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Report Highlights:

EU27 sugar production forecast for market year (MY) 2022/23 is projected at 16.3 million metric tons (MMT), as farmers reduce sugar beet plantings in favor of more profitable crops. That is a decrease of 250,000 MT below the MY 2021/22 production, but 340,000 MT above MY 2020/21. EU27 sugar consumption is forecast stable at 17.0 MMT after a slight recovery from the COVID-19 induced decrease. High EU sugar prices may lead to a substitution for other sweeteners, like isoglucose, of which production is expanding. The EU food industry is reducing sugar contents in food products by 10 percent by 2025. The influx of several million refugees from Ukraine may lead to an increase in EU sugar consumption. EU27 sugar imports in MY 2022/23 are forecast down again to 1.7 MMT, compared to 2.0MMT in MY 2021/22. Sugar imports in MY 2020/21 ended at 1.8 MMT, despite the EU competing with the UK for preferential sugar after Brexit. The EU27 sugar export forecast for MY 2022/23 is also stable compared to MY 2021/22.

Note: As of January 1, 2021, the separation of the United Kingdom (UK) from the European Union (EU) is complete, including trade between both entities. In this report if not indicated otherwise, the EU refers to the current EU27 without the UK.

Executive Summary

EU27 sugar production forecast for market year (MY) 2022/23 is projected at 16.3 million metric tons (MMT) in Raw Sugar Equivalent (RSE). That is a decrease of 25,000 MT below the expected MY 2021/22 production, but remains 340,000 metric tons (MT) above the MY 2020/21 production which suffered from beet yellows virus (BYV) disease in mainly France, Germany, and Poland. Calculated at average sugar yields, this decrease is the result from a further forecast decrease in EU beet acreage by 30,000 hectares (ha) to 1.45 million ha.

Total EU27 beet sugar production for MY 2022/23, including for industrial use, is forecast at 17.8 MMT RSE, a 300,000 MT decrease from MY 2021/22, but still more than 355,000 MT above MY 2020/21. Industrial use, especially for bioethanol, is forecast to decrease again in MY 2022/23 because of high sugar prices, after a slight recovery in MY 2021/22, which was driven by increased demand for blending in gasoline after the COVID-19 crisis.

EU27 sugar consumption is forecast to remain stable after a slight recovery from the COVID-19 outbreak, during which the fall in sugar consumption away from home was not fully compensated by increased sugar consumption in home cooking. As a result, the consumption forecast for MY 2022/23 is increased to 17.0 MMT, but per capita consumption remains below pre-COVID-19 levels, as the EU food industry is embarking on a program to reduce sugar contents in food products by 10 percent by 2025. The influx of several million refugees from Ukraine may lead to an increase in EU sugar consumption.

The forecast for EU27 sugar imports in MY 2022/23 is decreased again to 1.7 MMT, compared to 2.0 MMT in MY 2021/22, as higher refining margins draw higher imports of raw sugar for refining. Sugar imports in MY 2020/21 ended at 1.8 MMT, despite high world sugar prices and the EU competing with the UK for preferential sugar after Brexit. After Brexit, sugar imports from the UK are only possible for sugar meeting the rules of origin. As a result, little UK sugar is still exported to the EU, mostly to Ireland. The EU27 sugar export forecast for MY 2022/23 is also stable compared to MY 2021/22 at 1.2 MMT, just slightly below MY 2020/21. These lower EU sugar export levels from the past reflect the continued production deficit and the supply going solely to traditional buyers in the region, including to the UK.

EU27 sugar stocks at the end of MY 2022/23 are forecast at 1.5 MMT, 345,000 MT down from MY 2021/22, and slightly below MY 2020/21 ending stocks. The EU27 isoglucose market continues to suffer from the strong competition of sugar, but production in 2022 continues its recovery as isoglucose benefits from increased sugar prices.

On the policy side, the EU is facing many issues simultaneously. Beyond the COVID-19 crisis and the fall-out from Brexit, the European institutions are in the last stretch to finalize the new Common Agricultural Policy (CAP) and are rolling out an ambitious stated agenda of becoming the first region to be climate neutral by 2050 through the European [Green Deal](#) and its associated [Farm to Fork](#) (F2F) and [Biodiversity](#) Strategies. The war in Ukraine is

pushing up the prices of all farm and processing inputs. On trade, the EU continues negotiations on free trade agreements (FTA) with Mexico, Chile, Australia, New Zealand, but the Mercosur agreement remains blocked.

