

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Sugar Semi-annual

Report

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Report Highlights:

EU sugar production for MY 2012/13 is forecast to decrease by 10 percent to 16.4 MMT from 18.3 MMT in MY 2011/12. This decrease is caused by unfavorable beet growing conditions and despite a slight increase in beet acreage.

EU sugar imports in MY 2011/12 are expected to end at 3.8 MMT and are forecast to marginally increase further in MY 2012/13. The forecast for refined imports is increased to historical levels due to exceptional measures in MY 2011/12 and a decline in price differential between the EU and global markets. EU sugar exports for MY 2012/13 are forecast to decrease to 1.5 MMT from 2.4 MMT in MY 2011/12.

Executive Summary:

EU sugar production for MY 2012/13 is forecast at 16.4 MMT compared to 18.3 MMT in MY 2011/12. This 10 percent decrease is due to poor growing conditions, wet and cold in northwest Europe and hot and dry in southeast Europe. Since EU member states are expected to “carry over” almost 900,000 MT of unsold out-of-quota sugar from MY 2011/12 into MY 2012/13, ending stocks are expected to return to historical levels.

EU sugar imports for MY 2011/12 are estimated at 3.8 MMT despite high global prices. To ease the price of non-preferential imports, the European Commission opened 7 tenders at reduced import tariff, which resulted in almost 400,000 MT of imports. For MY 2012/13, a limited further increase is forecast. EU sugar exports for MY 2012/13 are forecast at 1.5 MMT as they are limited by the EU WTO export ceiling for sugar. MY 2011/12 exports are estimated at 2.4 MMT as exporters took advantage of unused export licenses from the 2010/11 WTO notification year.

Commodities:

Sugar, Centrifugal

Production:

The PSD forecast does not include sugar for non-food uses. This report accounts for sugar produced for the EU regulated sugar market, which includes 13.3 MMT of white sugar production that falls within Member State production quotas for food. In addition, the PSD includes sugar exports and sugar produced above the MS quota amounts that are released on the EU food market following exceptional measures, such as the ones taken by the European Commission (EC) in MY 2010/2011 and MY 2011/2012 (see previous EU sugar GAIN reports). Sugar beet production being contracted with farmers in several MS for industrial purposes like bio-ethanol production or other fermentation purposes and out of quota sugar which is intended for industrial uses is not included in the forecast. Sugar production in the EU for marketing year (MY) 2012/13 is forecast at 16.4 MMT of raw sugar equivalent (RSE). This includes 290,000 MT of cane sugar produced in French overseas territories. This is a 10-percent decrease compared to MY 2011/12, mainly as a result of lower beet yields per hectare and despite an increase in beet acreage to almost 1.7 million hectares, which represents an increase of 20,000 hectares. Beet yields suffered from continued wet and cold weather during spring and summer in much of northwest Europe, which includes the main beet producing areas, while summer droughts limited beet yields in southeast European production areas. Beet sugar content is forecast to be closer to normal levels as weather improved towards the beet maturation period.

EU sugar production estimates for MY 2011/12 are increased to 18.3 MMT compared to the previous estimate, including 291,000 MT of French overseas cane sugar. One reason for the change in MY 2011/12 production is that almost 900,000 MT of unsold out-of-quota sugar normally to be used for industrial purposes is expected to be carried over to the next MY and be available for food use. This is reflected in an increase of the MY 2011/12 ending inventory. This “carry-over” sugar, a system set up by the EC to balance EU sugar production shocks as a result of fluctuating yields, will add to the MY 2012/13 production.

