

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## EU-27

## Sugar Semi-annual

## Report

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**Report Highlights:**

Croatia, which became the EU's 28<sup>th</sup> member on July 1, 2013, negotiated a sugar production quota of 192,877 MT of white sugar.

EU sugar production for food in MY 2013/14 is forecast at 16.0 million MT, a decrease of almost 600,000 MT compared to MY 2012/13. In MY 2012/13, EU food sugar production at 16.6 million MT remained 10 percent below the record production of MY2011/12. European sugar imports for MY 2013/14 are forecast at 3.6 million MT, compared to 3.9 million MT in MY 2011/12 and 3.5 million MT in MY 2011/12. European sugar exports for MY 2013/14 are forecast to remain at 1.5 million MT, in line with the EU's WTO sugar export ceiling.

**Executive Summary:**

This report covers EU 28 sugar markets, as Croatia became the 28<sup>th</sup> EU member nation as of July 1, 2013. The resulting changes to its sugar trade relationship with the rest of the EU are accounted for. During accession negotiations, Croatia secured 192,877 MT of refined sugar production quota. In compensation for the market loss to Croatia for the supplying countries, the EC agreed to issue a new sugar import quota (40,000 MT) to Croatia for three years from Marketing Year (MY) 2012/13 through MY 2014/15.

EU sugar production for food in MY 2013/14 is forecast at 16.0 million MT, a decrease of almost 600,000 MT compared to MY 2012/13 as a result of a decrease in beet area sowing in Member States (MS). German beet sowings decreased by 45,000 Ha as a result of 400,000 MT of unsold sugar stocks from MY 2012/13, which are expected to be carried over into the German quota for MY 2013/14. Wet soils prevented over 10,000 Ha of Italian beet sowings. In MY 2012/13, EU food sugar production at 16.6 million MT remained 10 percent below the record production of MY2011/12.

European stocks of sugar for food use at the end of MY2012/13 returned to 4.0 million MT after several years of tight EU sugar supplies for food use. This results from three consecutive marketing years of exceptional market measures yearly allowing over a million MT of additional sugar to alleviate sugar shortages in the EU market. High EU sugar prices in MY 2011/12 and MY 2012/13 also put pressure on sugar consumption. EU food sugar stocks at the end of MY2013/14 are forecast to remain close to 4 million MT. This forecast results from the expectation of additional preferential imports totaling 244,000 MT of raw sugar originating from Colombia, Peru and six Central American, with whom the EU concluded free-trade agreements (FTA) in the past year.

European sugar imports for MY 2013/14 are forecast at 3.6 million MT, compared to 3.9 million MT in MY 2012/13 and 3.5 million MT in MY 2011/12. European sugar exports for MY 2013/14 are forecast at 1.5 million MT, the same as in MY 2012/2013 in line with the EU's WTO sugar export ceiling, while MY 2011/12 exports ended at 2.3 million MT because of unused exports licenses from the previous year.

**Commodities:**

Sugar, Centrifugal

## **Production:**

*Note: The EU Sugar Production Quota Regime.*

The EU sugar market is heavily regulated. The 2007 Sugar Reform limited total EU production quotas for food purposes to 13.5 million MT of white sugar equivalent which amounts to 14.7 million MT in raw sugar equivalent (RSE). Sugar production quotas are set by Member States (MS) and include a small quota for raw cane sugar production in overseas territories (DOM) for France and Portugal. Additional production is considered “out-of-quota.” As a result, EU sugar processors in MS have four options to market sugar produced out-of-quota:

- Exports: pending availability of EU export licenses limited to the EU WTO sugar export ceiling of 1.35 million MT (of refined sugar).
- Disposal on the EU market for industrial purposes: for example, for fermentation by the biochemical industry or for bio-ethanol production.
- Release on the EU domestic market: This option carries a levy of €500 per MT unless the EU decides to waive all or part of the levy through exceptional sugar market management measures.
- Carry-over into the following production year: counts towards the quota production for that year.

Isoglucose is not a competitor for sugar in food. Isoglucose such as HFCS, is governed by its own production quotas, which are tied to sugar quotas at 5 percent.

Farmers are also protected against competition from raw sugar cane by high tariffs and import quotas. A rigid import license system governs preferential duty-free imports from Least Developed Countries (LDC) under the Everything-But-Arms (EBA) Agreement limiting imports by a safeguard of 3.5 million MT white sugar equivalents.