Explanatory Notes to the Reader

- All sugar numbers are in raw sugar equivalent (RSE) unless otherwise noted.
- The Production, Supply, & Distribution tables (PS&D) in this report only pertain to sugar as defined by Harmonized System (HS) code 1701; therefore, it excludes raw beet sugar production destined for fermentation or other industrial purposes like bioethanol production.
- The conversion factors and marketing years 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 (IP) purposes are included in this report's PSD tables. While raw sugar imported under IP is being re-exported as white sugar, it should be clear that processed products made using IP sugar and re-exported are included in the EU consumption line. Inward processing is the EU customs program under which the import duties for dairy, sugar, and starch containing commodities for processing and subsequent re-export are waived.
- EUR/USD exchange rate in 2021.



Source: ExchangeRate.com

Acknowledgements

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EU27 Sugar Production

| EU-27 Sugar, Centrifugal | | | | | | |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2020/2021 | | 2021/2022 | | 2022/2023 | |
| Market Year begin | October 2020 | | October 2021 | | October 2022 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks | 2,076 | 2,076 | 1,025 | 1,622 | 0 | 1,827 |
| Beet Sugar Production | 15,164 | 15,689 | 16,355 | 16,280 | 0 | 16,030 |
| Cane Sugar Production | 235 | 224 | 235 | 225 | 0 | 225 |
| Total Sugar Production | 15,399 | 15,913 | 16,590 | 16,505 | 0 | 16,255 |
| Raw Imports | 800 | 989 | 1,200 | 1,300 | 0 | 1,000 |
| Refined Imports (Raw Val) | 700 | 803 | 800 | 700 | 0 | 700 |
| Total Imports | 1,500 | 1,792 | 2,000 | 2,000 | 0 | 1,700 |
| Total Supply | 18,975 | 19,781 | 19,615 | 20,127 | 0 | 19,782 |
| Raw Exports | 10 | 10 | 10 | 10 | 0 | 10 |
| Refined Exports (Raw Val) | 1,240 | 1,249 | 1,290 | 1,290 | 0 | 1,290 |
| Total Exports | 1,250 | 1,259 | 1,300 | 1,300 | 0 | 1,300 |
| Human Dom. Consumption | 16,700 | 16,900 | 16,900 | 17,000 | 0 | 17,000 |
| Total Use | 16,700 | 16,900 | 16,900 | 17,000 | 0 | 17,000 |
| Ending Stocks | 1,025 | 1,622 | 1,415 | 1,827 | 0 | 1,482 |
| Total Distribution | 18,975 | 19,781 | 19,615 | 20,127 | 0 | 19,782 |

The forecast for the EU27 beet sugar production for MY 2022/23 is pegged at 16 MMT from 1,454 thousand hectares (ha) of sugar beet, as farmers in Belgium, France, Poland, Spain and Romania are expected to further decrease beet acreage because of low sugar beet profitability and at the benefit of more profitable crops, like corn. It is reported that the largest Belgian sugar processor Tiense Suiker, a Südzucker subsidiary, is offering new beet contracts for the 2022 harvest at €38/MT, at 18° sugar content, up €10 from the previous year, attempting to lure farmers to plant more beet. Sugar processors in other MS also complain about decreasing sugar beet acreage. Minor increases in beet acreage in Hungary, the Netherlands, and Sweden are too small to offset decreases. In general, higher beet prices for the MY 2022/23 contracts are unlikely to cover significantly higher production costs and input prices and therefore it is unlikely that they will lead to increased beet planting. Water availability for irrigation also plays a role in Southern European MS. Sugar processors also face other increased production costs, like for energy, transportation and packaging.

For MY 2021/22, EU sugar production was slightly below the previous forecast as beet acreage in France was reviewed lower as a result of not fully reseeding beet fields killed from frost in late April. The same April frost killed some beet acreage in Germany and Poland. Cane sugar production in French Overseas regions of Martinique, Guadeloupe, French Guyana, and Reunion island, acronymed DOM (Departement d'Outre Mer) is reviewed slightly lower. For MY 2020/21, the beet sugar production is increased to 15.7 MMT with sugar production in [France](#) having suffered less from severe beet yellows virus (BYV) attacks that ravaged beet yields than originally believed. Still, French sugar production for MY 2020/21 suffered a decrease of 1.1 MMT compared to the previous year. Sugar production for MY 2020/21 was also revised downwards for Belgium and Romania, while it was increased for Denmark and Lithuania.

