Supplies to the EU Sugar Market

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What are the prospects for third country supplies to the EU?

Pre-2015: will special measures continue to be needed after this year?

Post-2015: can imports compete with domestic sugar and isoglucose if quotas are abolished?

What are the implications for third country suppliers, particularly the ACP/LDC?
Short term outlook for imports prior to 2015
• In the near term, increased supplies could come from a number of sources:

• There is potential for ACP/LDCs to increase their supplies. However, local demand is growing quickly and can be volatile, which could constrain surpluses.

• Additional sugar will enter under the FTA’s although the timing of this is unclear.

• The question is: will this be enough?
Projected surpluses in key African suppliers.

Swaziland, Mozambique and Zimbabwe could increase their supplies over the next few years.
the Caribbean could add a further 50,000 tonnes (but high risk that this will not materialise)

Projected surpluses in key Caribbean suppliers
Cassava could boost supplies to the EU by 200,000 tonnes by 2015.

Projected surpluses in Asia-Pacific:

Cambodia will also produce sugar, but this will be a swap tonne rather than surplus sugar.
Key uncertainties: consumption growth?, timing of new TAs, ACP/LDC supply uncertainty

Projected EU import requirement to 2014/15

Imports required to keep stocks constant.
Increased supplies from the ACP/LDCs and FTAs should improve the supply situation. BUT…

The market balance will be tight and some swaps still be required to prevent stocks from falling.

If anything goes wrong (weather problems/political events in ACP/LDCs), exceptional measures are likely to be required again again.

Much depends on uncertainties surrounding consumption growth, the timing of FTA agreements...
Longer term outlook post 2015
In this scenario, the landscape of the EU market will depend on the ability of beet sugar to compete with the imported cane sugar and isoglucose.

**Beet sugar vs. cane sugar:**

- We estimate that the tipping point is at 18-22 cents/lb.
- If prices are higher, imports are squeezed out, but there is no limit to beet sugar output ... risk of over-supply.
- If prices are lower, beet sugar producers will have to accommodate preferential sugars ... but how much supply?

Volatility around 18-22 cents/lb is most challenging for...
Domestic sugar will depend on the world price

Cost of imports vs. the cost of domestic beet sugar
EU prices post 2015 at different levels of the world price

- At 20 cents/lb, some preference is likely to be available.
- If world prices are low, the EU should continue to offer a preference to ACP/LDCs.
If world prices exceed 20 cents/lb, refiners will have difficulty competing with domestic sweetener sources (beet sugar and isoglucose).

At lower levels of the world price, refiners will be in a stronger position.

In a world of volatile sugar prices, this could result in under-utilisation of refining capacity in the EU. This is a problem for dedicated refiners because of high fixed costs.
Exposure to the EU market (average 2008-2010)

Barbados
Fiji
Mauritius
Madagascar
Jamaica
Belize
Guyana
Laos
Swaziland
Mozambique
Zimbabwe
Zambia
Malawi

Kenya, Cote d’Ivoire, Tanzania, Sudan, Dom Rep and Cambodia all supply less than 20%
Post 2015, LDC/ACP suppliers are likely to face a more volatile trading environment in the EU.

If quotas are retained, the LDC/ACP will continue to earn a preference on sales to the EU market.

In the absence of quotas, this preference could fall to zero as long as world prices are supported above 1.22 cents/lb.

However, if world prices are low, prices in the EU should remain above world market values.

*In this way, the EU will continue to give the LDC/ACP*
Thank You

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