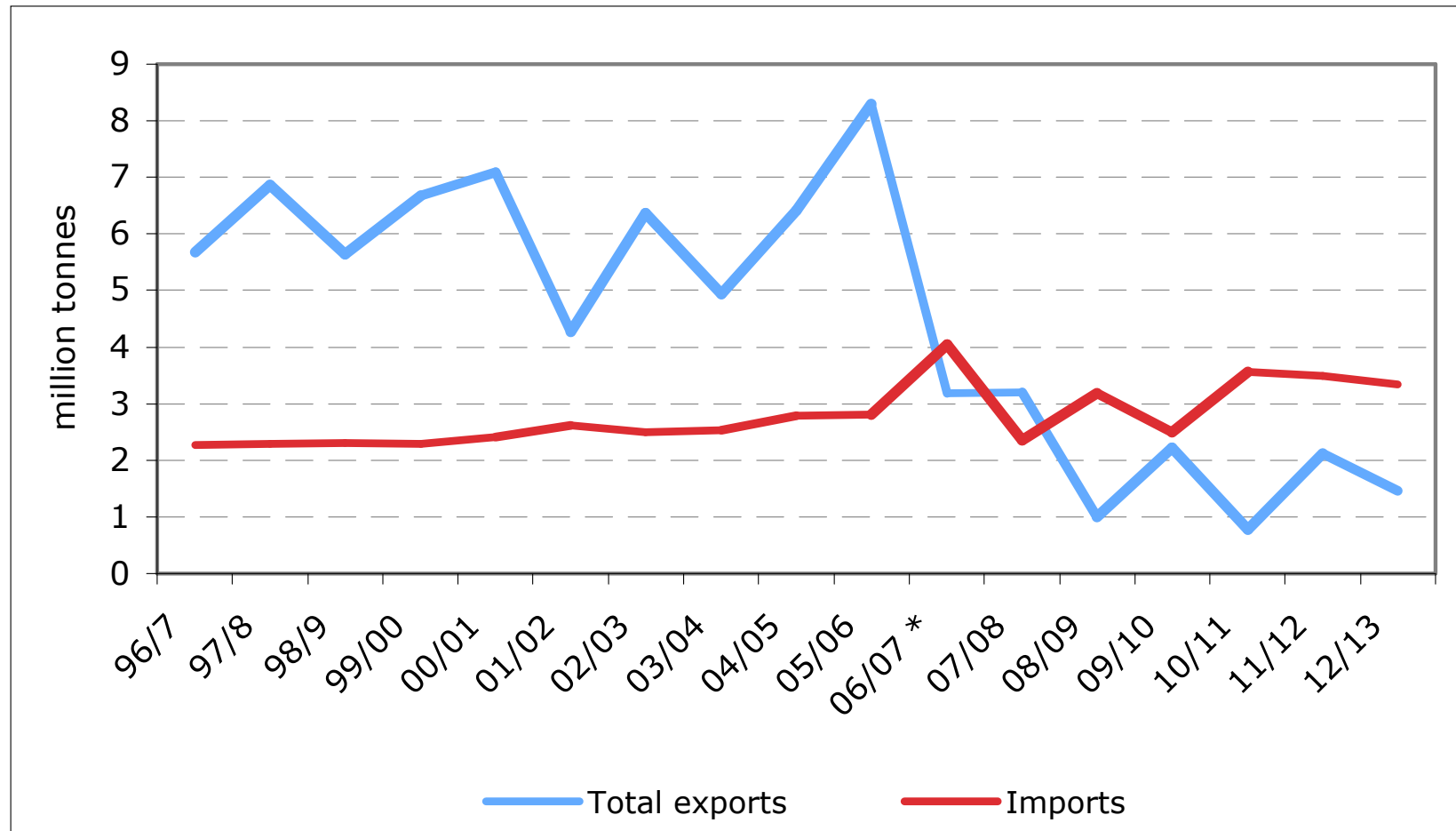


EU: a significant sugar importer

- EU market is protected with a high import tariff
- Sugar (mainly for refining industry) imported under preferential arrangements
 - ACP economic partnership agreements (zero duty)
 - LDCs (zero duty)
 - CXL within quota (reduced duty)
 - other free trade agreements
 - “exceptional measures”