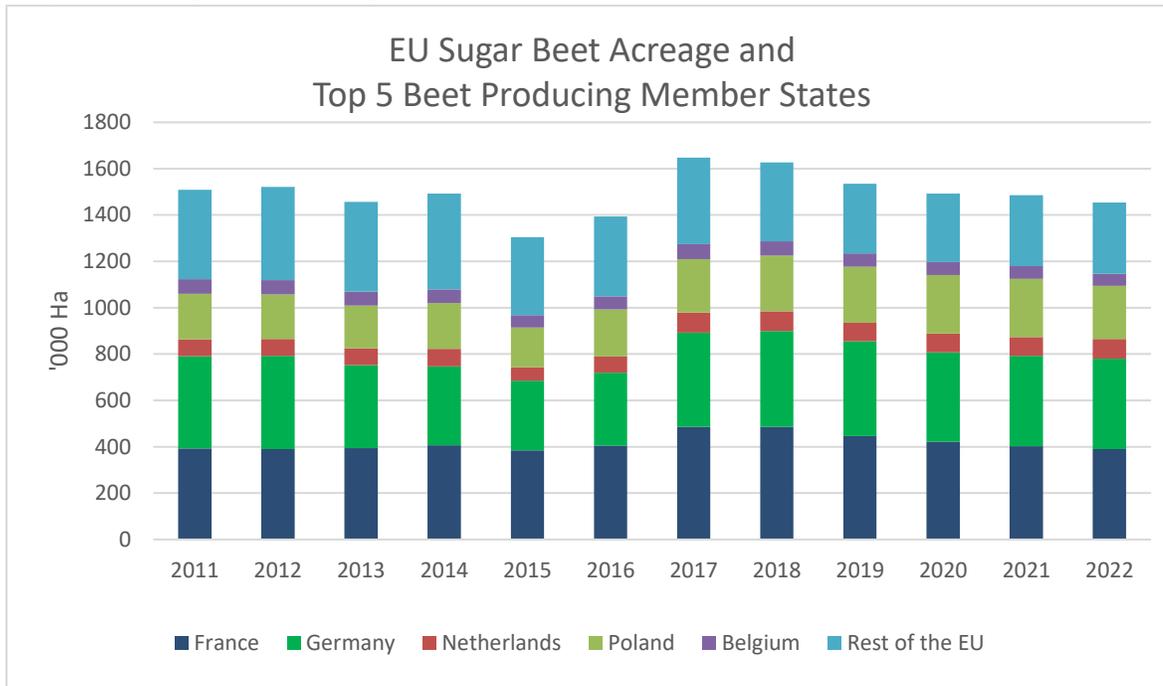
As can be seen from the declining sugar beet area since the end of the EU sugar quota system in Graph 1 below, the EU sugar sector seems to have entered a negative spiral. The EU beet area has decreased by 200,000 ha or 12 percent and nine processing plants have closed (4 in France, 2 in Germany and Croatia and 1 in Greece). Lack of profitability induces farmers to reduce sugar beet acreage for more profitable crops, which in turn induces consolidation with processors and when a processing plant closes, this forces more farmers out of beet growing. For MY 2022/23, several more processing plants have reported under threat of closing. A reduction in available plant protection products (PPP), resulting from the EU not renewing product approvals, has stifled productivity growth and induced increased yield volatility, discouraging farmers even further. As an example, farmers blamed the 2020 BYV attack on the ban on neonicotinoid treatments and the governments from Belgium, France, Germany, and Poland were quick to grant a new derogation from the neonicotinoid ban for 2021. For 2022, some 14 MS are reported to have granted conditional derogation from the neonicotinoid ban for sugar beet seed, but the strict conditions on following crops are keeping uptake low.

Table 1 - Production forecasts for MY 2022/23 and updates for MY 2020/21 and MY 2021/22

