



The Essential Role of Access to Sugar Imports in Europe's Agri-Food Success

CIUS Policy Priorities for Agri-Food Competitiveness



Executive Summary



Introducing CIUS

CIUS represents sugar buyers for more than 15 000 food and drink companies, who, between them, use the majority of sugar produced in the EU for high EU value add products such as confectionery, jams, chocolate, and soft drinks.

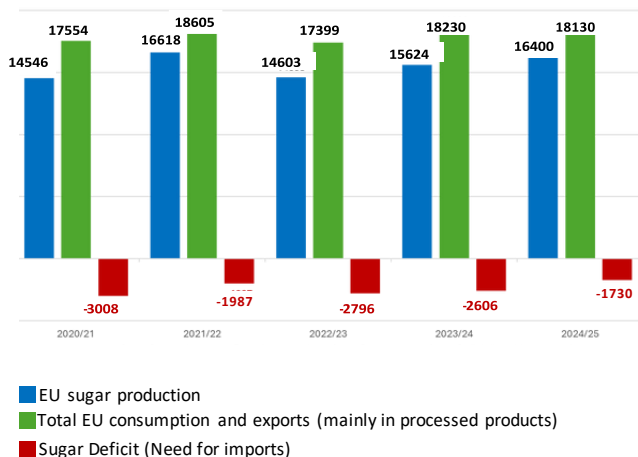
CIUS member companies contribute significantly to the EU agrifood economy, supporting over 400,000 jobs and a substantial export surplus

Key Challenges

Chronic Sugar Deficit: EU had to import 2-3 million tonnes annually over the last 5 years due to insufficient EU sugar production.

Access to critical raw material: Excessive restrictions on imports of sugar distort the market and undermine Europe's agri-economy and competitiveness. Restrictions have resulted in a downturn of EU production and lower exports of high EU value add products. They have negatively impacted the EU's agrifood supply chain, export surplus and economy.

Structural Deficit on the EU Sugar Market
Need for Imports



How the EU can help growth & competitiveness in the European agrifood economy:

Enable access to imports of sustainable, quality white sugar, so EU demand can be met when EU supply is short. Notably:

- Restore free trade with Ukraine by June 2025 or in event of a transitional arrangement, apply a duty-free TRQ of 500 000 tonnes that increases each year. **(Read story on Ukraine below)**
- Include duty-free sugar TRQ's in trade agreements with Mercosur, Australia and Thailand.

Ensure good governance in sugar market regulation, notably use of impact assessments and consultation with all stakeholders.

Act to expand, rather than restrict the EU's agrifood export surplus and economy.

The EU's chronic sugar deficit

Insufficient EU sugar production combined with excessive restrictions on imports have resulted in a chronic sugar deficit that has distorted the market and negatively impacted the EU's export surplus and economy.

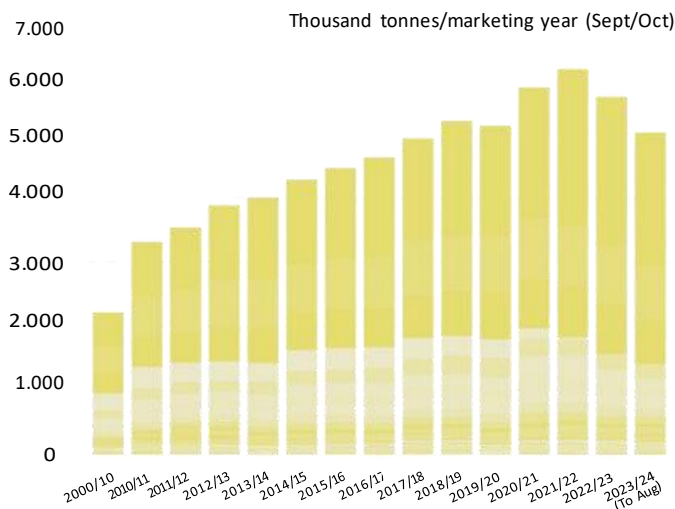
2-3 million tons of sugar have to be imported into the EU each year in order to sustain high EU value add production in Europe, but some is subjected to excessive barriers to trade that distort markets, stymie production of high EU value add production in the EU and undermine global competitiveness.

"When the EU fails to produce sufficient quantities of sugar, CIUS members are faced with the choice of cutting back production due to lack of supply or selling at a loss due to much higher raw material costs than competitors based outside of the EU due to market distortion."

