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European Union Sugar Market Reform 3 Years on: USDA Perspective

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Outline

- What did the reform change? What stayed the same?
- Europe's sugar market fundamentals
- Events occurring during the reform's transition
- Changes seen thus far in the EU Sugar Market
- Opportunities and challenges for the sector



USDA Sources for the EU:

- Foreign Agricultural Service's (FAS) PS&D database for sugar market fundamentals.
- FAS Global Agricultural Information Network (GAIN) reports from Posts throughout Continent.
- ERS analysis, presentation, and synthesis of the data and information within the context of the global sugar market in the *Sugar and Sweeteners Outlook Report*.





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European Union's 2017/18 Sugar Market Reform



What was reformed in 2017/18?

What changed:

- Member State sugar production quotas removed.
- Removal of WTO ceiling on refined sugar exports.
- Two-tiered pricing system segregating food and industrial sugar markets.
- Production quotas removed for starch-based sweeteners (e.g., isoglucose).

What remained the same:

- Sugar import regime:
 - MFN tariff structure for sugar and sugar-containing products for non-preferential imports.
 - Duty-free trade under the Everything-But-Arms (EBA) agreements.
 - Free-trade agreement commitments.





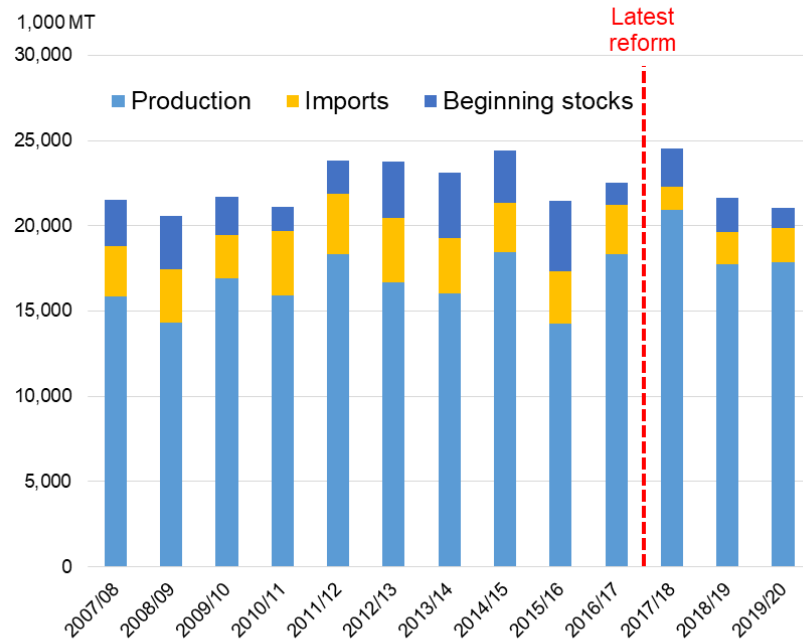
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EU Sugar Market Fundamentals



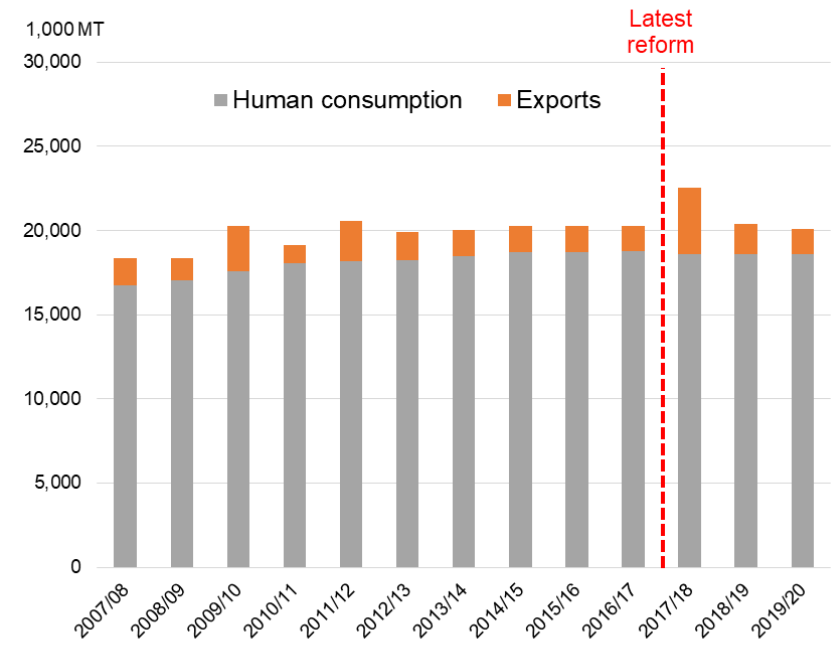
EU sugar production is dynamic, but domestic consumption is flat