| EU sugar beet production | | | | | | | | | |
|---------------------------------|------------------------------------|----------------|----------------|---|--------------|--------------|------------------------------------|--------------|--------------|
| | Area, thousands of Hectares | | | Sugar beet yield in MT per Hectare | | | Sugar content in percentage | | |
| | 20/21 | 21/22 | 22/23 | 20/21 | 21/22 | 22/23 | 20/21 | 21/22 | 22/23 |
| Austria | 26.3 | 37.9 | 38.0 | 79.4 | 80.1 | 80.0 | 16.30 | 17.20 | 17.00 |
| Belgium | 57.1 | 55.4 | 52.5 | 84.3 | 83.0 | 85.0 | 17.40 | 17.00 | 18.00 |
| Croatia | 10.0 | 10.0 | 10.0 | 74.0 | 70.0 | 70.0 | 16.00 | 16.00 | 16.00 |
| Czech Republic | 57.1 | 57.9 | 58.0 | 62.6 | 77.0 | 68.0 | 15.84 | 18.10 | 17.00 |
| Denmark | 33.2 | 33.3 | 33.5 | 77.1 | 71.4 | 75.0 | 17.90 | 17.00 | 17.00 |
| Finland | 11.0 | 11.3 | 11.5 | 38.5 | 37.2 | 38.0 | 15.90 | 15.00 | 15.00 |
| France | 421.0 | 402.0 | 390.0 | 62.7 | 79.1 | 85.0 | 17.00 | 17.40 | 18.00 |
| Germany | 386.0 | 391.0 | 390.0 | 74.2 | 81.8 | 75.0 | 17.83 | 17.50 | 18.00 |
| Greece | 1.2 | 0.9 | 0.6 | 58.0 | 57.1 | 56.0 | 13.50 | 13.50 | 13.50 |
| Hungary | 12.9 | 12.3 | 13.0 | 60.5 | 53.5 | 60.4 | 16.00 | 16.10 | 16.00 |
| Italy | 27.4 | 28.0 | 28.0 | 69.8 | 56.0 | 61.4 | 14.60 | 16.10 | 14.50 |
| Lithuania | 14.0 | 15.8 | 16.0 | 65.6 | 54.3 | 61.0 | 17.50 | 17.10 | 17.10 |
| Netherlands | 81.5 | 81.0 | 84.5 | 82.1 | 80.7 | 82.0 | 17.20 | 16.50 | 17.00 |
| Poland | 252.0 | 250.1 | 230.0 | 59.5 | 61.1 | 61.1 | 15.50 | 17.20 | 17.20 |
| Romania | 20.4 | 21.0 | 18.0 | 33.4 | 38.0 | 36.7 | 16.80 | 15.50 | 16.50 |
| Slovakia | 21.7 | 22.1 | 21.0 | 62.0 | 62.6 | 60.0 | 14.45 | 17.29 | 16.00 |
| Spain | 28.7 | 27.5 | 29.4 | 92.3 | 94.0 | 99.0 | 17.40 | 17.50 | 17.80 |
| Sweden | 29.8 | 28.7 | 30.0 | 68.0 | 72.0 | 70.0 | 15.60 | 15.50 | 15.50 |
| Total EU27 | 1,492.0 | 1,486.0 | 1,453.5 | | | | | | |

Source: FAS/USEU based on data from FAS analysts in EU MS.

Graph 1 - EU Sugar Beet Acreage



Source: FAS EU Posts based on Eurostat data.

Table 2 - Total Sugar Beet Production Including Additional Production for Non-food Industrial Use

| EU Beet Sugar Production (raw value) | | | | |
|---------------------------------------|------------|---------------|---------------|---------------|
| | in ,000 MT | 2020/2021 | 2021/22 | 2022/23 |
| EU Sugar Production | | 15,689 | 16,280 | 16,030 |
| Industrial Use | | 1,780 | 1,845 | 1,795 |
| Total EU Beet Sugar Production | | 17,469 | 18,125 | 17,825 |

Source: FAS/USEU calculation based on contributions from FAS analysts in EU MS.

Total EU27 beet sugar production for MY 2022/23, including thick juice for industrial use that falls beyond the scope of our reporting, is forecast at 17.8 MMT. This is a 300,000 MT decrease compared to MY 2021/22, but still 0.35 MMT above BYV affected MY 2020/21. The industrial use of raw sugar juice for fermentation and bioethanol production is forecast to decrease again by 50,000 MT in MY2022/23, after a recovery in MY 2021/22, when bioethanol production increased again, mainly in France, in line with a higher bioethanol consumption after the COVID-19 crisis. The decrease in bioethanol production results from plants preferring to use grains as feedstock instead of sugar in the wake of increasing sugar prices. Table 3 hereafter breaks down the sugar beet produced and used for sugar production and industrial fermentation uses for bioethanol and other biochemical production. For more information about the bioethanol market see the FAS GAIN Report – [EU Biofuels Annual 2021](#).

Table 3 – EU Sugar Beet PSD

| Sugar Beets | 2020/2021 | 2021/2022 | 2022/2023 |
|--|------------------|------------------|------------------|
| Market Year Begins | Oct-20 | Oct-21 | Oct-22 |
| European Union | New Post | New Post | New Post |
| Area Planted (1000 HA) | 1,492.0 | 1,486.0 | 1,453.5 |
| Area Harvested (1000 HA) | 1,490.0 | 1,485.0 | 1,453.0 |
| Production (in MMT) | 101.3 | 111.1 | 108.9 |
| Total Supply (in MMT) | 101.3 | 111.1 | 108.9 |
| Utilization for Sugar (in MMT) | 91.0 | 99.8 | 97.9 |
| Utilization for Industrial Fermentation (in MMT) | 10.3 | 11.3 | 11.0 |
| Total Distribution (in MMT) | 101.3 | 111.1 | 108.9 |
| (1000 HA), (1 million MT) | | | |

Source: FAS/USEU calculation based on MS data; not official USDA data

EU27 Sugar Consumption

EU27 sugar consumption is forecast to remain stable in MY 2022/23 after suffering some decrease from the COVID-19 outbreak in 2020, because the increased sugar consumption in home cooking did not fully compensate for the loss in away-from-home eating. Increased snacking as people worked from home in response to COVID-19 related lockdowns was unable to fully compensate for the loss of sugar consumption away from home. Heightened health awareness for food seems to have led to a new sugar consumption level as the work force is gradually returning to the office.

