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upplies to the EU Sugar arket

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ASSUC, 23rd May 2012

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 sug and isoglucose if quotas are abolished?

What are the implications for third country suppliers particularly the ACP/LDCs?

ar 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 quick and can be volatile, which could constrain surpluse
- Additional sugar will enter under the FTA's althoug the timing of this is unclear.
- *The question is: will this be enough?*

se by 200,000 tonnes by 2015

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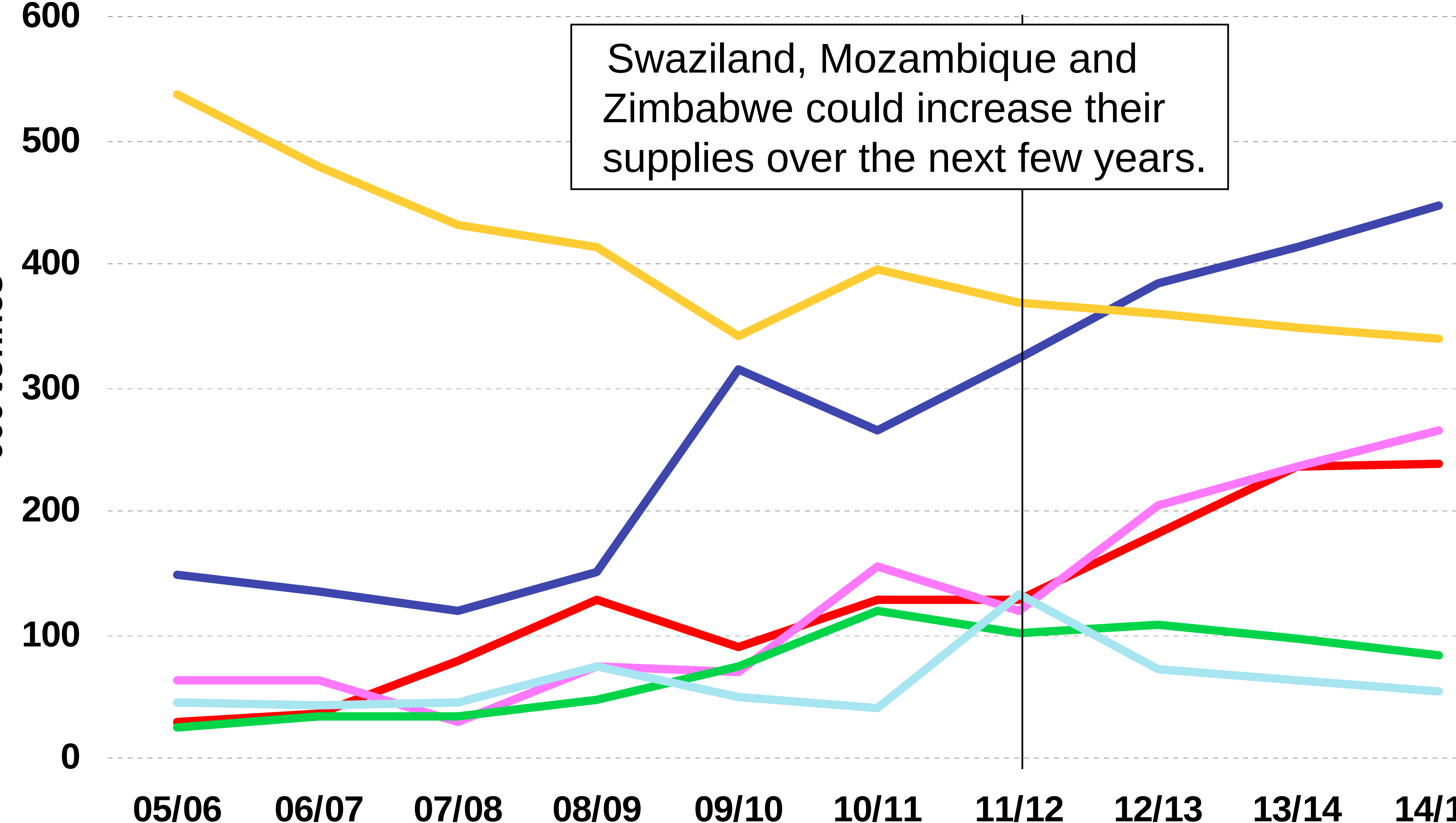
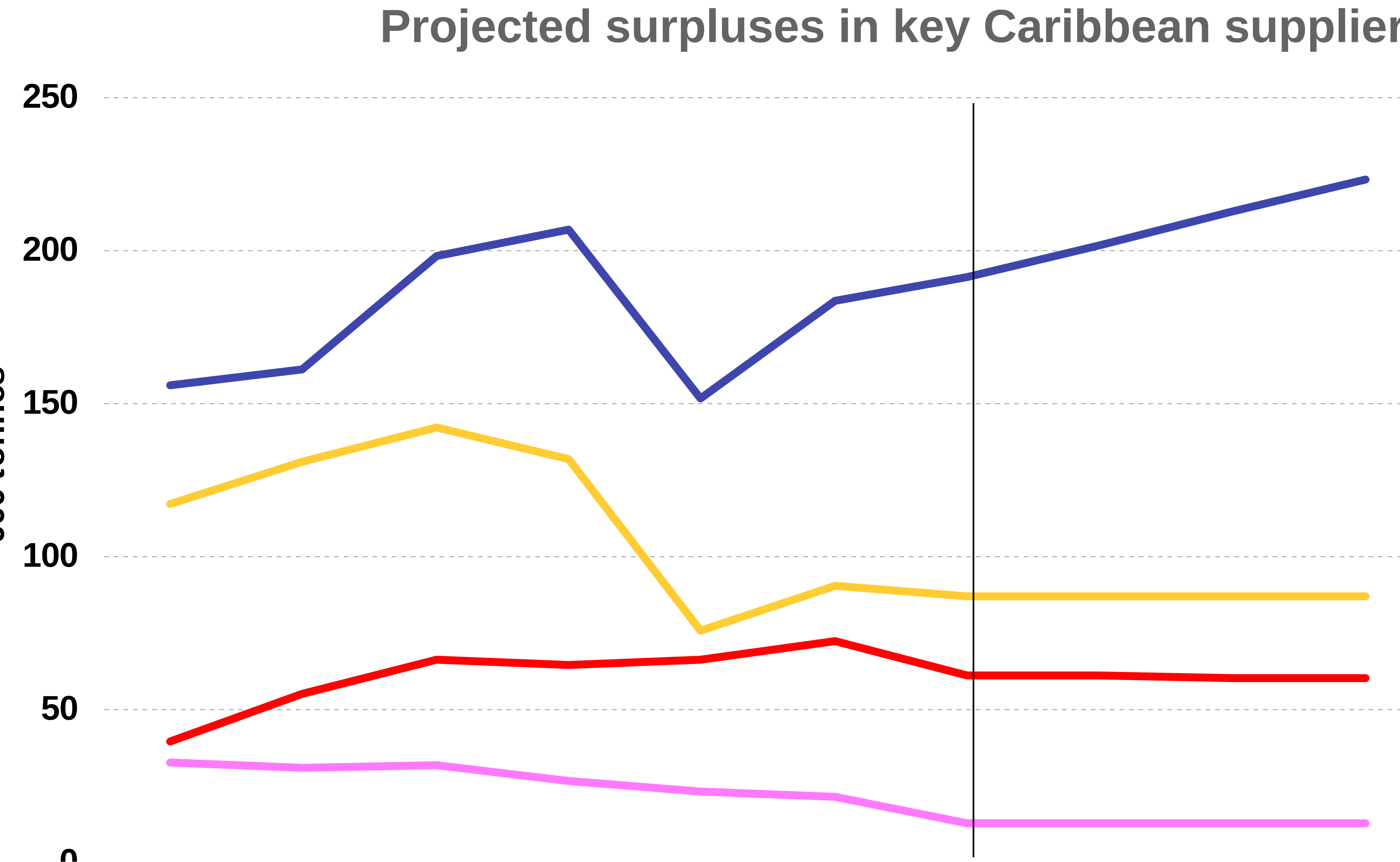
Projected surpluses in key African supplier

