

Frequently Asked Questions

"The abolition of EU sugar production quotas"

1. *What are the basic figures for the EU sugar sector (production, consumption, trade, employment)?*

- The **EU is the world's leading producer of beet sugar** (roughly 50% of the total). However, beet sugar represents only 20% of the world's sugar production; the other 80% is produced from sugar cane. Most of the EU's sugar beet is grown in the northern half of Europe, where the climate is more suited to growing beet. The most competitive producing areas are in northern France, Germany, the United Kingdom and Poland. The EU also has an important refining industry that processes imported raw cane sugar.
- **EU sugar production** in the 2016/2017 marketing year is provisionally estimated at 16.66 million tonnes on an area of 1.4 million hectares at an average yield of 11.8 tonnes per hectare – see Annex. This includes 250 000 t of sugar from cane grown in the French Overseas Departments.
- In terms of **trade**, the EU is one of the largest importers of cane sugar – in particular as a result of the "Everything But Arms" agreement and Economic Partnership agreements with the ACP countries which grant many developing countries duty-free access to the EU market – but is also a sugar exporter. Under the current quota system, WTO rules restrict EU "out of quota" exports to 1.374 million tonnes a year.

For more details on *production, consumption and trade*:

http://ec.europa.eu/agriculture/sugar/presentations/index_en.htm

- In terms of **employment**, based on industry sources, there are roughly 145 000 sugar beet growers in the EU in 20 different Member States, plus 28 000 direct employees in the sugar beet processing, and many more upstream (farm machinery, agricultural inputs) and downstream (food processing, wholesale, retail, transport, logistics). In addition to this, there are 8 000 sugar cane growers in the French Overseas Departments, and full time cane refineries in 9 Member states employing 4 500 people.

2. How long has the EU had a sugar quota system and why does it have to be abolished now?

- The sugar quota system was introduced with the first CAP rules on sugar in 1968, along with a support price for producers (at a level significantly above the world market price).
- In line with changes to address structural surpluses seen in many sectors in the 1980s, the 1992 "Mac Sharry" reforms of the CAP reduced the level of the EU support price for sugar and introduced a direct payment in order to support farmers' incomes. This change led to greater market orientation, especially among EU arable farmers.
- With this greater market orientation of the CAP and the end of quotas for milk and potato starch, the logic of ending production limits for sugar became more and more evident. However, the structure of the sector in the enlarged EU necessitated a clear transition.
- From 2006-2010, the EU sugar sector underwent a significant reform, which saw a system of voluntary compensation (worth EUR 5.4 billion) finance a significant restructuring of the sector – reducing production by roughly 6 million tonnes with the closure of roughly 80 sugar beet processing factories, including the end of production in a number of Member States.
- Following this important transition towards a more competitive EU sugar sector, the 2013 CAP Reform saw Member States and the European Parliament reach agreement on the abolition of sugar quotas at the end of the 2016/17 marketing year, i.e. from 30 September 2017.

3. What measures has the Commission taken to prepare for the post-quota era?

- Recently a delegated act was adopted that improves the negotiating powers of beet growers towards their sugar producers when concluding agreements regarding the delivery of beet. Such a far reaching system of collective bargaining does not exist in other sectors in EU agriculture.
- In addition, under the CAP Direct Payments system, Member States have the option of providing "voluntary coupled support" to address sectors in difficulties, including sugar beet production. This is an option taken up by 10 Member States – CZ, EL, ES, FI, HR, HU, IT, PL, RO, SK - with overall coupled support for sugar beet amounting (in 2015) to roughly EUR 174 million.
- The Commission is constantly providing market information and transparency to enable the sector to respond to market developments. To this end, a new regulation on relevant future sugar notifications is being finalised. Furthermore the meetings of the sugar expert group facilitate the preparation of the sugar operators in the run up to the new post-quota situation.

4. What market measures in the Common Agricultural Policy are still available to manage the EU sugar market after 30 September 2017?