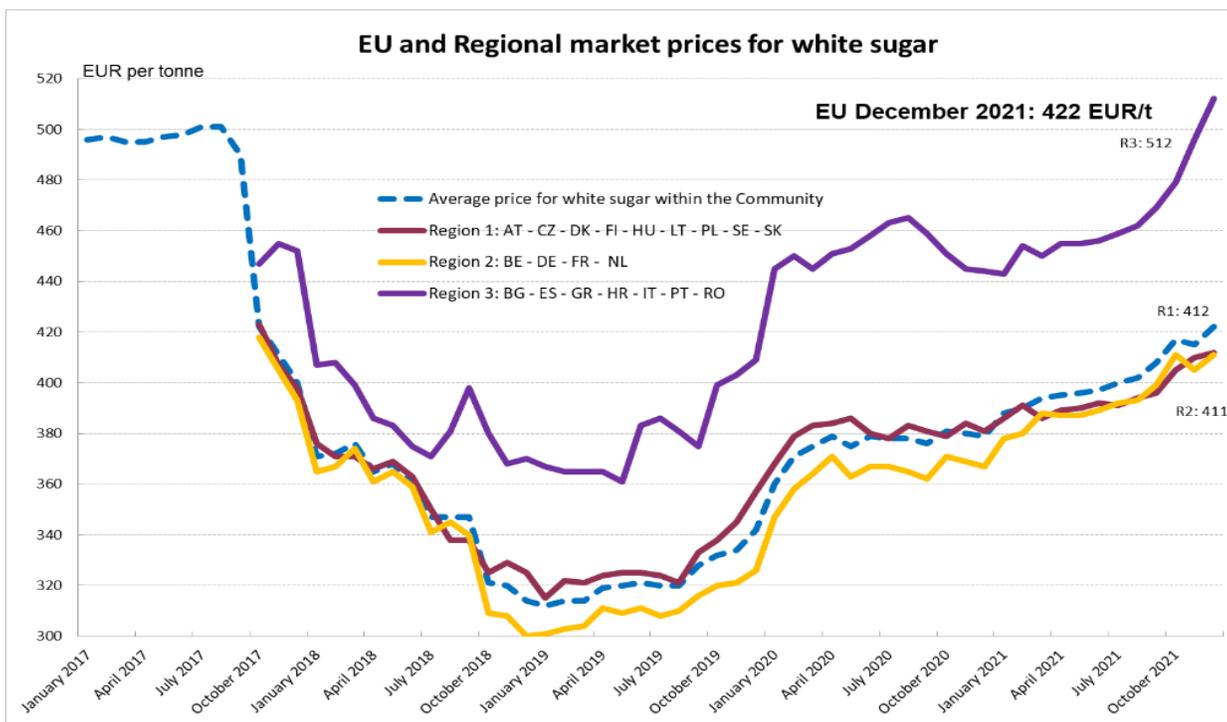
EU27 sugar consumption in MY 2022/23 per capita is forecast to remain below COVID-19 levels after it had been stable in recent years, when the strengthening trend for lower sugar consumption was offset by the increase in population. The influx of several million of Ukrainian refugees may lead to an increase in consumption if the war lingers and refugees cannot return to their homes. The decrease in sugar consumption as a result of COVID-19 was less pronounced than originally anticipated. [Food processors](#) across the EU continue to respond to consumer and health authorities' pressure to reduce sugar content in food and drinks through reformulating products. Member States (MS) keep considering sugar taxes, but a recent [World Health Organization \(WHO\) report](#) indicates that the motives for taxes on sugar vary from reducing sugar consumption to plain revenue generation for budgetary deficit reasons.

Further, sugar using industries, like the drinks industry, is considering switching to other sweeteners like isoglucose, but prices for the commodities used to produce these products have increased even more than sugar prices. As the production of these alternate sweeteners in the EU is limited, such a reformulation is not viable for most food processors. Small food processors, who rely on the sugar spot market for supplies, have also been complaining about short supplies and high prices.