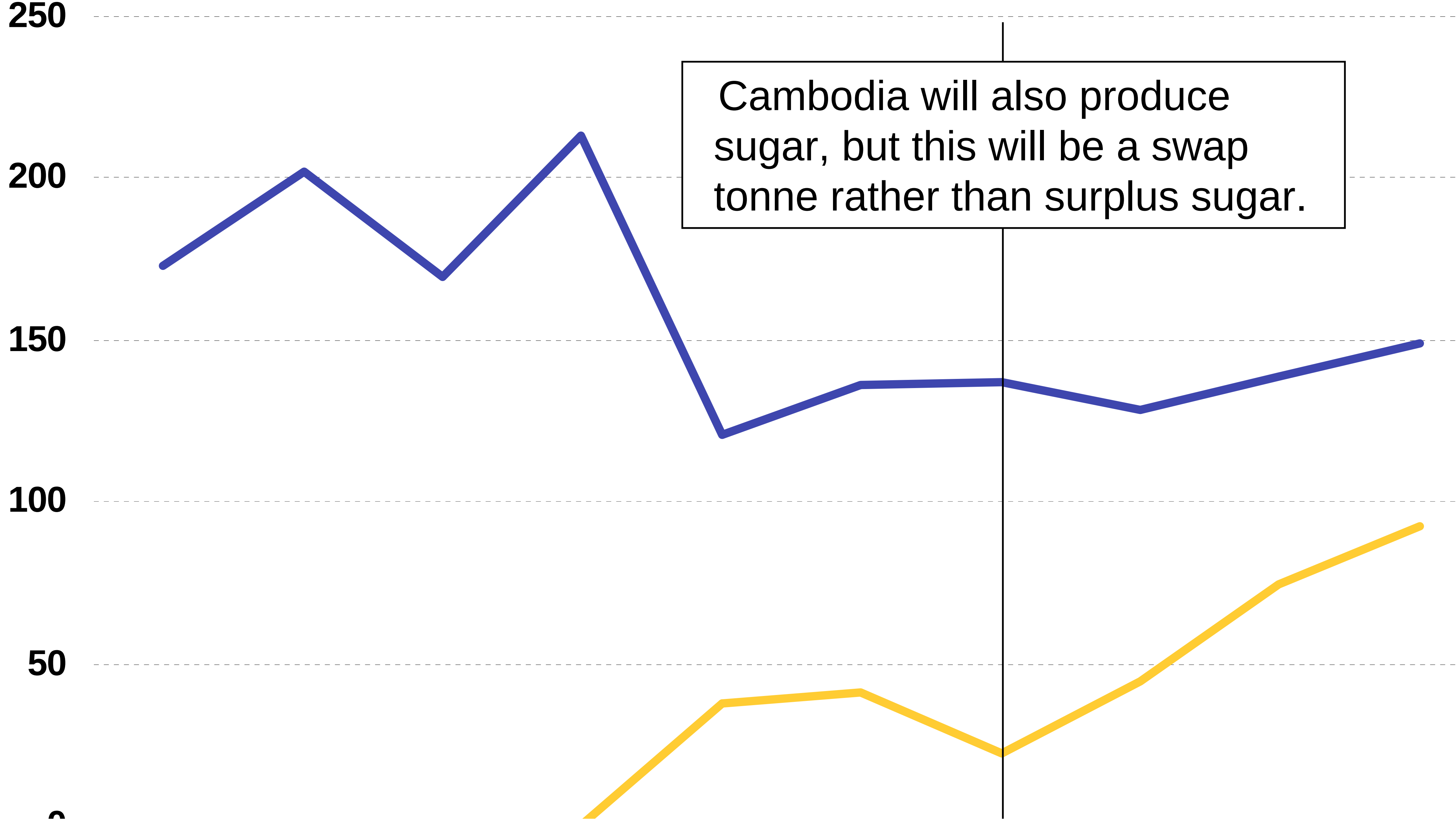


aribbean could add a further 60,000 tonnes (BUT high risk that this will not materialise)