EU sugar beet production									
	Area, thousands of Hectares			Sugar beet yield in MT per Hectare			Sugar content in percentage		
	10/11	11/12	12/13	10/11	11/12	12/13	10/11	11/12	12/13
Austria	44.9	46.4	49.3	69.8	72.1	70.0	17.25	17.80	17.50
Belgium	59.5	62.3	61.6	73.2	75.6	72.2	17.14	17.80	17.50
Denmark	39.2	39.8	41.0	65.0	72.4	63.7	17.80	18.00	18.00
Finland	14.6	14.1	14.0	38.2	38.0	36.8	16.90	16.50	16.50
France	381.0	391.0	395.9	80.3	88.0	83.0	18.10	18.50	18.50
Germany	364.0	398.0	409.3	65.1	74.6	70.9	17.27	18.00	17.90
Greece	13.4	10.0	13.0	67.8	67.8	65.0	13.28	13.50	13.50
Italy	62.2	62.2	60.0	57.1	53.1	50.0	14.96	16.61	17.00
Netherlands	70.5	73.3	73.0	74.4	79.9	81.0	16.80	17.00	16.50
Portugal	0.3	0.4	0.4	26.1	55.0	55.0	17.64	14.50	15.51
Spain	44.9	49.7	45.8	82.4	78.2	75.1	17.77	18.20	18.15
Sweden	37.9	39.6	39.0	48.7	60.2	53.5	17.10	17.50	17.50
U.K.	118.0	113.0	113.0	55.0	75.0	66.0	16.87	18.44	17.70
Czech R.	57.4	59.3	60.0	59.3	71.3	59.0	16.65	17.32	17.30
Hungary	13.8	14.4	17.3	58.0	55.0	55.0	15.04	16.00	16.00
Lithuania	15.3	17.6	19.5	46.2	55.0	51.0	16.10	16.00	15.00
Poland	200.0	203.3	207.5	51.0	61.0	60.0	16.70	17.30	17.50
Slovak R.	17.9	18.1	19.8	50.9	63.1	52.0	16.00	18.05	16.90
Romania	22.0	18.8	28.0	38.1	35.1	32.0	17.50	22.00	21.20
Total EU-15	1250.4	1299.6	1310.1				17.41		
Total NMS	326.4	331.5	352.1				17.30		
Total EU-27	1576.8	1631.1	1662.2				17.40		

Source: FAS

Additional sugar produced out-of-quota for other uses

In the absence of exceptional measures, sugar beet production beyond MS production quotas, so-called out-of-quota sugar, must be used for industrial purposes or carried over and counted towards the production quotas during the next marketing year. EU processors are expected to carry over 900,000 MT of out-of-quota sugar into MY 2012/13. This will likely result in MY 2012/13 seeing a larger amount of production available for industrial use than seen in MY 2011/12, despite the decrease in production. Any unsold amounts will need being carried over to count toward next marketing year production quotas.

EU Beet Sugar Production (raw value)				
	in ,000 MT	2010/11	2011/12	2012/13
EU Regulated Sugar Market*		15.699	18.251	16.390
Unregulated Over-Quota Production for Industrial Uses**		1.218	2.436	2.800
Total EU Beet Sugar Production		16.917	20.687	19.190

* includes within-quota production and out-of-quota production released to the EU food market, plus out-of-quota production that is exported

**includes total out-of quota production, minus out-of-quota production released to the EU food market and out-of-quota production that is exported

Consumption:

EU domestic sugar consumption for MY 2012/13 for food is forecast at 18 MMT. As the gap between EU internal sugar prices and world prices for sugar has been closing from 2010 onwards, EU food processors, who account for over 70 percent of EU sugar for food uses, are more competitive globally and are forecast to increase sugar use. The abundance of sugar on the EU market, as a result of the 2011 record crop and EU exceptional measures, increased MY 2011/12 sugar consumption to an estimated 18 MMT. However, recent volatility in prices and import supply constraints likely prompted some commercial stock building.