Mayssa Vande Vyvre, Director General of CIUS

Security of supply of sufficient quantities of sustainably produced and fairly priced sugar is vital for food and drink produced in the EU to be able to compete effectively in world markets.

Export volume of high EU value add sugar containing products incl. soft drinks, chocolate, confectionery and jams.



Source: Compiled by Julian Price from Eurostat figures

In spite of growing global demand for sugar containing products, EU export volumes have declined.

The EU must take into account the need for sugar for use in products for sale to both domestic and export markets.

Rather than excessively "protecting" sugar as a "sensitive product", it would make more sense to treat it as a critical raw material for sustaining Europe's agrifood export surplus and contributing to European farmer income, economic growth and prosperity in Europe.

Focus is needed on providing a regulatory environment that enables:

- Unimpeded access to sufficient supply of sugar and to export markets for high EU value added agrifood products*
- Fair prices for all actors in the supply chain based on properly functioning markets throughout
- High sustainability and quality standards
- Respect of good governance principles

*High EU value added agrifood products containing sugar include many other ingredients grown in European farms as well as the value add of European workers in the conception, production, marketing and distribution of such products.

Impediments to EU Competitiveness

While EU sugar producers are free to produce and export as much - **or as little** - as they like, imports are restricted.

While the EU needs to import between 2 and 3 million tonnes of sugar each year, prohibitive tariffs essentially prevent imports except via:

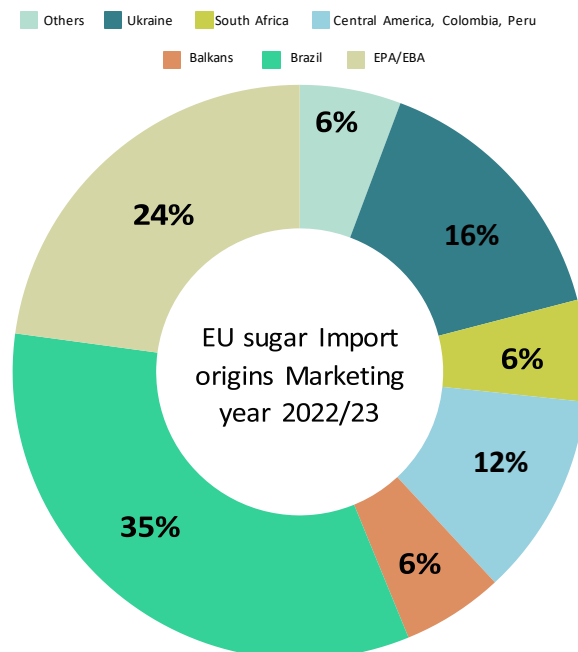
- **Import quotas (TRQ's)** which allow access to a maximum 1.4 million tonnes. Roughly half of the TRQ's are duty-free, but the others are subject to reduced, but still considerable duties (mostly CXL of 98 €/t).
- **Duty-Free Quota-Free access** which is now only available for a selection of countries, notably EPA/EBA which don't produce enough for their own regions demands let alone for sufficient exports to meet EU demand when it is high.
- **Inward Processing Relief** which can be used for exports, but as it is complex and costly to organise, it is not an option for most sugar users who are SME's. At least it enables those companies who do have the systems in place to access more sugar when needed. However, they are then faced by the restrictions of burdensome preferential origin rules that require sugar used to be of EU origin in order to benefit from Free Trade Agreements.

Prohibitive tariff explainer 419 €/t is equivalent to 50-130% tariff depending on market price.

Other Imports of sugar are subject to prohibitive tariffs.

For white sugar, the tariff of 419 euros/tonne is equivalent to ad valorem tariffs of between 50% and 130% depending on EU market prices, the average of which, according to Commission figures, has ranged from 320 to 850 euros/tonne over the last 10 years.

Paying such tariffs is not economically viable for the vast majority of products.



In the marketing year 2022/2023 when the import need was particularly high, EPA/EBA only provided 600 000 tonnes and almost all TRQ's were fully utilized. (The Cuban TRQ could not be used due to lack of suitable sugar.) Fortunately for EU sugar buyers, duty-free quota-free access was granted to Ukraine, but even with 400 000 tonnes from Ukraine, sugar buyers could not access sufficient sugar for their needs, hence the downturn in production of high EU value add products.

The role of trade in EU sugar market

"We are major contributors to a strong European agrifood economy and export surplus, but need measures to ensure access to critical raw materials for our high EU value add products."

