International Confederation of European Beet Growers

CONFEDERATION INTERNATIONALE
DES BETTERAVIERS EUROPEENS
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CONFEDERAZIONE INTERNAZIONALE
DEI BIETICOLTORI EUROPEI

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Explanatory Memorandum
The Misconceptions of Sugar Refiners in Europe and their consequences

The European Sugar refining sector is regularly claiming that it faces an unfair treatment within EU policy, which favors the EU sugar beet sector to the detriment of raw cane sugar refiners (in particular full-time refiners such as the refiner American Sugar Refining Inc., which owns the Tate & Lyle refinery in London as well as the Tate & Lyle brands).

European raw cane sugar refiners recommend that the EU import more raw cane sugar from the world market and from non-preferential partners, to their benefit and, according to them, to the benefit of developing countries. With the support of some MEPs, the sugar refiners in Europe are using threats of refinery closures. Under the pressure of American Sugar Inc. they have undertaken a very active lobbying and communication campaign with the EU Institutions and in the press.

This lobbying campaign is based on misconceptions and wrong arguments. Firstly, the replies of the Commission to refiners made in July 2012 and reiterated in September 2012 made it clear that **the market tools implemented by the Commission in 2010/11 and 2011/12 to manage the EU sugar market were balanced and met the needs of all stakeholders including refiners**. Secondly, the real reasons for this lobbying campaign and **the consequences of its message** need to be highlighted.

The following facts demonstrate that **the request of raw cane sugar refiners to be granted a guarantee of access to the world market at zero duty reflects mainly the specific interest of the company American Sugar Refining Inc. and is in contradiction with the objectives of the CAP and with the 2006 sugar reform, to their benefit and to the benefit of non-preferential third competitors such as Brazil**. **Therefore, this request is completely unacceptable and would have the following consequences:**

- **It is not acceptable to ask for a suspension of sugar tariff duties outside trade negotiations**. **This request disregards the principles and objectives of the CAP and EU interests.**
  This request is also in total contradiction with the EP resolution 2010/2110(INI), voted in March 2011, which "*calls on the Commission to abide by its commitments regarding the EU sugar sector and to end systematic concessions on sugar in bilateral and multilateral trade negotiations and notes in this context the initiatives of the sugar sector, which have increased its competiveness while improving its environmental sustainability and contributing to the EU development agenda via the preferences granted to ACP countries and LDCs*."

- **The EU sugar market is fully open to all LDC and ACP countries since 1st October 2009, with unrestricted access (duty-free and quota-free). Today, 88 countries benefit from this access. More raw sugar cane imports from other third countries would erode the preferences granted to these traditional developing country partners and lead to a standstill of investments in these countries.** This is exactly why this group of countries is now calling for stability and sufficient income to secure their current and future investments. The delay in investments by the ACPs/LDCs cannot justify the refiners' request to bypass them.

- **The European refining industry, which received a transitional aid of €150 million to restructure (**of which 90 million € for the Tate & Lyle Refinery of London)**, has overcapacity due to investments in new refineries following the CAP reform in 2006 and based on unrealistic assumptions on the development of exports of raw sugar from ACP and LDC countries to the EU market.** Today, the capacity of the EU sugar refining industry represents 35% of sugar quota in the EU and 29% of EU sugar consumption for food use, while according to the current sugar CMO the EU sugar import needs are close to 15% (EU sugar quota represents 83.4% of current EU sugar food consumption). **Therefore, the sugar refiners' request would automatically lead to additional beet factory closures and to the shrinking of the European beet sector**. Moreover, this would certainly be against the objective of food security in the EU.

- **The request of raw cane sugar refiners consists in solving their problem of overcapacity on the back of the EU beet sector which has already strongly restructured, reduced its capacity and improved its competitiveness:** between 2006/07 and 2009/10, 83 beet factories out of a total of 189 in the EU-27 were closed, over 22 000 direct jobs in rural areas were lost, and around 140 000 farmers stopped growing beet.

- **This request would therefore be in complete contradiction with the 2006 sugar reform, oriented towards the improvement of the competitiveness and the sustainability of the sector. This request would be also totally incompatible with the previous EP Resolution 2011/2051(INI) voted by the European Parliament in June 2011** which "*advocates that the 2006 sugar market regime be extended at least to 2020 in its existing form and calls for suitable measures to safeguard sugar production in Europe and to allow the EU sugar sector to improve its competitiveness within a stable framework*".

- **Finally, the request of raw cane sugar refiners to import more raw sugar to the detriment of the European beet and sugar sector goes, in a particularly difficult time for Europe, against the will of the EU to promote the European economy and in particular its agriculture.**

Misconception 1: sugar imports in the EU would be insufficient. FALSE!
Reality: sugar imports in the EU have increased to reach the unprecedented level of 29% in 2010/11 and 26% in 2011/12 of total sugar resources in the EU. Furthermore, the EU market is balanced with ending stocks at an appropriate level.

- Following the EU sugar reform, the EU has been a net sugar importer since 2007. EU sugar imports have gradually increased from 3.1 Mt in 2006/07 to an unprecedented 4.1 Mt in 2010/11, and above 3.8 Mt in 2011/12 (Source: EU Commission). Preferential imports of raw cane sugar from ACP and LDC countries in 2010/11 were 1.8 Mt, the highest ever (Source: EU Commission). Furthermore, **imports of raw cane sugar were 2.6 Mt in calendar year 2011, taking account of additional exceptional imports from non-preferential partners (of which 1.4 Mt from Brazil), the highest imports ever (Source: EU Commission). Moreover, the EU forecast of 3.5 Mt of sugar imports, which has materialized, included raw as well as white sugar**.