The difference in sugar availability in the EU market between the core producing MS (Region 2: Belgium, France, Germany, the Netherlands, and formerly the UK) and EU MS in the periphery (Region 3: Bulgaria, Romania, Greece, Croatia, Italy, Spain, and Portugal) leads to price differentiation as shown in graph 2 below. The

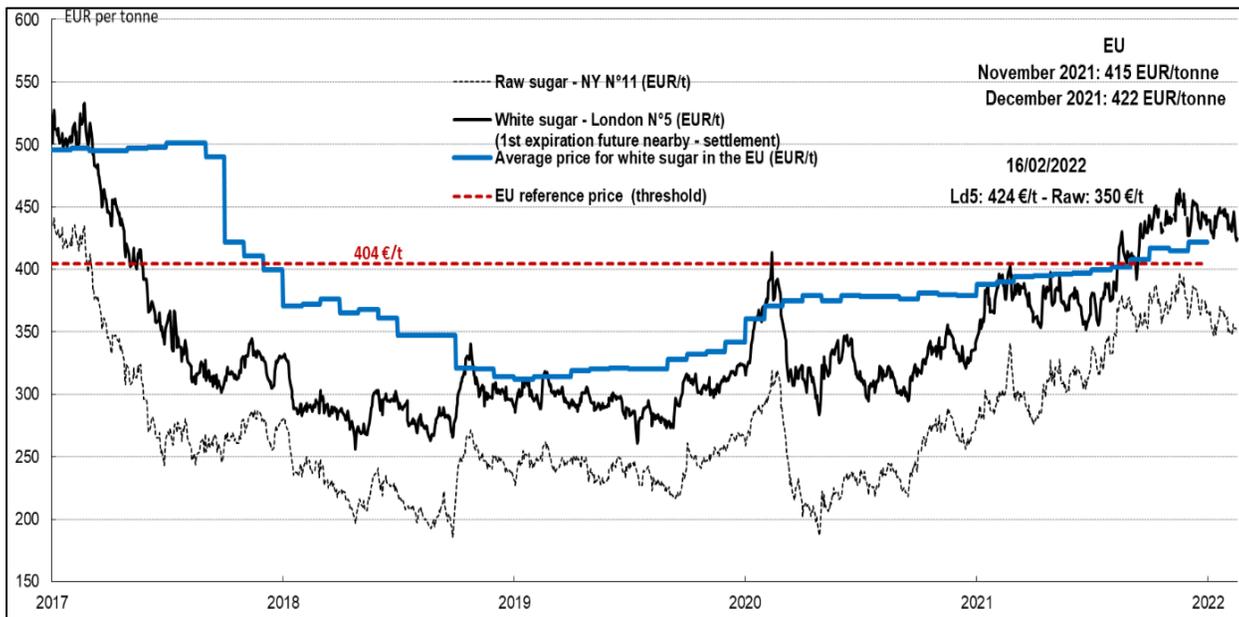
departure of the UK at the beginning of 2021 has not led to a major change in prices in Region 2, although the UK was a net sugar importer from this zone and continues to be. While this price reporting is dominated by contractual sales, including long-term contracts and therefore does not reflect spot prices, it still indicates market dynamics. The competition with the UK for sugar imports into Region 3 bolstered the increase in sugar prices on the London 5 market in the late summer of 2021, as shown in graph 2 below, thus widening the price gap between Region 3 and the other regions. As a result, the price spread between the main sugar producing Region 2 and the sugar deficit Region 3 increased until the end of MY 2020/21, generating higher margins after the summer of 2021 for EU sugar refiners and less efficient beet sugar processors in Region 3, somewhat similar as happened in the spring of 2020 with the market disruption provoked by COVID-19.

Graph 2 - EU Regional Prices for White Sugar



Source: European Commission

Graph 3 - EU Market Price and World Market Prices After the End of the EU Quota Regime