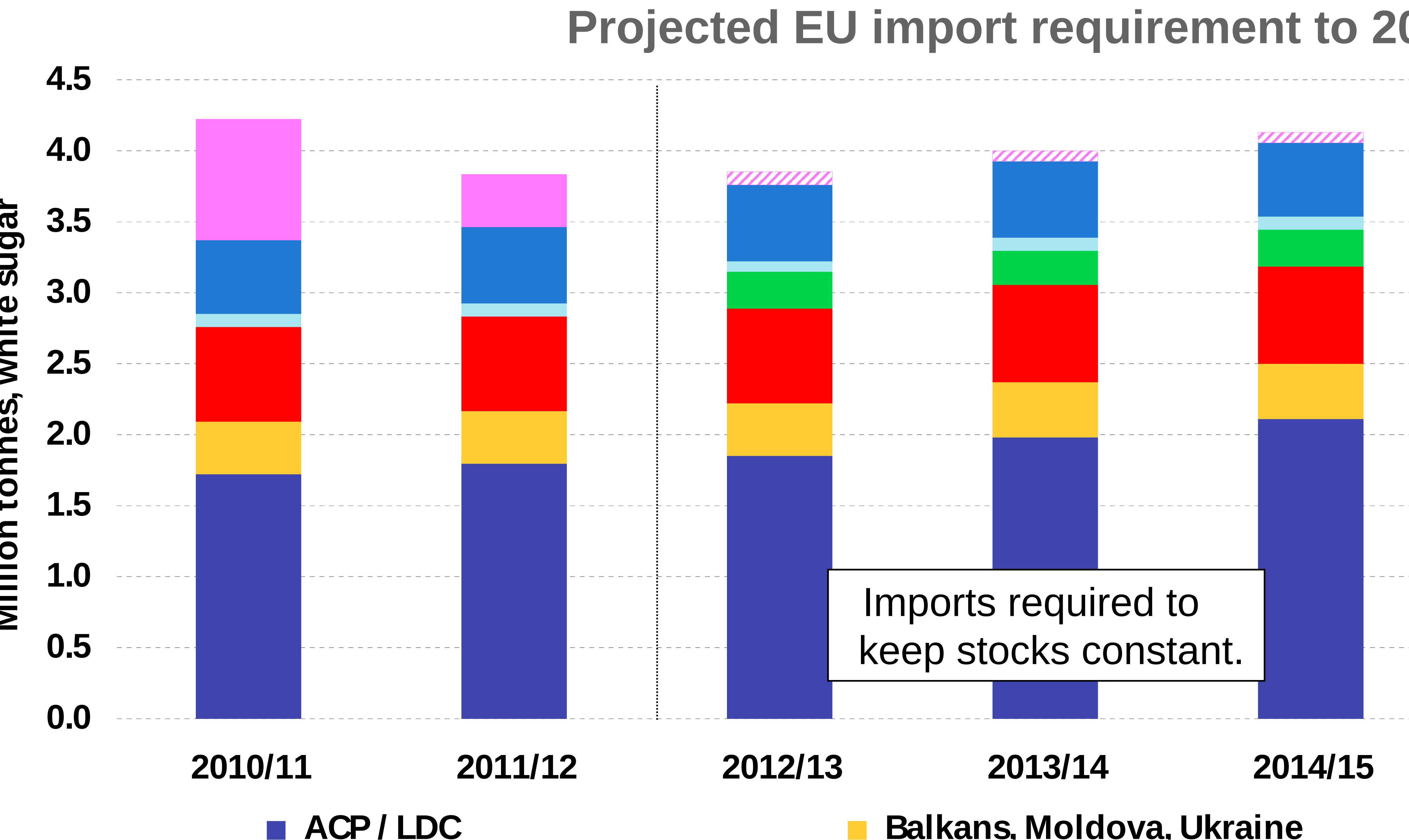


aos could boost supplies to the EU by 00,000 tonnes by 2015

Projected surpluses in Asia-Pacifi



ey uncertainties: consumption growth?, timing of new TAs, ACP/LDC supply uncertainty



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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.

Much depends on uncertainties surrounding consumption growth, the timing of FTA agreement

onger term outlook post 2015

uotas will be abolished at some point
ter 2015

In this scenario, the landscape of the EU market will depe
on the ability of beet sugar to compete with the imported
cane sugar and isoglucose.