- Certain preferential exporters traditionally export white sugar to the EU (Balkans) or chose to switch their production to white sugar instead of raw sugar to gain added value (Mauritius). Consequently export of white sugar increased. The result for the traditional refinery in London (around 1 million t. capacity) was that **the 400 000 tonnes of raw sugar exported traditionally by Mauritius to Tate & Lyle in London (40% of its supplies) up to 2008 switched entirely in 2009 to white sugar exported by Mauritius mainly to Spain and Italy**.

- Thanks to the market management measures and as shown in 2010/11 and 2011/12, the EU beet sector, which produces sufficient quantities of out-of-quota sugar, is able to supply the EU market in the event of supply shortage due to lower imports from preferential partners. EU ending stocks of sugar have risen from an average 10% of EU consumption during the previous campaigns to 15% during the 2011/12 campaign.

Misconception 2: the EU should import more raw cane sugar because it would help developing countries. FALSE!
Reality: the EU is already fully open to all developing countries (LDC and ACP countries). In fact, more raw cane sugar imports from other third countries would erode the preferences granted to these traditional developing country partners and lead to a stop of investments in these countries.

- **The EU sugar market is totally open to all LDC and ACP countries,** duty-free and quota-free access was granted from 1st October 2009 onwards. **Today, 88 countries benefit from this access.**

- **The ability of the ACP-LDCs which benefit from preferential access to increase their domestic production for exports to the EU in the short term was certainly overestimated when the reform was designed; but they need more time to invest, and above all they need fair prices**. The EU sugar price decrease which occurred between 2006 and 2010 was a big issue for these countries in terms of future investment. This is exactly why this group of countries is now calling for stability and sufficient income to secure their current and future investments. This delay in investments of the ACPs/LDCs cannot justify the refiners request to bypass them.

- **In addition, why, without any conclusions at WTO, without even any progress in the discussions with Mercosur, and therefore without any concessions from trade partners, should the EU open its sugar market to other third countries, in particular Brazil, eroding the preferences granted to its traditional partners and developing countries, leading to a standstill of investments in these countries?** Reduction in tariff duties cannot be discussed outside trade policy debates. **The request of refiners disregards the principles and objectives of the CAP and EU interests.**

Misconception 3: the refining industry in the EU is being treated unfairly. FALSE!
Reality: the lack of adaptation and restructuring of refiners to the 2006 sugar reform cannot be solved with a change of EU trade policy on the back of the EU sugar beet sector which did its job and restructured thoroughly.

- The opening up of the refining activity to other operators following the 2006 reform has exposed the full-time refiners to competition. **A transitional aid of 150 million Euros without any counterpart was allocated to traditional full-time refiners.** Some traditional full-time refiners decided to close their activity (TEREOS in Nantes in 2009), **some have optimised and rationalised their production capacity and have secured long-term contracts with certain ACP countries and cooperation contracts with international trading houses for access to raw sugar and some have built new capacities. In total, around 400 000 tonnes of ACP exports** (from various ACP countries: Mozambique, Malawi, Swaziland, Zimbabwe, Zambia) **now flow to new operators and countries like Spain, Italy, or Romania** which are deficit countries.

- **However, some traditional ACP suppliers to the UK (Caribbean countries and Fiji) encountered difficulties and the new additional LDCs supplies (Cambodia and Laos) that the UK has captured did not match the expectations of the Tate & Lyle refinery** to counterbalance the loss of the Mauritius supplies (around 65 000 tonnes of raw cane sugar are imported from these two countries). **But the difficulty in sourcing sugar from ACP and LDCs encountered by some refiners to run their capacities, in particular Tate & Lyle, is the result of strategic choices made by these companies**.

  Moreover, EU policy is not designed to guarantee any company to run at full capacity.

- **In addition, traditional full-time refiners in Europe have maintained their privilege of three months exclusivity to access imports licences from preferential partners**. Furthermore, refiners do not pay the sugar production charge paid by the beet sector and are not obliged to withdraw sugar in the event of market surplus.

- It is worth noting that **if they are competitive, refiners can run their capacity profitably by using the IPR** (importing duty-free raw sugar from the world market, refining this raw sugar and re-exporting white sugar or high sugar content processed products on the world market), including bearing a double cost of ocean freight, as do other large refineries in the world.

- Finally, around 80% of sugar in the EU is consumed in processed products. The origin of the sugar in these products is never mentioned. Unfortunately, the decrease of prices at the beginning of the supply chain has not been transmitted to final consumers, as shown by official statistics on the evolution of high sugar content products (chocolate, confectionery, ice-creams, and soft drinks) compared to the evolution of the EU sugar market prices. **Mentioning the consumer choice to justify more raw cane sugar imports, as raw cane sugar refiners have done, is misleading.**

- **Full-time refiners claim that they only want “fair” terms of competition: the above facts show that “fair” means “cheap” sugar to safeguard companies’ business and margins on the back of farmers, both beet growers in the EU and cane growers in developing countries.**