European Union supplies 2007/08 to 2019/20



Source: USDA, Foreign Agricultural Service.

European Union sugar use 2007/08 to 2019/20

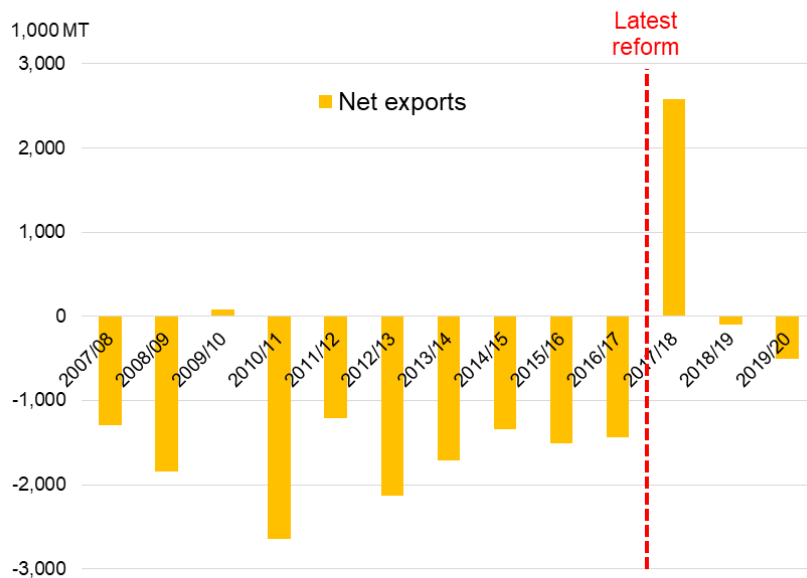


Source: USDA, Foreign Agricultural Service.



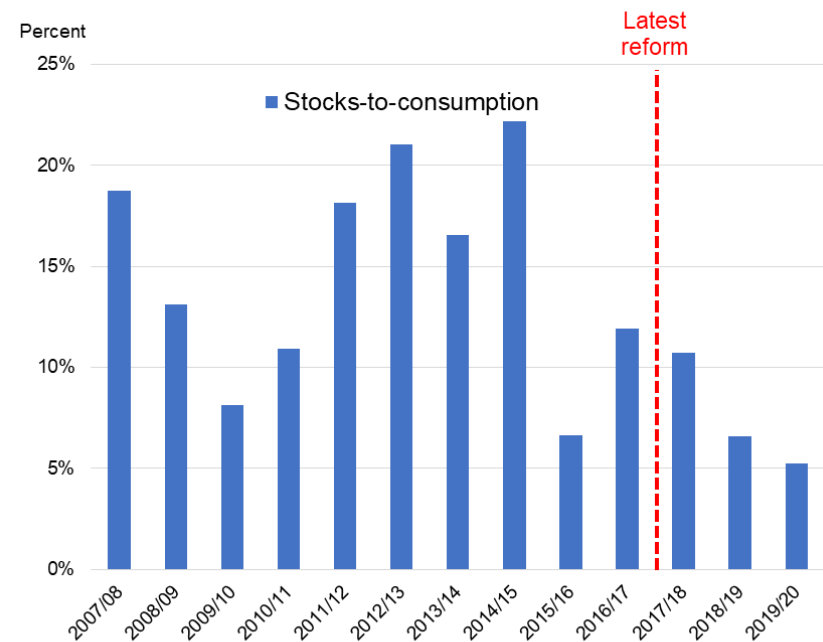
EU has steadily trended toward net exports and carrying lower stocks

European Union sugar trade 2007/08 to 2019/20



Source: USDA, Foreign Agricultural Service.