Beet sugar vs. cane sugar:

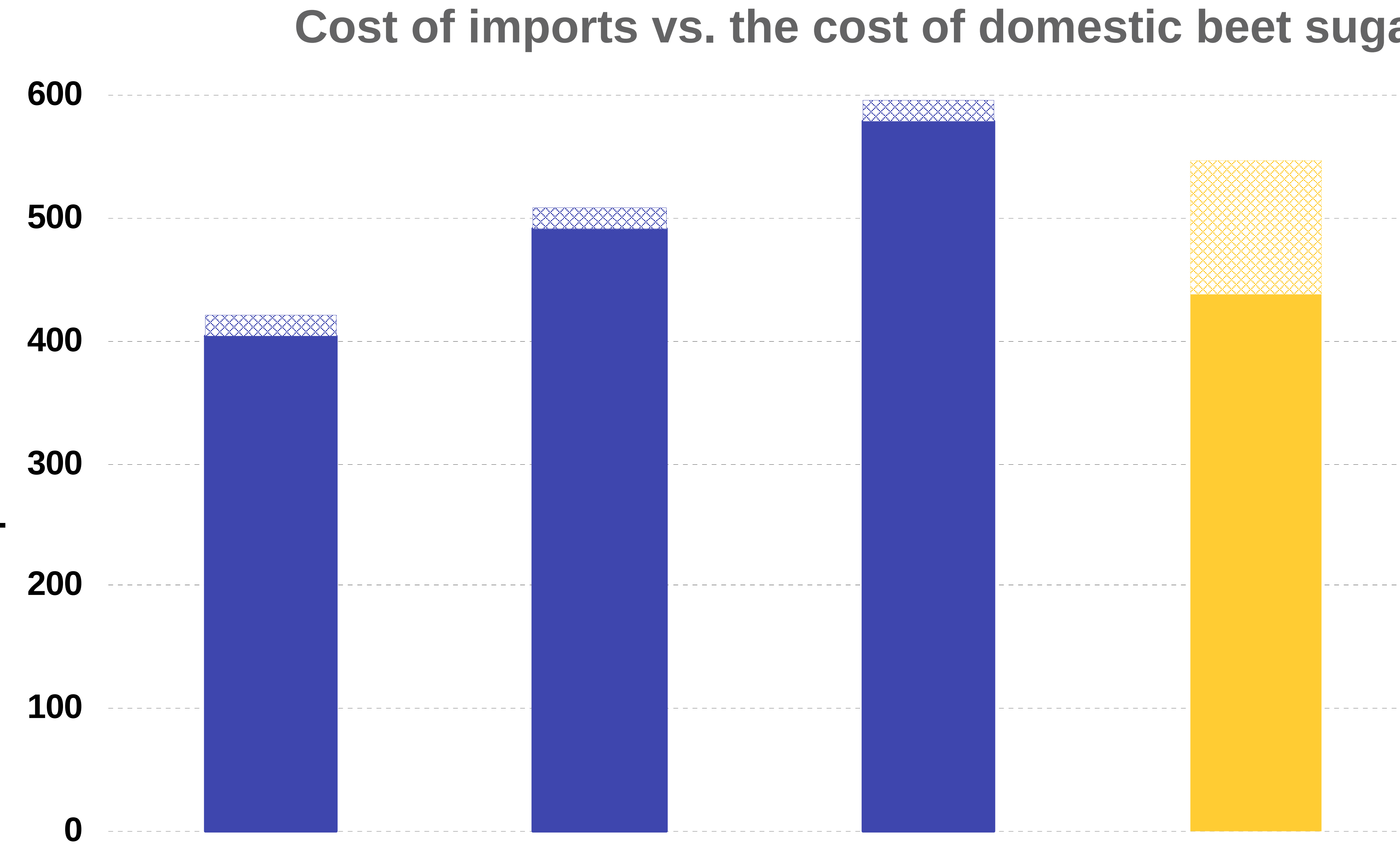
- We estimate that the tipping point is at 18-22 cents/lb

