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Report Highlights:

Portuguese sugar refiners are experiencing difficulties in obtaining raw sugar at competitive prices. It is considered that the European Commission has overestimated the supply available for the European market, in particular the ability of the Least Developed Countries (LDCs) to step up their production. Traditional suppliers are taking advantage of current high prices and diverting its sugar to the world market. The current situation of sugar refiners contrasts sharply with that of European beet processors, and in particular those that process raw cane sugar in the off-season.

Note: This report does not reflect official USDA statistics and is meant to provide supplemental information and analysis to the EU-27 Sugar Annual and EU-27 Sugar Semi-Annual reports.

PORTUGAL

American Sugar Refining

American Sugar Refining (ASR), the world's largest refined cane sugar producer, has concluded the deal for the purchase of Tate&Lyle's European sugar operations. The deal includes the London-based Silvertown refinery, the Lisbon-based refinery, and a license for the use of the Tate & Lyle brand in connection with the sale of sugar.

ASR operates six cane sugar refineries in North America and had previously bought some of Tate&Lyle's foreign sugar businesses such as Domino in the U.S. and Redpath in Canada. However, this is not expected to have an influence on the procurement of raw sugar to the Lisbon refinery since the group still has to abide by the EU trade rules.

Sugar refiners

Sugar refiners are experiencing difficulties in obtaining raw sugar at competitive prices. It is considered that the Commission has overestimated the supply available for the European market, in particular the ability of LDC countries to step up their production. Traditional suppliers are taking advantage of current high prices and diverting its sugar to the world market. The current situation of sugar refiners contrasts sharply with that of European beet processors, and in particular those that process raw cane sugar in the off-season. Sugar beet processors have now better market conditions since overall European supply is lower after the 2006/09 reform and they keep control on the price of raw materials.

The Portuguese Association of Sugar Refiners (ARAP) is negotiating with the Commission a package of measures to improve the situation. The refiners are proposing:

- The creation of a special TRQ to supply cane sugar refiners. The current system does not guarantee a sufficient period of preference to refiners.
- The end of the €98/ton import duty for the 83,463 tons of CXL raw cane sugar imported annually by the EU.

Without these measures the margins obtained by the industry are considered insufficient to face competition from the sugar beet processors who also refine cane sugar in the off-season.

This same message was presented by the Portuguese delegation to the EU Council of Agriculture and Fisheries last October 26th. The options discussed at the meeting included the opening of a duty-free quota for imports of raw cane sugar for the 2010/11 marketing year with exclusive access privileges for full-time refiners in the first three months from the date of opening the quota; or an exemption of import duties for CXL sugar for the same three-month period.

The Portuguese request was supported by some delegations (Bulgaria, Romania, Finland and the UK), whereas others (Belgium, Czech Republic, France, Austria, Poland, Slovakia) considered such measures to be premature. The Commission representative assured delegations that his services were closely monitoring the situation.

Bioethanol
There is no production of bioethanol for transport fuel in Portugal. The fossil fuel suppliers have managed to successfully lobby the Government into establishing mandates for liquid biofuels as a whole and to later introduce quotas for biodiesel. The only private company created with the aim of producing bioethanol has now decided to abandon its project and dissolve. Given the country's soil and climatic conditions, the production of crops for bioethanol is seen as a potentially efficient way of using the irrigation capacity of Alqueva, the largest artificial lake in Europe.

Azores
Last May the Azores saw the European Parliament approve a derogation allowing the Autonomous Region to export more sugar to the rest of the EU. Being an outermost region of the EU the Azores is entitled to special support for its agriculture and agro-industries. The maximum quantities allowed for export into the rest of the EU are: 3,000 tons in 2011; 2,500 tons in 2012; 2,000 tons in 2013; 1,500 tons in 2014; and 1,000 tons in 2015.

SPAIN

Quota shift
The Ministry of Environment, Rural and Marine Affairs (MARM) revealed a legislative project to allow 478 sugar beet farmers to shift their deliveries from EBRO to ACOR. This decision follows the sale of Azucarera Ebro to British Sugar in 2009 and is allegedly in accordance with Regulation (EC) No. 1234/2007. According to this project ACOR would increase its quota from 120,000 tons to 137,336 tons of sugar - about 27.5% of the Spanish production - thus increasing the efficiency of its Olmedo plant which was designed to process 140,000 tons of sugar. The 478 sugar beet farmers that applied for this quota shift have been waiting for a final decision from the government since July.

Castilla y León
Crop sowing was late this year with about 80% of the area being sown in April rather than March. As a consequence the crop started its development late and was less developed than in a normal year. The start of summer brought higher but not excessive temperatures allowing the crop to recover somewhat. The harvest season is currently under way. The ACOR factory of Olmedo started receiving sugar beet last 13 October while the Ebro factories of Toro and Miranda de Ebro have started working on the 14 October. The Ebro factory of La Bañeza will start its operations at a later date. The quantity of sugar beet received by the two sugar companies until the end of October was slightly lower than last year and the final values are also expected to be lower reflecting the difficult agronomic conditions described above.

Andalucía
The 2009/10 south campaign ended last August 22 and it was considered the worst ever. During the exact two months that the campaign lasted the Andalucian Guadalete plant received 416,902 MT of sugar beet, about 40% less than last year in which 694,456 MT were received. The result was still a third less than initially estimated, when 654,000 MT were contracted for 9,384ha of land (see Table 1.). Average polarization was 16.18 and the average discount was 11.75%. The poor results were a consequence of the extreme weather felt in the region, with autumn droughts and winter and spring flooding and frost. Cadiz was the worst affected zone.

Table 1. Areas sown and production by Province and irrigation mode

Total Contracted Sugarbeet		654,000	tons		
Areas sown and production (by Province)	Cadiz	189,774	tons	2,723	ha
	Sevilla	464,226	tons	6,661	ha
	Total	654,000	tons	9,384	ha
Sowing area (by type)	Dry land	1,320	ha	14%	
	Irrigated	8,064	ha	86%	
	Total	9,384	ha	100%	

Despite these results farmers that sow sugar beet this current 2010/11 campaign will be able to contract the same quantities than in the previous campaign (Table 1.). This is a result of an industry wide agreement aiming to save farmers from being penalized for the non fulfillment of last year's contracts.

Single Farm Payment

According to the Ministry of Agriculture, the Single Farm Payment was requested for 64,209.04ha of 2010/11 sugar beet. From this total 10,899.04ha are to be sown on dry land and 53,310.42ha under irrigation.