EU: a significant sugar importer



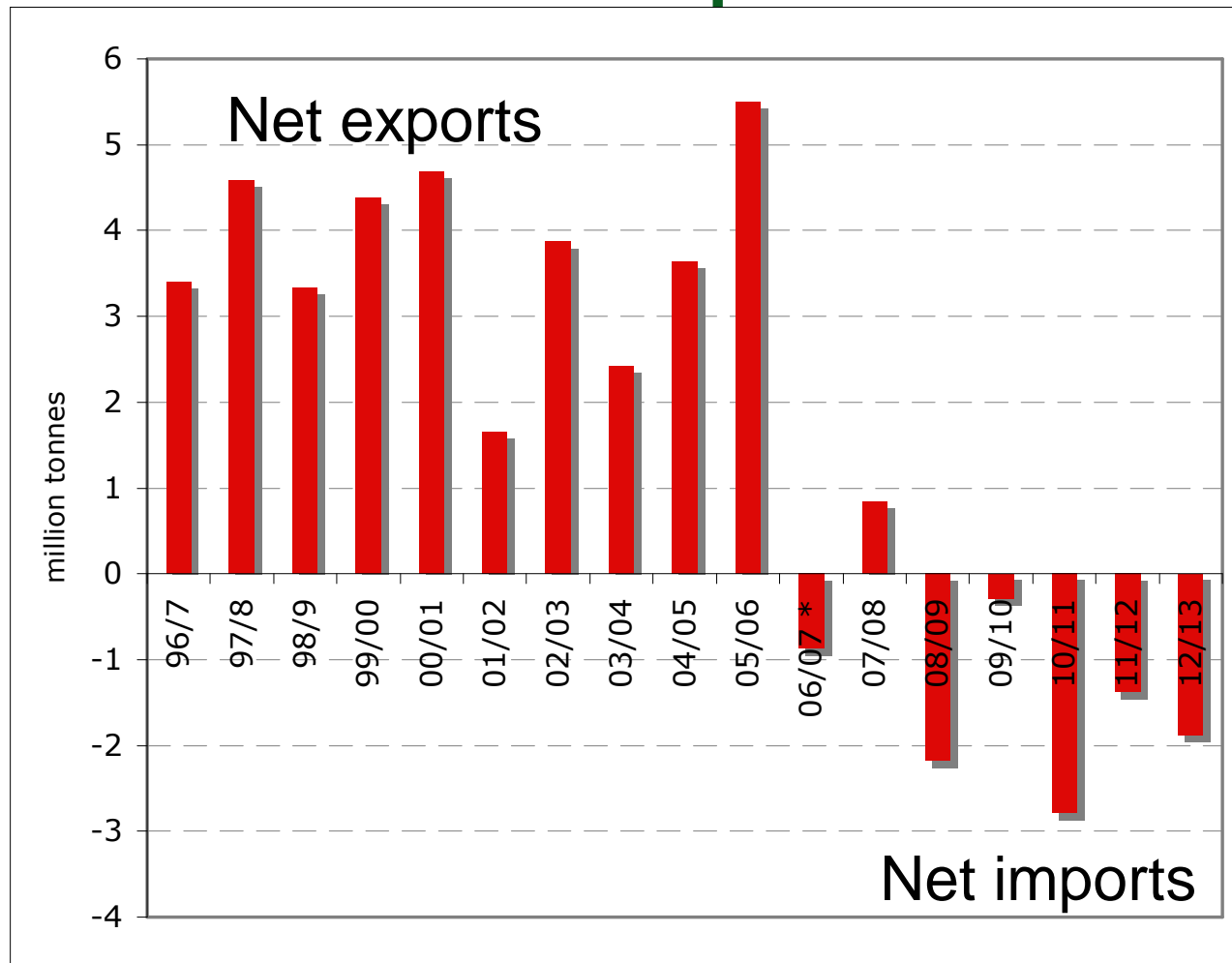
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* 2006/07 is 15 months July to September

Source: European Commission



EU: from net exporter to net importer



* 2006/07 is 15 months July to September
Source: European Commission



CAP reform 2013: future sugar policy

- No proposal to reduce high import tariff outside a successful conclusion to Doha
- No proposal to change support price
- When will production quotas be abolished?



Future of sugar production quotas

- European Commission proposed ending quotas in 2015
- Lobbying by the sugar industry to extend the quota system until 2020 (endorsed by the European Parliament)
- Compromise decision may be concluded at the end of June 2013?



Conclusion

- Consumption in the EU is relatively static
- Industry is becoming more efficient and can compete with cane production
- When EU ends support measures, WTO restraints will cease
- The EU has the capacity to increase exports



Thank you for your attention



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