1. If prices are higher, imports are squeezed out, but there i
no limit to beet sugar output … risk of over-supply.

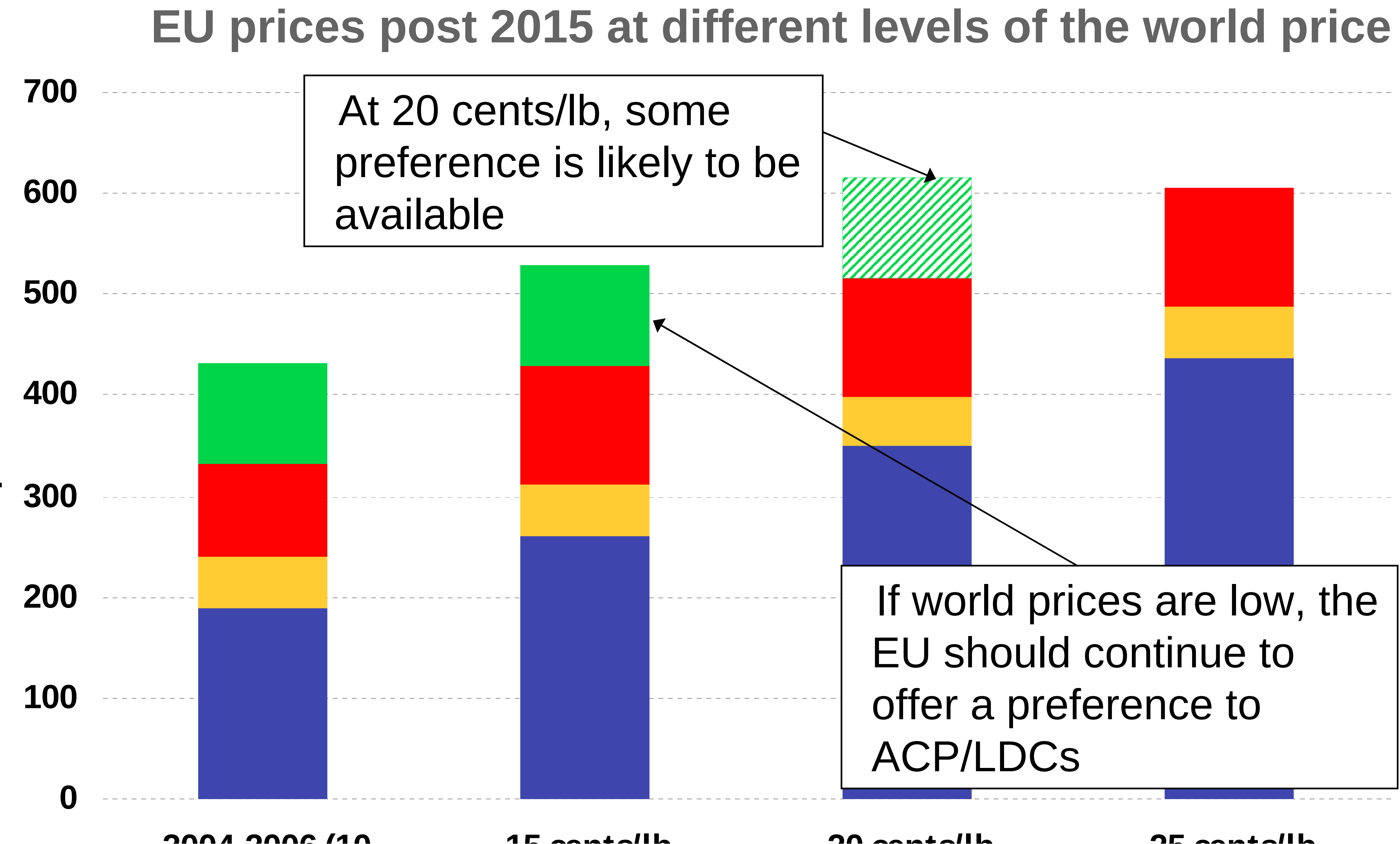
2. If prices are lower, beet sugar producers will have to
accommodate preferential sugars … but how much supp

Volatility around 18-22 cents/lb is most challenging for

omestic sugar will depend on the orld price



rotection from the world market



If world prices exceed 20 cents/lb, refiners will have difficulty competing with domestic sweetener sourc (beet sugar and isoglucose).

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

In a world of volatile sugar prices, this could result i under-utilisation of refining capacity in the EU.