European Union sugar inventories 2007/08 to 2019/20



Source: USDA, Foreign Agricultural Service.





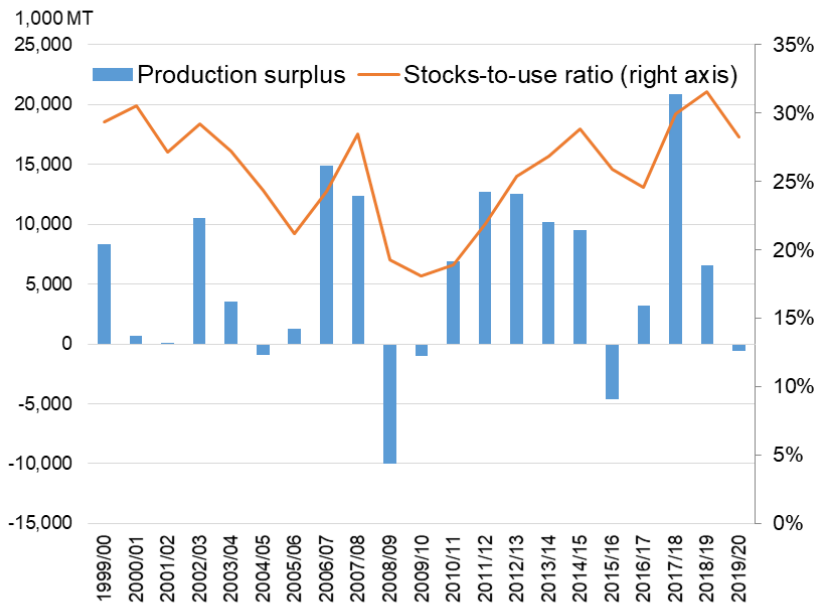
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What Happened During the Transition?



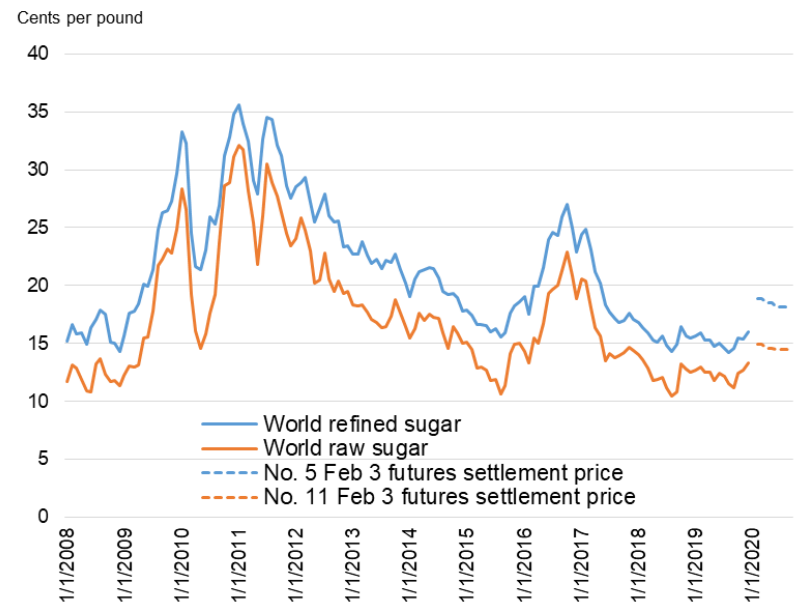
Global prices have been at low levels since reforms went into effect

World sugar production, human consumption, and production surplus, 1999/00 to 2019/20



Source: USDA, Foreign Agricultural Service.