Source: European Commission

EU27 Sugar Trade

Imports

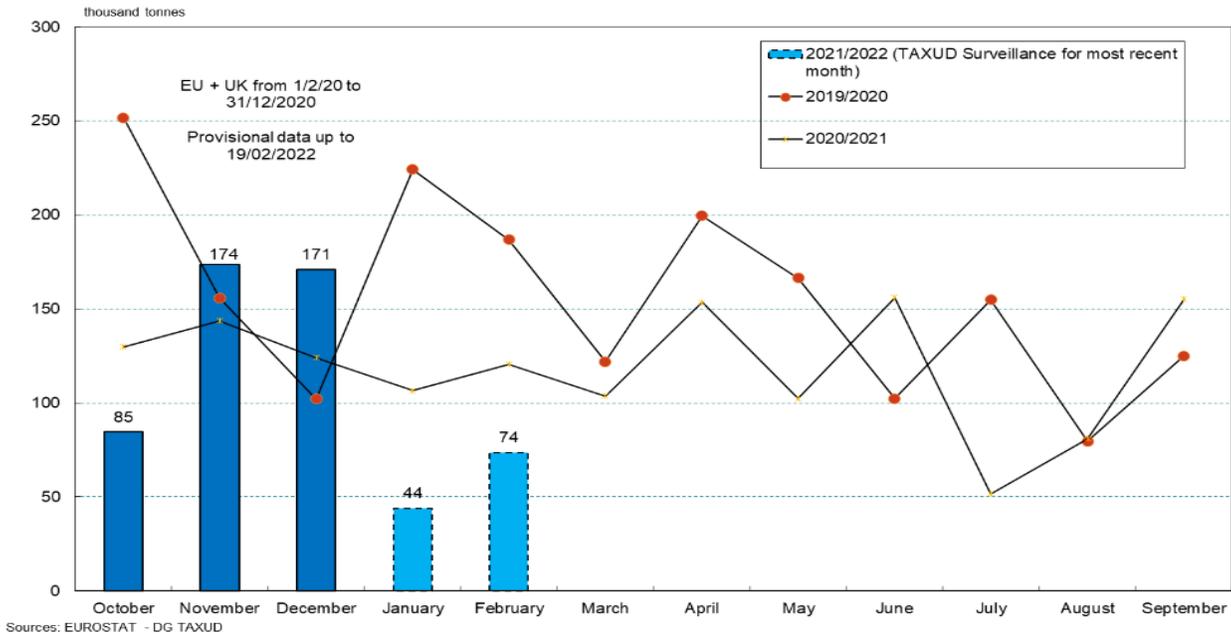
EU27 sugar imports in MY 2022/23 are forecast to decrease again to 1.7 MMT compared to MY 2021/22, for which imports are expected to reach 2.0 million MT, because increased refining margins are stimulating raw imports for refining. Imports in MY 2021/22 started off rather slowly during the EU beet processing campaign, to speed up towards the end of 2021 when global prices significantly increased even before the war in Ukraine started (See graph 4). For MY 2020/21, EU sugar imports from the UK about stopped in January 2021, except some imports into Ireland, after Brexit became final on December 31, 2020, despite the [EU-UK Trade and Cooperation Agreement](#) (TCA), which was concluded on December 24, 2020, providing for duty-free sugar trade. Because of agreed [rules of origin](#), the UK can no longer export refined sugar made from imported non-originating¹ raw sugar to the EU duty-free (and vice versa). Further, UK sugar prices are trending higher compared to EU prices, making exports to the continental EU unviable. As the UK is maintaining duty-free access for sugar from African, Caribbean, and Pacific (ACP) countries and Least Developed Countries (LDCs), the EU competes with the UK for preferential sugar at zero duty under the [Everything-But-Arms](#) (EBA) agreement and from FTA quota available for both the EU and UK market. As a result, EU27 sugar imports under EBA have leveled off after January 1, 2021, being substituted by higher exports from other sources like Brazil, Belize, South-Africa, Serbia and Algeria. Graph 5 below shows the evolution of EU sugar imports from EBA countries.

Imports into tariff rate quotas (TRQs) under FTA's are expected to remain stable, as no new FTAs were implemented since the [EU-Vietnam FTA](#), which entered into force on August 1, 2020 and provides for a sugar

¹ Originating sugar for EU-UK bilateral trade only includes sugar produced in the EU and the UK, or sugar that has been significantly processed according to the rules of origin agreed in the TCA.

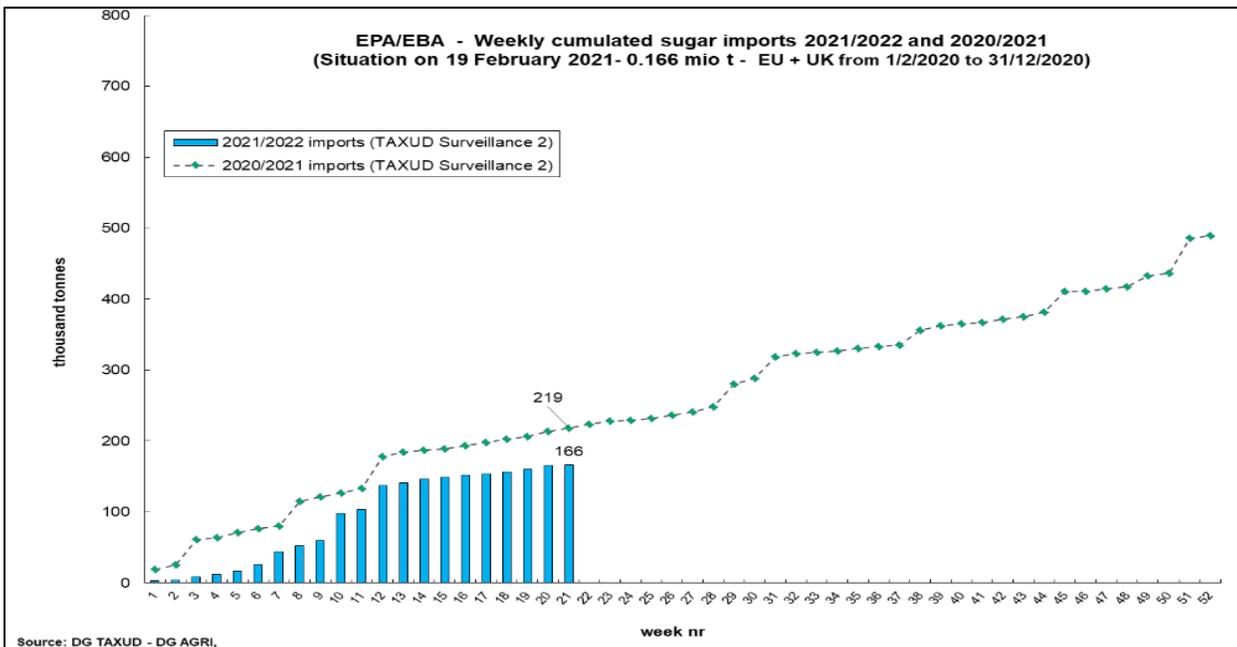
TRQ of 20,000 MT RSE. See the MY 2020-21 quota fill in graph 6. Despite a recent spike in the refining premium, it remains unlikely that significant sugar imports into the EU WTO CXL quota will occur in MY 2021/22 or MY 2022/23 because of a prohibitive €98/MT duty.