- The EU import tariff (outside preferential trade agreements) will remain substantial, whilst unlimited exports can take place after the end of quotas. (Under the quota system, WTO rules limit EU out-of-quota exports onto the world market to 1.374 million tonnes a year.)
- Collective negotiations or written agreements within the trade are compulsory and provide predictable terms for delivering and buying beet. Value-sharing arrangements remain possible on a voluntary basis. The sugar sector is the only area where such far reaching agreements without competition scrutiny, including value sharing arrangements, are allowed. In that sense, the CAP safeguards the position of beet growers better than farmers delivering to other agricultural commodity food chains.
- Private storage can be used taking into account market prices, reference thresholds, costs and margins.
- If these measures should prove to be insufficient the Commission can resort to several disturbance clauses available in the CMO Regulation.

5. What will the end of quotas mean for imports of cane sugar (raw or refined) from developing countries?

- As regards trade policy, the EU goes further than any developed economy to cater for the needs of developing countries. Sugar can be (and will continue to be) imported into the EU duty-free and quota-free under the Everything-But-Arms agreement for the least-developed countries and from countries that have concluded or implemented Economic Partnership Agreements. Most of that sugar will need to be refined in the EU.
- Imports from these countries have gradually increased year by year: in 2005/06 they were 1.6 million tonnes while in 2013/14 they reached 2.2 million tonnes. As a result of climatic conditions, EU imports in 2015/16 dropped to 1.6 million tonnes.
- In agreements with a range of Latin American countries and South Africa the EU has also granted substantial sugar concessions.
- The EU has been extremely attentive to the situation of cane farmers in developing countries, allocating over EUR 1.2 billion for restructuring or diversification in the 18 countries that traditionally supplied raw sugar to the EU. These funds allowed countries to invest and move up the value chain (as for example Mauritius) or to diversify away from sugar (as for example Trinidad and Tobago).
- As for the future, the EU will continue to offer trade preferences and remain the world's foremost provider of assistance to developing countries. In the current programming period, 2014-2020, agriculture has been selected as by far the main priority sector. Priorities are essentially a matter for national planning in the beneficiary countries: where the national programmes identify sugar cane production as having potential to meet development aims, the sector can of course be selected.

6. Are there any new opportunities following the end of quotas?

- At present, the quota rules limit the production of starch-based sweeteners [notably isoglucose] to 0.7 million tonnes. This sector will be able to expand and generate new employment, notably in rural areas.
- The quota for inulin syrups is zero, which de facto prohibits production of this sweetener. The end of quotas therefore provides new opportunities if the market is there.
- Without regulatory limits on sugar production, sugar producers can optimize the use of their production capacity and reduce the unit costs of producing sugar. This will allow competitive suppliers to sell sugar on the world market which will not be limited anymore when the quotas expire.
- Therefore, the EU Commission even expects a slight increase in sugar production after quotas end.

7. What is the expected market situation post 2017?

- The most recent forecast for production in the 2016/17 marketing year – see Annex.
- The expected situation post quota is analysed in the so called "medium term outlook", which is published on internet and updated every six months.
- This outlook estimates that between 2016 and 2025 sugar production is expected to increase by 5% to 17.7 million tonnes. Isoglucose production is expected to increase threefold from 700 000 tonnes to 2.3 million tonnes. Imports are expected to be reduced from 3.0-3.5 million to 1.8 million tonnes and exports are expected to increase from 1.3 million tonnes to 2.5 million tonnes.
- Whilst it is expected that EU sugar prices will provide a premium compared to world market prices, they are expected to be closer aligned to world market level. In October 2016, world market prices (540 €/tonne) are higher than EU domestic prices (437 €/tonne).
- Detailed info on medium term outlook: http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/index_en.htm

8. Will the end of quotas mean an increase in the production of isoglucose? And is there not a health threat from a high intake of fructose?

- When the EU refers to isoglucose in this context it is mostly the varieties of fructose-glucose syrups, with 42% or 55% of fructose^{[1][2]}. In the USA isoglucose is known as high fructose corn syrups (HFCS), As ingredients these products may be used to replace, for example, sucrose which consists of one fructose molecule and one glucose molecule.