World raw and refined sugar prices, monthly, January 2008 to September 2020

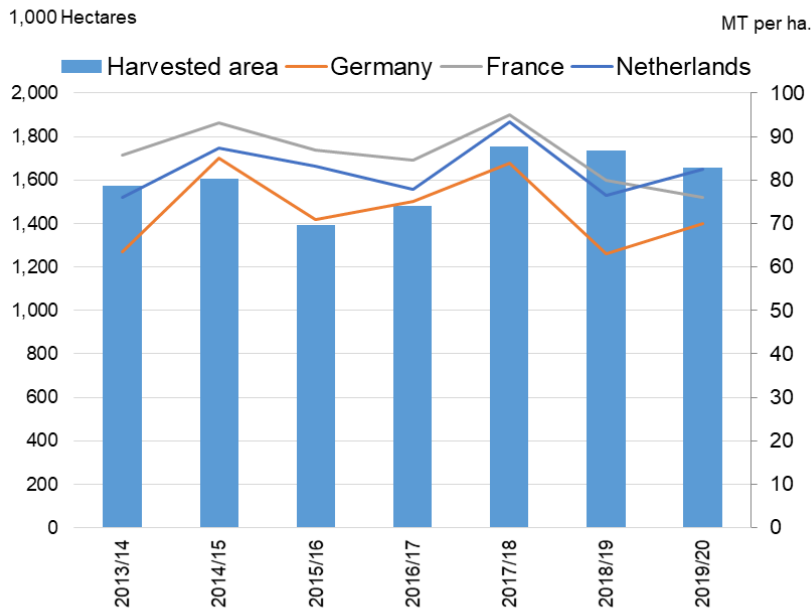


Source: USDA, Economic Research Service.



Poor weather lowered yields and sugarbeet production in 2018/19 and 2019/20

EU sugarbeet harvested area and yield, 2013/14 to 2019/20



Source: USDA, Foreign Agricultural Service.

- Economic effects of a drought-affected crop:
 - Reduced the potential of another year of excess supplies and large exports during a low-price market.
 - Raises fixed costs on a per-unit basis for both growers and processors.





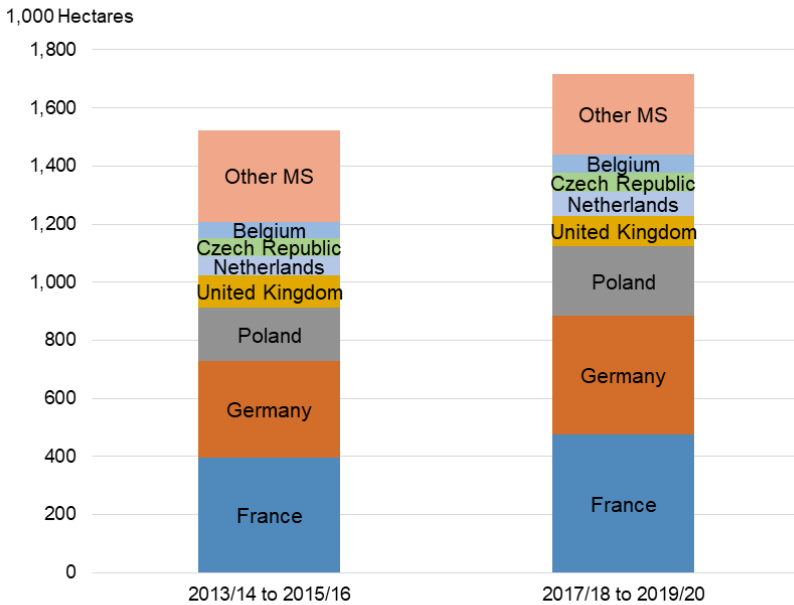
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Impacts of Reform