Trade:

Imports

EU sugar imports in MY 2012/13 are forecast to slightly increase to 3.9 MMT compared to 3.8 MMT in MY 2011/12. Imports of refined sugar are expected to return to normal levels as a result of higher world supplies. However, imports might exceed this volume if Colombia and Peru begin exporting sugar during MY 2012/13 if their free trade agreement (FTA) with the EU becomes operational following the ratification procedure. The forecast would also be increased for sugar imported from six Central American countries (Panama, Guatemala, Costa Rica, El Salvador, Honduras and Nicaragua), whose FTA with the EU is also going through the ratification process. Once implemented, these FTAs will grant additional duty-free TRQs for sugar totaling 264,000 MT RSE, with annual increases of 3 percent.

EU sugar imports in MY 2011/2012 are estimated to finish higher than previously anticipated as sugar import tenders were opened by the Commission at reduced import tariffs in compensation for the release on the market of out-of-quota sugar to EU sugar importers who were finding it difficult to secure adequate supplies. Seven tenders during MY 2011/12 allowed the import of an additional 399,000 MT of sugar, 385,000 MT of which were raw sugar for refining by EU refiners. Supply of raw sugar was so tight that EU full time refiners paid import duties between €290 and €312.6 per MT for raw sugar under the different tenders, not much of a discount from the full EU import duty of €339/MT for raw sugar. These costly sugar imports reflect troubles with the EU sugar market functioning, because the price after refining is significantly higher than the average EU price for domestic sugar. The increased sugar imports on top of a record crop lead to a significant increase in ending stocks at the end of MY 2011/12, compared to MY 2010/2011, and closer to historical levels. The difficult situation experienced by the EU market during MY 2011/12 is also reflected in the high and volatile price level in the table below.

**Quantities and Average prices (CAF)
for raw and white sugar imported from ACP countries**

Source : EUROSTAT

	Raw		White	
	Quantities	AVG price (EUR/t)	Quantities	AVG price (EUR/t)
November 2009	192.378	411	2.960	556
December 2009	124.486	386	5.280	515
January 2010	107.002	394	2.245	508
February 2010	102.634	402	4.165	507
March 2010	104.530	373	7.653	450
April 2010	68.514	401	10.069	439
May 2010	57.984	393	14.747	442
June 2010	80.551	398	47.374	390
July 2010	88.287	370	16.905	464
August 2010	124.338	398	23.432	460
September 2010	103.843	387	41.136	454
October 2010	103.300	383	26.947	469
November 2010	162.856	378	56.157	406
December 2010	39.845	440	22.930	470
January 2011	122.875	376	26.187	495
February 2011	79.042	411	25.684	498
March 2011	157.023	446	53.982	418
April 2011	99.533	470	31.099	548
May 2011	66.316	479	26.747	536
June 2011	89.112	394	40.958	628
July 2011	95.082	481	35.206	590
August 2011	115.755	418	41.459	567
September 2011	169.239	508	38.805	572
October 2011	165.325	438	28.808	640
November 2011	136.962	562	30.088	737
December 2011	119.746	465	25.975	709
January 2012	78.591	567	21.458	731
February 2012	166.686	474	21.737	737
March 2012	82.802	647	26.552	722
April 2012	124.922	612	28.923	732
May 2012	76.709	595	20.493	694
June 2012	71.178	544	23.228	735
July 2012				
August 2012				

Source: European Commission

Exports

EU sugar exports in MY 2012/13 are forecast at 1.5 MMT, the WTO ceiling for EU sugar exports. Sugar exports in MY 2011/2012 are estimated at around 2.4 MMT, as EU exporters benefitted from high global demand and additional export licenses granted under the MY 2010/2011 WTO notification year. The majority of EU sugar exports are traditionally to North African and Middle-Eastern destinations.

Stocks:

Sugar ending stocks for MY 2011/12 are estimated at slightly over 3.6 MMT, a level that is considered adequate by the EU sugar using industry compared to the tight ending inventories from the last few years. The change can be attributed to the 900,000 MT of unsold out-of-quota sugar from MY 2011/12 that is carried over into MY 2012/13. The EU sugar ending stocks nearly doubled in one year because of the exceptional measures for out-of-quota release on the domestic sugar market and the exceptional sugar import tenders.