^[1] Approximately 55% fructose, 42% glucose

^[2] Approximately 42% fructose, 53% glucose

- The Commission is aware that there is debate on how exactly the sugar and sweeteners' market will react to the abolition of quotas and of discussions on the health consequences of high intakes of fructose in diet.
- In the context of the assessment of a health claim on fructose in the framework of Regulation (EC) No 1924/2006^[3], the European Food Safety Authority (EFSA) noted in its opinion^[4] that: “Some recent short - and longer -term intervention studies, which compared the consumption of beverages sweetened with fructose, glucose or sucrose, have shown that high fructose intakes (25 % of total energy) induce dyslipidaemia, insulin resistance and increased visceral adiposity in healthy and in hyperinsulinaemic insulin -resistant subjects^[5]. However, these effects are generally not observed at lower doses of fructose intake (about 40-50 g/day in place of starch or sucrose^[6].”
- "Whether free fructose and fructose in sucrose have different metabolic effects is a matter of debate”.
- The Commission will continue to follow this subject in the context of efforts to promote healthy diets and physical activity in general and, in particular, to promote product reformulation by industry and in discussions with Member State representatives in the High Level Group on Nutrition and Physical Activity^[7] in the future.

^[3] Regulation (EC) No 1924/2006 of the EP and of the Council of 20 December 2006 on nutrition and health claims made on foods

^[4] EFSA Journal 2011; 9(6): 2223

^[5] Reviewed in Le and Tappy, 2006; Stanhope and Havel, 2008; Stanhope et al., 2009; Stanhope and Havel, 2010; Tappy and Le, 2010

^[6] Reviewed in Wolever, 2006

^[7] http://ec.europa.eu/health/nutrition_physical_activity/high_level_group/index_en.htm

Forecast of the 2016/2017 production (EU 28)

Source: Communications from Members States (R 952/2006 art 22§2)

tonnes white sugar equivalent	QUOTA R 513/2010	areas yield '000 ha t/ha		Production of the campaign (c) = (a) * (b)	carry forward from 15/16 to 16/17 (d)	Total Production (e) = (c) + (d)	PRODUCTION under Quota (f)	OUT OF QUOTA (indust., carry f.) (g) = (e) - (f)	ISOGLOSS QUOTA	SUGAR + ISOGLOSS available QUOTA PRODUCTION
		(a)	(b)							
BE	676 235	56,3	12,1	682 572	34 750	717 322	676 235	41 087	114 580	790 815
BG							0		89 198	89 198
CZ	372 459	61,0	8,9	541 453	14 669	556 122	372 459	183 663		372 459
DK	372 383	32,7	12,7	414 978	3 135	418 114	372 383	45 731		372 383
DE	2 898 256	299,3	12,6	3 758 439	220 594	3 979 033	2 898 256	1 080 777	56 638	2 954 894
EL	158 702	5,1	7,3	37 336	0	37 336	37 336	0	53 810	37 336
ES	498 480	36,6	14,7	537 830	122 056	659 886	498 480	161 405		552 290
FR (Met.)	3 004 811	386,6	12,5	4 578 735	60 798	4 639 533	3 004 811	1 634 722		3 004 811
FR (Dom.)	432 220			280 000		280 000	280 000	0		280 000
HR	192 877	18,8	7,8	192 877	3 613	196 490	192 877	3 613		192 877
IT	508 379	33,1	9,2	303 431	166 137	469 568	469 568	0	32 493	502 061
LT	90 252	14,7	8,9	131 270	0	131 270	90 252	41 018		90 252
HU	105 420	13,7	8,9	122 327	4 584	126 911	105 420	21 491	250 266	355 686
NL	804 888	70,1	13,2	925 142	25 000	950 142	804 888	145 254		804 888
AT	351 027	43,6	9,4	408 953	80	409 033	351 027	58 006		351 027
PL	1 405 608	203,0	10,3	2 100 604	90 160	2 190 764	1 405 608	785 156	42 861	1 448 470
PT (Continental)	0			0	0	0	0	0	12 500	12 500
PT (Acores)	9 953	0,1		1 800		1 800	1 800	0		1 800
RO	104 689	24,0	4,9	118 310	13 612	131 922	104 689	27 234		104 689
SK	112 320	22,1	9,1	200 784	0	200 784	112 320	88 464	68 095	180 414
FI	80 999	11,0	6,0	65 659	0	65 659	65 659	0		65 659
SE	293 186	30,0	10,8	323 441	0	323 441	293 186	30 255		293 186
UK	1 056 474	70,8	13,2	937 137	168 949	1 106 086	1 056 474	49 612		1 056 474
TOTAL	13 529 618	1 413	11,8	16 663 076	928 139	17 591 215	13 193 728	4 397 488	720 441	13 914 169

Spain: 31 247 ha for winter collection and estimate of 4 550 ha for summer collection

quota disponible