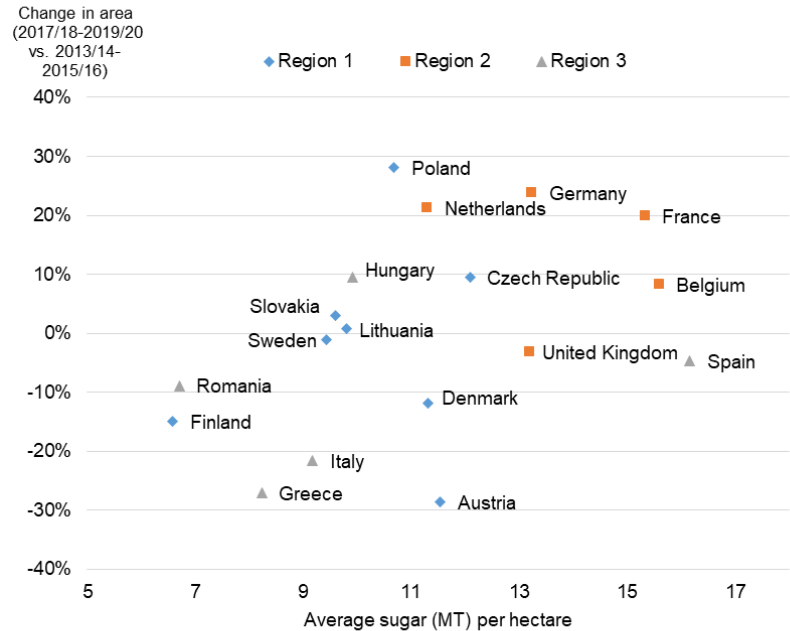
Reform has resulted in production base moving to more productive Member States

EU harvested sugarbeet area, by Member State, pre- and post-reform 3-year averages



Source: USDA, Foreign Agricultural Service.

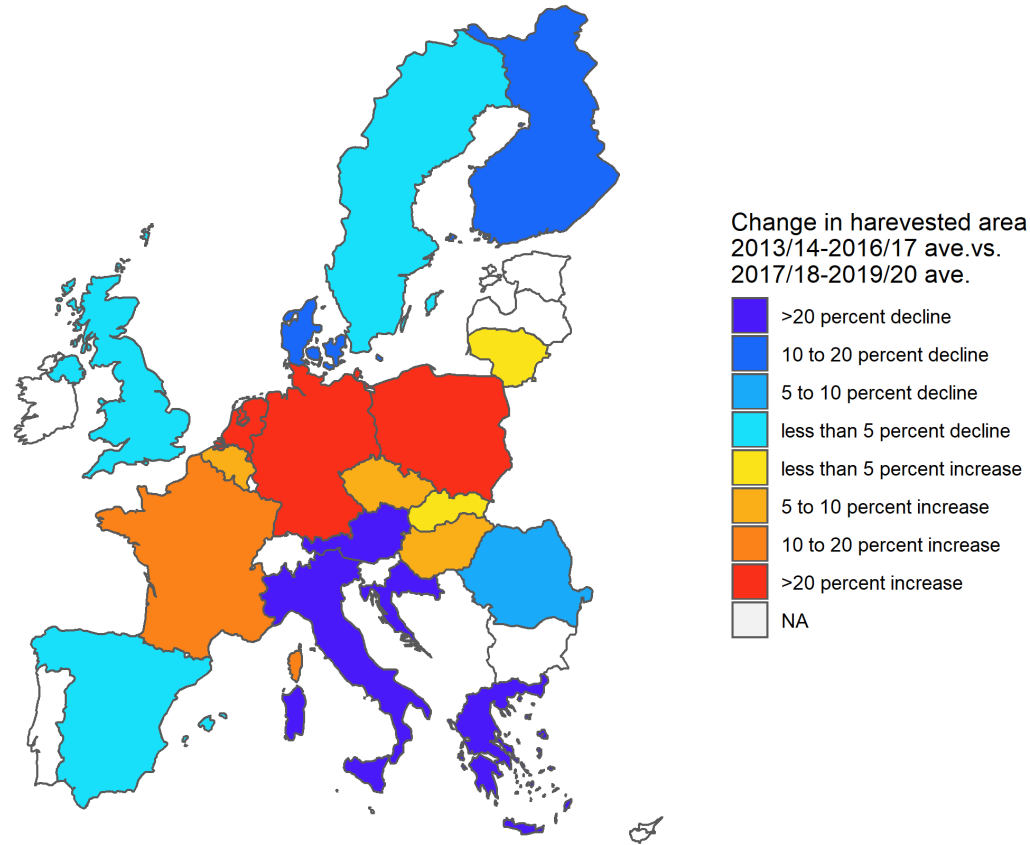
European Union Member State change in sugarbeet area vs. agronomic productivity, 2013/14 to 2019/20



Source: USDA, Foreign Agricultural Service; European Commission.