*Explanatory Notes to the reader:*

- This report covers EU 28 sugar markets. Croatia became the 28<sup>th</sup> EU member nation as of July 1, 2013 and the changes to its sugar trade relationship with the rest of the EU are accounted for.
- All sugar is in raw sugar equivalent unless otherwise noted.
- The Production, Supply & Demand tables (PS&D) in this report only pertain to sugar as defined by Harmonize System code 1701, therefore, it excludes raw beet sugar production destined for fermentation or other industrial purposes.
- The conversion factors and marketing years used in this report:  
MY = marketing year; for sugar October/September.  
Raw cane sugar = 1.07 X Refined cane sugar  
Raw beet sugar = 1.087 X White (refined) beet sugar
- Sugar imports for EU inward processing purposes are excluded from this report PSD tables as these sugar imports are entirely re-exported as processed products. Inward processing is the EU program under which the import duties for dairy, sugar, and starch containing commodities for processing and subsequent re-export are waived.

- The data in this report is based on EU sugar production information collected by FAS offices in the EU Member States.

Upon Croatia's accession to the EU, the European Commission (EC) allocated 192,877 MT of refined sugar production quota to Croatia, thus bringing the total EU28 sugar production quota for refined sugar to 13.5 million MT. The increase in EU sugar production quota is reflected in this semi-annual report.

EU sugar production for food in Marketing Year (MY) 2013/14 is forecast to decrease significantly compared to MY 2012/13 as a result of a decrease in beet area sowing in Member States (MS) with unsold sugar quantities at the end MY2012/13, especially in Germany, where there was a decrease in beet area planted of nearly 45,000 hectares (Ha). Furthermore, wet soil conditions in the spring of 2013 prevented Italian beet farmers from planting about 10,000 Ha. Additional wet and cold spring conditions in most of Western Europe further delayed beet crop development resulting in below average beet yields (See table below).

In MY 2012/13, the EU food sugar production of 16.6 million MT was almost 1 million MT higher than it had been estimated in the annual report, but remained 10 percent below the record production of MY2011/12. This resulted in larger than anticipated unsold sugar quantities, especially in Germany, which foresees a carry-over of 400,000 MT from MY 2012/13 into MY 2013/14.

<b>EU sugar beet production</b>									
Market Year	Area, thousands of Hectares			Sugar beet yield in MT per Hectare			Sugar content in percentage		
	11/12	12/13	13/14	11/12	12/13	13/14	11/12	12/13	13/14
Austria	46.4	49.3	50.0	72.1	63.0	62.0	17.80	16.66	17.00
Belgium	62.2	61.2	59.8	75.6	78.9	76.0	17.80	18.04	18.10
Denmark	40.0	40.8	38.0	67.5	64.9	60.5	18.00	18.00	18.00
Finland	14.1	11.5	11.5	47.9	34.7	40.0	16.50	16.50	16.50
France	393.0	390.0	393.0	90.5	80.6	78.8	18.80	18.40	18.50
Germany	398.1	402.1	358.0	71.6	71.3	63.6	18.00	18.22	17.84
Greece	6.0	9.0	13.0	66.8	67.0	67.8	13.50	13.50	13.50
Italy	45.5	52.5	40.0	54.9	49.1	54.0	16.61	17.00	17.00
Netherlands	73.3	72.7	73.0	79.9	78.9	74.0	17.00	17.10	17.20
Portugal	0.4	0.4	0.0	55.0	55.0	0.0	14.50	15.51	0.00
Spain	42.8	37.3	38.0	90.5	85.9	84.0	18.21	17.71	17.88
Sweden	39.6	39.0	36.3	63.0	55.8	60.0	17.50	17.50	17.50
U.K.	112.8	120.1	115.0	75.4	60.7	65.8	18.44	17.02	17.60
Czech R.	59.3	60.0	60.1	71.3	59.0	70.0	17.32	17.30	16.90
Hungary	15.0	19.0	17.0	56.5	47.1	48.9	16.80	16.80	16.50
Lithuania	17.6	19.5	19.0	49.8	52.2	50.0	17.40	17.00	17.00
Poland	196.3	192.9	185.0	59.1	63.6	60.0	17.50	17.60	17.00