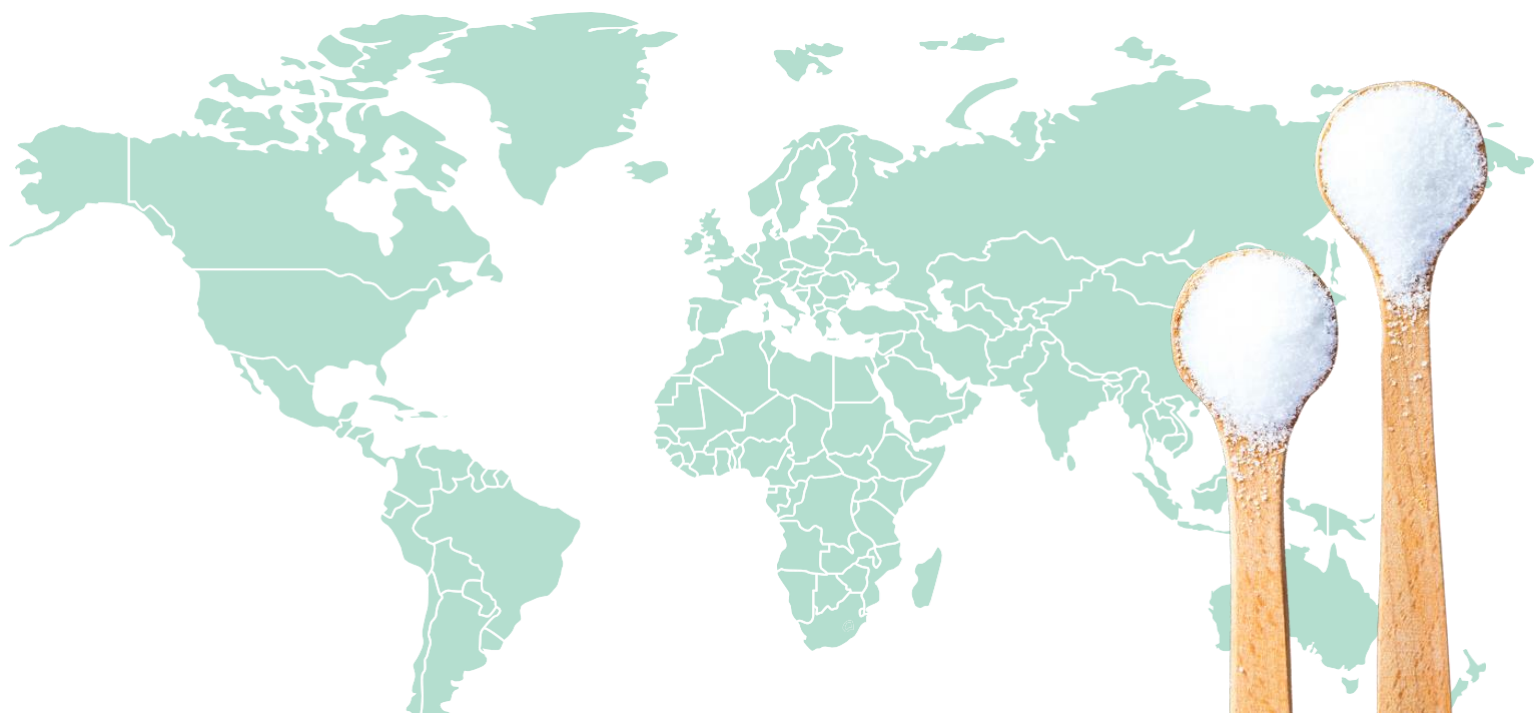
Yuriy Sharanov, President CIUS

Trade enables the market to function and economy to grow helping all stakeholders. EU sugar is amongst the best in the world in terms of quality and sustainability standards and always finds export markets when needed.

For the market to function properly, trade in sugar needs to be further liberalized. EU sugar buyers have a preference for EU sugar. However, it is not always available in sufficient quantities to meet their needs. So, access to imports is vital – especially to white sugar.

The EU's regulatory framework needs to ensure access to sufficient supply regardless of market fluctuations. As we have seen, in years of sufficient local supply, TRQ's tend not to be used given stronger market demand for local production. However, crop areas and yields vary year to year due to a whole range of factors from weather and climate change to farmer choices. As pressure grows on farmers to produce more plant proteins, less sugar may be grown. It is therefore vital to cut restrictions on direct access to imports of immediately useable white sugar to provide for times when local supply is short. The vast majority of sugar imported into the EU is raw cane sugar that needs to be refined. Cane refining, like beet processing, is carried out by a handful of companies that act as a bottleneck in the supply chain.