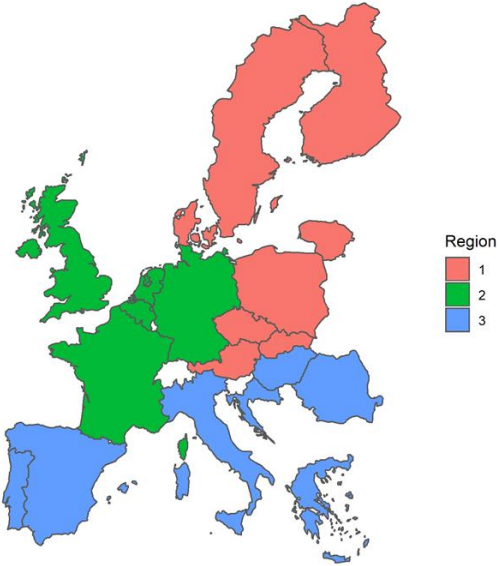
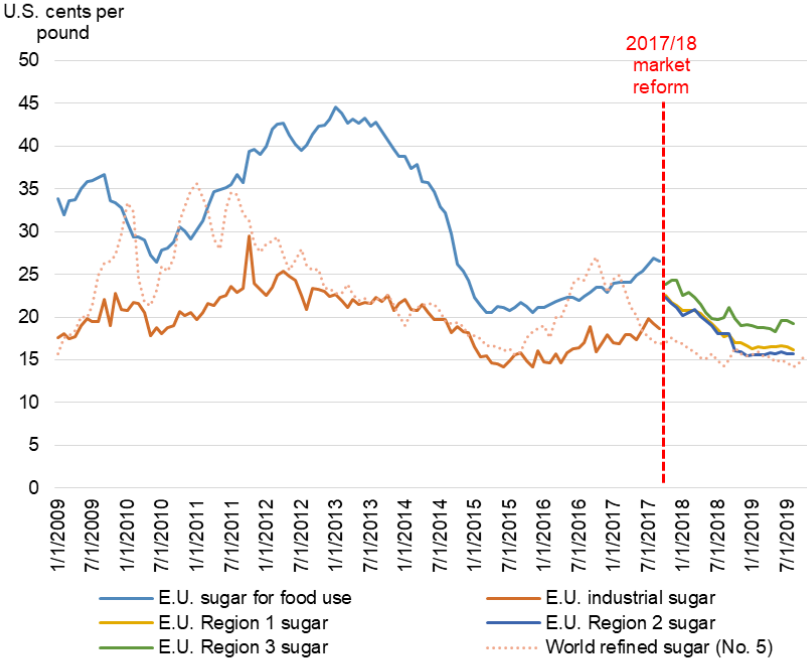


Production base has also moved toward North, Central Europe



EU sugar prices have fallen, following Futures prices; but not co-integrated with world sugar market prices

EU sugar market prices, January 2009 to September 2019



Source: European Commission; USDA, Economic Research Service.





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Opportunities and Challenges Going Forward



What lies ahead for EU sugar market?

Challenges

- More exposure to world sugar market forces.
 - Global prices
 - Global competition
- Stagnant domestic demand growth.
- Supply and demand shifts within the MS markets:
 - Regional shifts
 - Location and capacity of assets
 - Demand for raw sugar
- United Kingdom leaving the European Union.
 - Lose a market and gain a competitor

Opportunities

- Production is shifting to the areas with technical and marketing efficiencies.
- Global demand growth is stronger than within EU.
- Global prices and supplies have begun to improve from recent period of large supplies and low prices.



Thank You!

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<https://www.ers.usda.gov/data-products/sugar-and-sweeteners-yearbook-tables/>

<https://www.ers.usda.gov/topics/crops/sugar-sweeteners/>