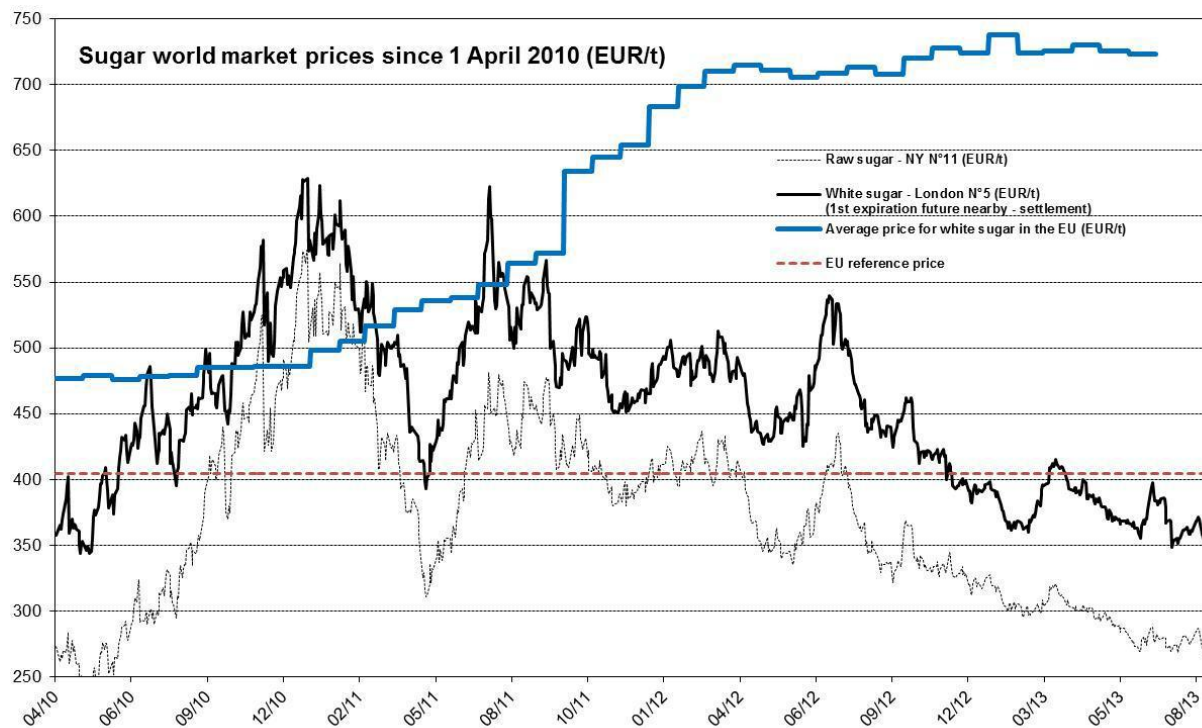
Slovak R.	18.1	19.4	18.0	63.1	45.3	52.0	18.05	16.50	16.75
Romania	18.8	28.0	27.0	35.1	26.4	30.0	22.00	21.20	21.00
Croatia	22.0	24.0	24.0	53.0	38.0	46.0	15.30	15.50	15.50
<b>Total EU-28</b>	<b>1621.3</b>	<b>1648.7</b>	<b>1576.9</b>	<b>N.A.</b>	<b>N.A.</b>	<b>N.A.</b>	<b>N.A.</b>	<b>N.A.</b>	<b>N.A.</b>