The food and drinks industry needs greater diversity of supply sources to ensure security of supply. More access to imports will boost the EU economy by enabling increase of exports and global competitiveness of high EU value add products.



The story of trade liberalization with Ukraine

In order to help Ukraine after the full-scale Russian invasion, in June 2022, the EU suspended all duties and quotas on all imports from Ukraine. In the case of sugar, this not only benefited Ukraine, but also the EU as it helped to:

- plug the chronic gap between EU sugar supply and demand
- sustain the EU's healthy agrifood export surplus
- bring better balance to the EU sugar market

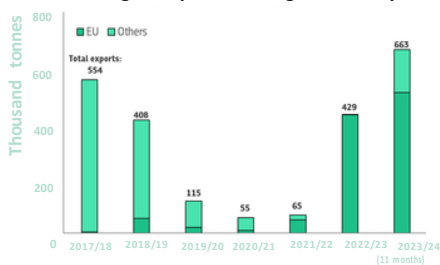
Between June 2022 and June 2024, nearly 1 million tonnes of Ukrainian sugar was imported into the EU.

EU sugar prices doubled to a record high in 2022 and remained at historic highs - well above world market prices – throughout the 2 years. However, an **automatic safeguard mechanism against imports from Ukraine was introduced in 2024 under inordinate and unwarranted pressure from the EU agricultural lobby**. This was done without an impact assessment and resulted in suspension of imports in July 2024 until the end of the year. Only 109 000 tonnes are allowed between January and June 2025.

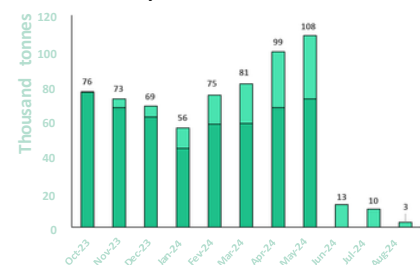
Moreover, **annual demand for 300 000 tonnes of sugar moved from Ukraine to the EU with the exodus of millions of refugees**. So, the **net effect of the “automatic safeguard” was for EU sugar producers to take traditional domestic market share away from Ukrainian sugar producers**. Some are calling for further limits on imports of sugar from Ukraine. This would not be appropriate.

Ukrainian sugar exports (CN 1701)

Ukrainian sugar exports throughout the years...



...and by month in 2023/24



The EU has rightly promised to provide all the support it can to Ukraine to stop the Russian aggression and transition towards membership of the EU. This unwarranted restriction on sugar imports goes contrary to that pledge. And EU policy makers should not allow it to continue as such.

Liberalization of Ukrainian sugar imports will enable access to the raw materials our industries need while supporting Ukraine's economic recovery. Both parties can benefit from a mutually beneficial trade relationship that contributes to better functioning markets and stability.

As the DCFTA (EU-Ukraine Association agreement) is reviewed, our preference would be to restore duty-free quota-free trade, however if the “automatic safeguard” were to be transformed into a TRQ, then the starting TRQ should be substantially more than 300 000 tonnes. (equivalent of demand for sugar that moved from Ukraine to EU with refugees). This should be increased each year as Ukraine adapts to EU production standards and integrates into the Single market. This would provide greater market security and transparency to both the EU and Ukraine. **The goal should be to expand combined agrifood export surplus and the economic benefits that brings to both Ukraine and the EU while improving sustainability.**

With the war, Ukraine was prevented from exporting to traditional customers as their main export route via the Black Sea was cut completely. Now it is often open but very hazardous. **Exporting to - and via - the EU is therefore an economic lifeline for Ukraine.**

Some facts and figures

You are encouraged to consult the European Commission's regular updates of the EU sugar market situation. According to its presentation of 12th September 2024, during the 2-year liberalization of imports from Ukraine:

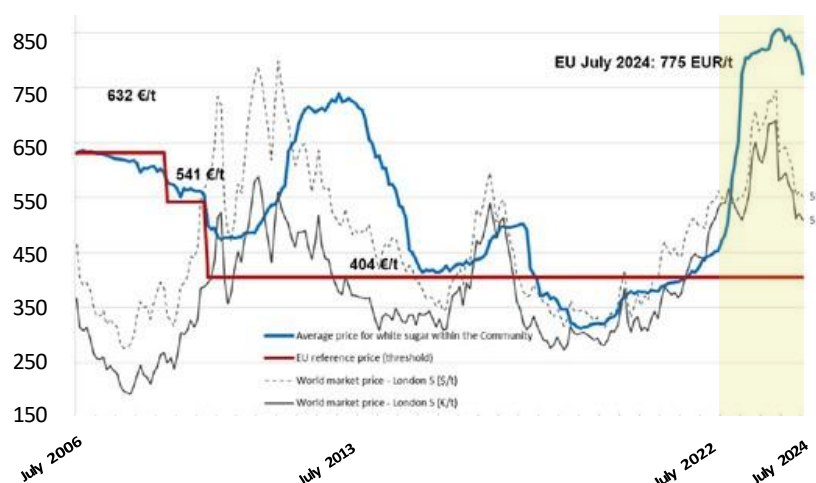
- EU sugar prices doubled in 2022 to record highs and stayed at historic highs.
- EU sugar beet prices rose on average by 65%.
- EU sugar producers then increased planting so the EU expects EU production to increase annually by 1 million tonnes in marketing years 2023/24 and 2024/25 (By comparison total Ukrainian annual production is less than 2 million tonnes).
- As supply increased, EU sugar exports increased and overall imports decreased in 2024.

Evolution of White sugar prices in EU

EU Market Price

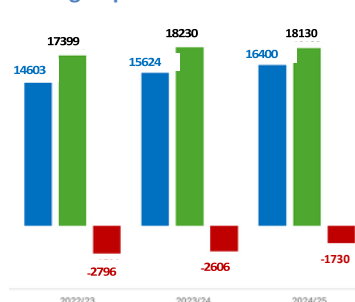
World Market Price

EU Reference Price



Rise in Prices and Volumes of EU beet sugar

EU sugar production

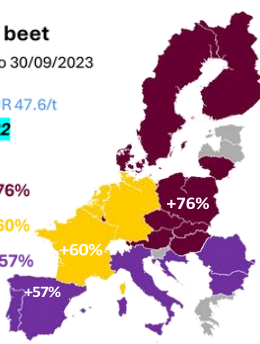


Average price for sugar beet

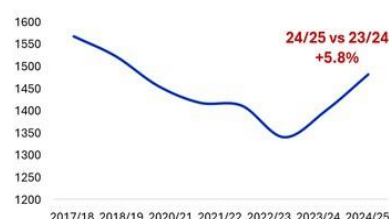
Reference period: 1/10/2022 to 30/09/2023

EU weighted average price: EUR 47.6/t
+65% from 2021/22

- Region 1: EUR 51.7/t + 76%
- Region 2: EUR 46.0/t + 60%
- Region 3: EUR 45.0/t + 57%



EU sugar beet cultivated area
(in 1000 ha)



In 2024 supply on the EU market is much healthier, however global demand is expected to be higher than global consumption according to ISO. This will have a tightening effect. **Production and markets go up and down, so the regulatory framework must provide for all circumstances.** The EU cannot afford to have sugar shortages again.

Helping Ukraine to be able to export to both EU and global markets makes economic and geopolitical sense. Together the EU and Ukraine can be an agrifood superpower.

Call for action to achieve Security of Supply

CIUS would gladly talk with policy makers about how security of supply and growth of sustainable export surplus could be achieved. Notably we recommend to:

1 Free up access to imports

EU sugar buyers have a preference for EU supply; however, diversity of supply provides security of supply and minimizes risk of market distortion. This can be achieved through a combination of the following:

- 1.1 Restore free trade with Ukraine as of June 2025 or in event of a transitional arrangement, apply a duty-free TRQ of 500 000 tonnes. This should be increased each year as Ukraine further adapts to EU standards and integrates into the Single market.
- 1.2 Finalize agreement with Mercosur, which includes a duty-free import quota of 180 000 tonnes. This will alleviate the cost of CXL tariff of 98 €/t when buyers have to resort to CXL TRQs.
- 1.3 Include substantial duty-free sugar import quotas in trade negotiations, notably with Australia and Thailand.
- 1.4 Drastically cut external MFN sugar tariff.

2 Remove counter-productive administrative burden.

Replace “weight of EU sugar used” preferential rule of origin with “change of heading” or overall EU value add based rule.

3 Ensure respect of good governance procedures.

Sugar market regulation should not be an exception. Measures should be based on facts, impact assessment and consultation with all stakeholders.

CIUS is available to discuss the realities of the sugar market and impact of legislative proposals and regulation.

