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Press Release

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CIBE AND CEFS REACT TO THE JRC STUDY ON THE CUMULATIVE IMPACT OF FUTURE FTAS ON AGRICULTURE

On 15 November 2016 the European Commission presented to the Agriculture and Fisheries Council the results of an economic study carried out by the Joint Research Centre on the "cumulative effects of concessions made in the context of free trade agreements on the EU agricultural sector." The study covers the impact of 12 future trade agreements on the agri-food sector and their impact on producer prices and production volumes for a range of products, including 'sensitive products', of which sugar.

It is important to note that sugar, as a recognised sensitive product, is customarily excluded from free trade negotiations or only partially liberalised via concessions in the form of tariff-rate quotas. By contrast, the study takes two tariff liberalisation scenarios as the basis for its projections of the impacts of these agreements on the EU sugar sector. This basis does not reflect the reality and necessity of sugar's specific treatment in the EU's trade negotiations.

The **results of the study do underline the need to protect the EU sugar sector from market opening through tariff liberalisation.** The study's conclusions are clear that the liberalisation of tariffs compared to the baseline would lead to reductions in EU sugar production, sugar prices (minus 5 to 7%) and trade value, and cause an increase of sugar imports from Mercosur into the EU of between 22% and 38%. These conclusions must be viewed against the baseline (the European Commission's medium-term prospects for agricultural markets 2015-2025), which already forecasts a fall in EU sugar prices because of the abolition of the quota system.

The conclusions modelled by the study are also aggregated at the EU level, which masks the potentially severe negative impacts at Member State and regional level, such as a decline in beet growing, job losses and factory closures. Further, the argument that EU sugar producers will be able to compensate part of the additional imports through exports in particular to the US, Turkey and Japan is misleading, since the study does not take into account the highly regulated sugar sectors of the U.S., Turkey and Japan. In addition, the model does not take account of the massive government interventions and subsidies that distort the world sugar market (in particular by the big producers like Brazil, India and Thailand), nor take account of the potential for future capacity developments for producers in these countries and others, such as Mexico, who will compete with EU exporters for market share in third countries.

Finally, the study does not consider the impact of price volatility resulting from increased third country imports. This volatility will increase, in particular because of exchange rate movements in the emerging economies, and will significantly impact the sugar markets and the EU sugar sector.

The EU's sugar market access concessions from free trade agreements have already almost doubled over the past decade. The effect has been increasing pressure on EU prices as the sector prepares for a difficult transition into the post-quota period. The EU agricultural outlook indicates that EU sugar price will remain very low for much of the post-quota period, making conditions challenging for growers and processors. As such, **CIBE and CEFS call on the EU institutions to continue to treat sugar as a sensitive product in all free trade negotiations.**