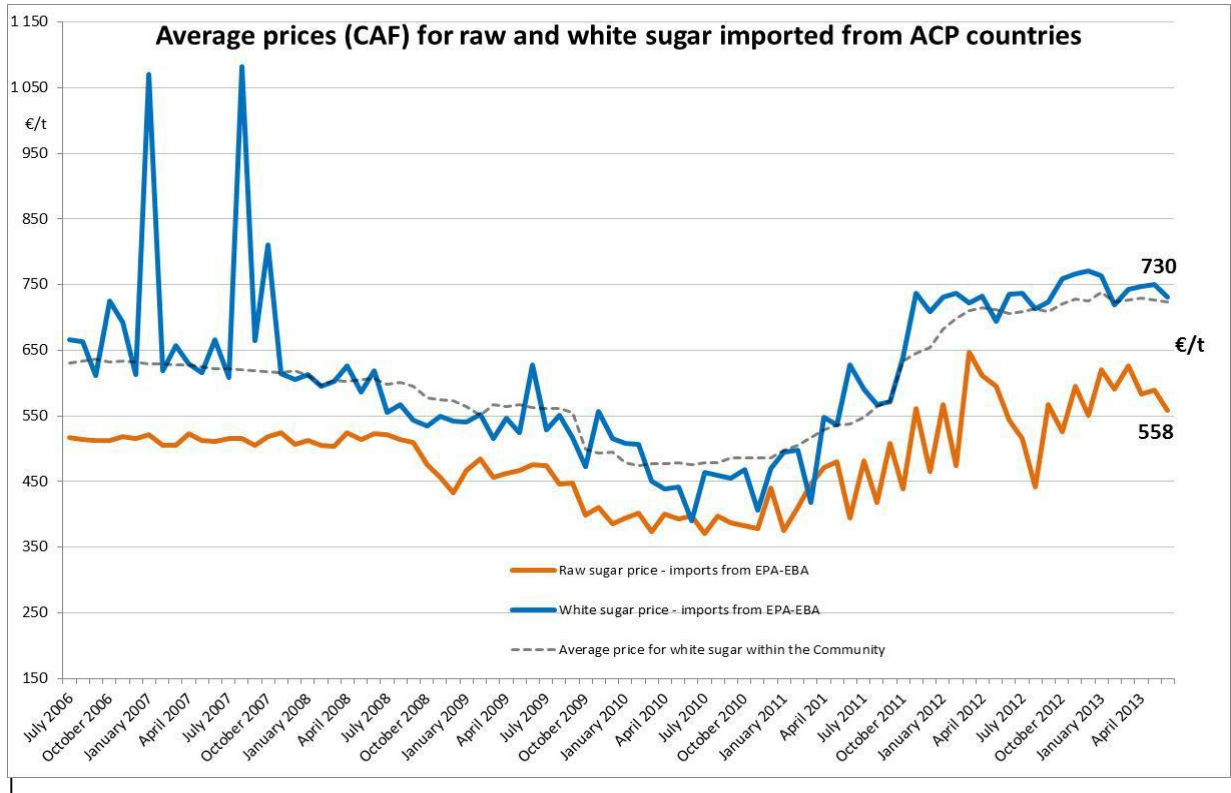
Source: FAS EU offices

### Consumption:

Croatia, with its 4.3 million inhabitants, consumes a modest 150,000 MT of sugar, ranking it amongst the lowest sugar consumers per capita in Europe.

Sugar consumption in Europe is marginally increasing, in line with its slowly increasing population. High EU sugar prices in MY 2011/12 and MY 2012/13 has reduced sugar consumption. EU domestic food sugar prices in MY 2013/14 are expected to decrease as prices for renewing long-term sugar supply contracts with EU food industries adapt to much lower world market sugar prices compared to previous years. Furthermore, the expected decrease of sugar prices in the EU market may be enhanced because EC exceptional measures in MY 2012/13 increased supplies within quota. The additional 1.2 million MT of sugar brought into the EU sugar market was almost evenly distributed between the release of out-of-quota production to the food market and additional reduced-duty imports.





## **Trade:**

### *Imports*

Increasing EU sugar imports from preferential trade partners in MY2013/14 are forecast to lead to continued high EU sugar stocks. EU sugar imports in MY2013/14 are forecast to decrease by 250,000 MT only, in spite of additional imports (560,000 MT) through exceptional measures in MY2012/13. The increase of preferential imports is expected to originate from Colombia, Peru and six Central American whom the EU concluded free-trade agreements (FTA) in the past year and allowing for a total of 244,000 MT of additional preferential raw sugar imports.

### *Exports*

EU sugar exports in MY2013/14 are forecast to remain at 1.5 million MT as they are bound by the EU WTO sugar export ceiling unchanged from MY 2012/13. Exports in MY 2011/12 were higher as EU sugar exporters benefitted from unused export licenses from the previous marketing year.

## **Stocks:**

European stocks of sugar for food use are expected to have returned to a comfortable 4.0 million MT at the end of MY2012/13 after several years of tight EU sugar supplies for food use. This is the result from three consecutive marketing years, during which the EC provided exceptional market measures yearly allowing over a million MT of additional sugar to alleviate temporary local sugar shortages in the EU. These measures were in part targeted to provide the necessary raw cane sugar to the EU sugar refineries that had difficulty securing sufficient raw cane sugar from underperforming ACP [1] and EBA [2] sugar producers. For a chronological overview of these exceptional measures see the [2013 EU27 Annual GAIN](#) [3] report.

EU food sugar stocks at the end of MY2013/14 are forecast to remain close to 4 million MT. This could imply that the EC may not need to provide additional sugar supplies through exceptional measures in MY 2013/14 despite EU sugar prices remaining well above world market prices at the end of MY2012/13 (See price chart above).