EU sugar ending stocks for MY 2012/13 are forecast at almost 4.4 MMT. This further increase results from the unsold out-of-quota sugar from MY 2011/12 being carried over into MY 2012/13.

Policy:*Croatia accession to the EU on schedule for July 2013*

On December 9, 2011, Croatia signed its Treaty of Accession to become the twenty-eighth member of the EU. Croatia is expected to accede to the EU on July 1, 2013, following ratification by the MS. Upon accession, it is expected that the Croatia sugar TRQ for 180,000 MT under the EU Balkans agreement will cease to operate and that Croatia will be allowed to operate its own 40,000 MT sugar import quota at a reduced import duty of €98 per MT for three years. However, discussions are still ongoing about how this will be implemented since the Commission has yet to publish a proposal outlining implementing details. As Croatia will produce sugar under the EU sugar regime following accession, it negotiated a production quota of 192,877 MT of white sugar per year.

The future of the EU sugar quota regime in the CAP after 2013

The debate about the planned abolition of EU sugar production quota for MS at the end of MY 2014/15 is still ongoing with sugar beet producers and processors largely in favor of an extension of the quota system at least for another five years, while EU sugar users favor the end of the quota system with or without any transition time.

The decision making process for the new EU Common Agriculture Policy has largely stalled in the European Council as member states await future EU budget decisions. The discussion in the European Parliament includes a [report](#) [1] by French Member of Parliament Michel Dantin who proposes to provide an extension of the sugar quota through 2020, as well as new systems for supply management.

[1]

[http://www.europarl.europa.eu/RegData/commissions/agri/projet_rapport/2012/485843/AGRI_PR\(2012\)485843_EN.pdf](http://www.europarl.europa.eu/RegData/commissions/agri/projet_rapport/2012/485843/AGRI_PR(2012)485843_EN.pdf)

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal EU-27	2010/2011	2011/2012	2012/2013
	Market Year Begin: May 2010	Market Year Begin: May 2011	Market Year Begin: May 2012

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	1,433	1,433	1,939	1,974	2,495	3,637
Beet Sugar Production	15,392	15,424	17,170	17,960	15,500	16,100
Cane Sugar Production	275	275	291	291	290	290
Total Sugar Production	15,667	15,699	17,461	18,251	15,790	16,390
Raw Imports	2,522	2,525	2,650	2,550	2,600	2,600
Refined Imp.(Raw Val)	1,230	1,230	750	1,250	700	1,250
Total Imports	3,752	3,755	3,400	3,800	3,300	3,850
Total Supply	20,852	20,887	22,800	24,025	21,585	23,877
Raw Exports	4	8	5	8	5	5
Refined Exp.(Raw Val)	1,109	1,105	2,500	2,380	1,495	1,495
Total Exports	1,113	1,113	2,505	2,388	1,500	1,500
Human Dom. Consumption	17,800	17,800	17,800	18,000	17,800	18,000
Other Disappearance	0	0	0	0	0	0
Total Use	17,800	17,800	17,800	18,000	17,800	18,000
Ending Stocks	1,939	1,974	2,495	3,637	2,285	4,377
Total Distribution	20,852	20,887	22,800	24,025	21,585	23,877
1000 MT						

Author Defined:

Notes to the reader:

- In this report, all sugar is in raw sugar equivalent unless otherwise noted.
- The PSD in this report only pertains to sugar as defined by HS 1701. It hence excludes sugar beet production destined for fermentation or other industrial purposes.
- Conversion factors and methods used in this report:

MY = marketing year; for sugar October- September

Raw cane sugar = 1.07 X Refined cane sugar

Raw beet sugar = 1.087 X White (refined) beet sugar

- Sugar imports for EU inward processing purposes are excluded from this report's PSD as they are entirely re-exported as processed products. Inward processing is the EU program under which the import duties for dairy, sugar, and starch containing commodities for processing and subsequent re-export are suspended.