This is a problem for dedicated refiners because of high fixed costs.

e EU than others…

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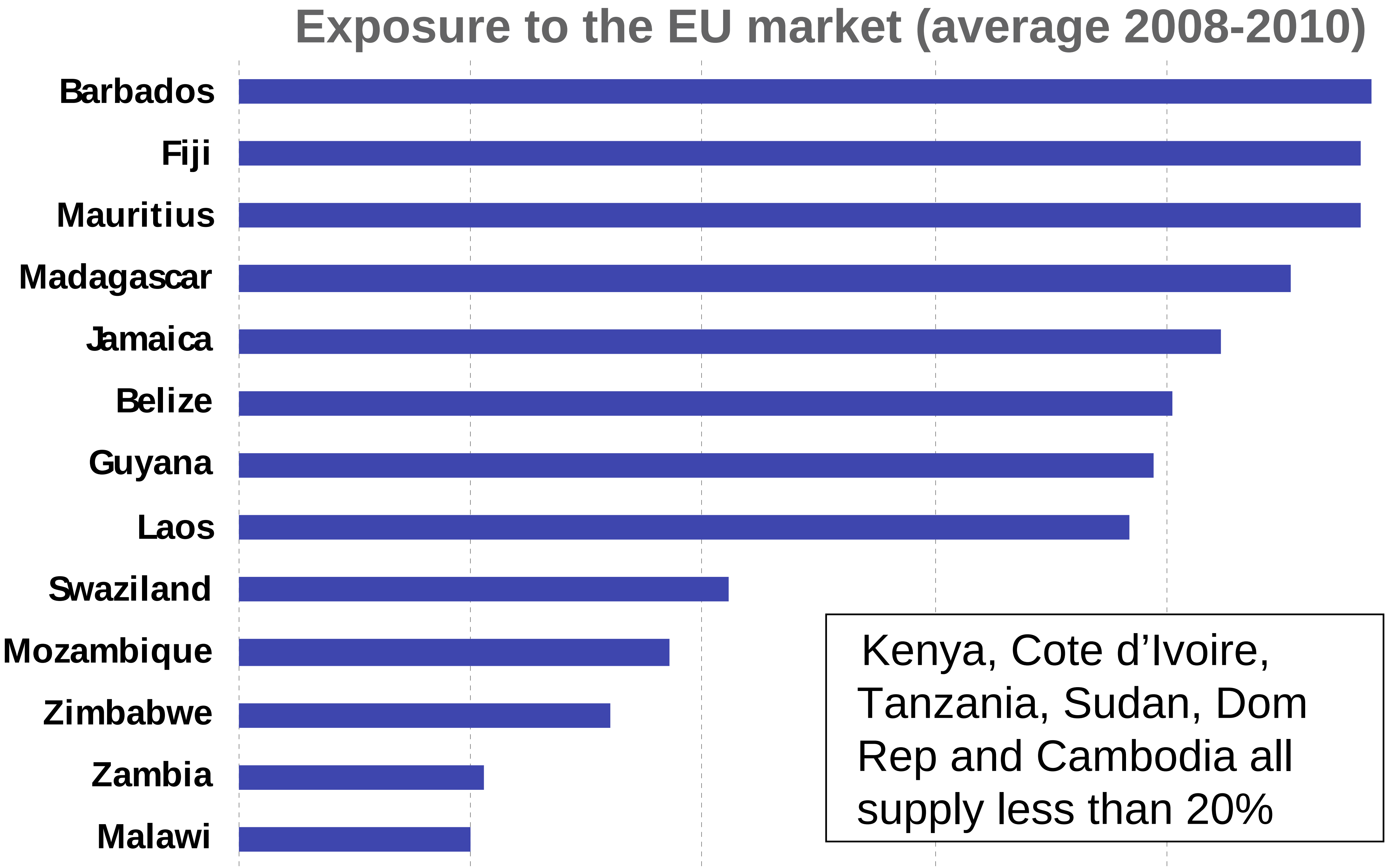

Post 2015, LDC/ACP suppliers are likely to face a more volatile trading environment in the EU.

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

In the absence of quotas, this preference could fall 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/A

Thank You

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