<sup>[1]</sup> Former colonies in Africa, the Caribbean and Pacific have preferential market access to the EU.

<sup>[2]</sup> EBA: Everything-But-Arms agreement, giving least-developed countries duty free and quota free access to the EU.

<sup>[3]</sup> [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Sugar%20Annual Brussels%20EU-27 4-17-2013.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Sugar%20Annual%20Brussels%20EU-27%204-17-2013.pdf)

## **Policy:**

### *Croatia*

The accession of Croatia to the EU on July 1, 2013 brought some albeit small changes to the EU sugar market. Croatia negotiated a raw beet sugar production quota of 192,877 MT of white sugar. Furthermore, since the end of the Balkan wars in the 1990's, Croatia had benefitted from duty-free market access for 180,000 MT of sugar, substituting its domestic consumption of around 150,000 MT with cheaper imports from the world market. In compensation for this market loss for the supplying countries, the EC agreed to issue a new sugar quota (40,000 MT) to Croatia for three year from MY 2012/13 through MY 2014/15. Croatia's three sugar processing plants also secured full-time refiner status, thus giving the processing plants priority access to the EU's preferential raw sugar imports.

### *Common Agricultural Policy (CAP )*

At the end of June 2013, EU member states concluded a political agreement for the latest Common Agricultural Policy (CAP) reform post 2014. Because the EU Multi-Annual Financial Framework (MFF) for the period 2014-2020 has not been finalized, the new CAP is meant to start on January 1, 2014 under the old budgetary system and become fully implemented as of 2015.

For the EU sugar market, the agreement includes the expiration of the EU sugar production quota system after a two-year extension period through MY 2016/17 allowing farmers and processors to adapt to the free market. The new Common Market Organization (CMO) for sugar includes the following measures:

- Sugar quotas disappear after a two-year extension through MY2016/17. No changes are made to existing quota levels; no new quotas are given to MS.
- Delivery contracts between beet producers and processors become mandatory, but are already general common practice. Beet producers may organize themselves in Producer Organizations (PO) and bargain collectively.
- A system of Private Storage Aid will be set up for sugar after sugar quotas end.
- The system of "exceptional measures" from the expiring Single CMO is being replaced by a system of "Temporary measures" for the remaining three quota years beginning January 1, 2014. Temporary measures are expected to continue the system of exceptional measures, but the details about the mechanism, duties etc... are still to be decided in an Implementing Regulation. It is expected to be politically difficult to deviate from the previous system. One exception, additional imports will be restricted to raw sugar only, while the old system allowed refined and raw imports. The additional imports will be constrained because the duty for non preferential is €339 (\$455) per ton.

The latter exception is considered a small victory for the full-time refiners who have fought consistently in the recent years to secure satisfactory raw sugar supplies to keep their refineries operational.



## Production, Supply and Demand Data Statistics:

Sugar, Centrifugal European Union	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	1,974	1,974	3,146	3,303	2,969	4,044
Beet Sugar Production	17,833	18,033	15,341	16,300	15,660	15,700
Cane Sugar Production	277	287	282	291	280	300
Total Sugar Production	18,110	18,320	15,623	16,591	15,940	16,000
Raw Imports	2,453	2,809	2,800	3,000	2,800	2,900
Refined Imp.(Raw Val)	957	743	1,000	900	1,000	750
Total Imports	3,410	3,552	3,800	3,900	3,800	3,650
Total Supply	23,494	23,846	22,569	23,794	22,709	23,694
Raw Exports	4	4	5	5	5	5
Refined Exp.(Raw Val)	2,344	2,339	1,495	1,495	1,495	1,495
Total Exports	2,348	2,343	1,500	1,500	1,500	1,500
Human Dom. Consumption	18,000	18,200	18,100	18,250	18,100	18,300
Other Disappearance	0	0	0	0	0	0
Total Use	18,000	18,200	18,100	18,250	18,100	18,300
Ending Stocks	3,146	3,303	2,969	4,044	3,109	3,894
Total Distribution	23,494	23,846	22,569	23,794	22,709	23,694

1000 MT

Source: FAS/USEU

### Author Defined:

Related reports from FAS Post in the European Union:

Country	Title	Date
Spain	<a href="#">Arable Crops Hold Potential despite Record Precipitation</a>	05/02/2013
EU 27	<a href="#">Sugar Annual</a>	04/30/2013

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<http://gain.fas.usda.gov/Pages/Default.aspx>