Graph 4 - EU monthly Sugar Imports in MY 2021/22



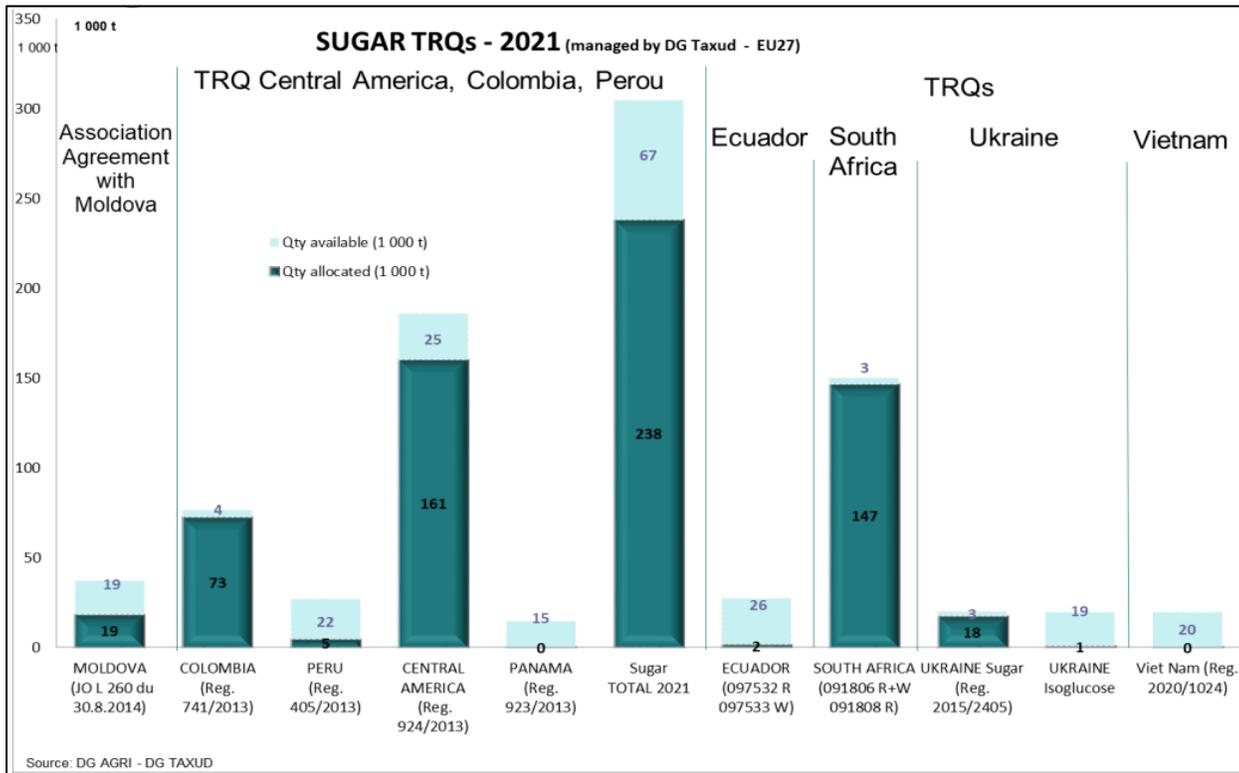
Source: European Commission

Graph 5 - EU Imports from EBA Countries



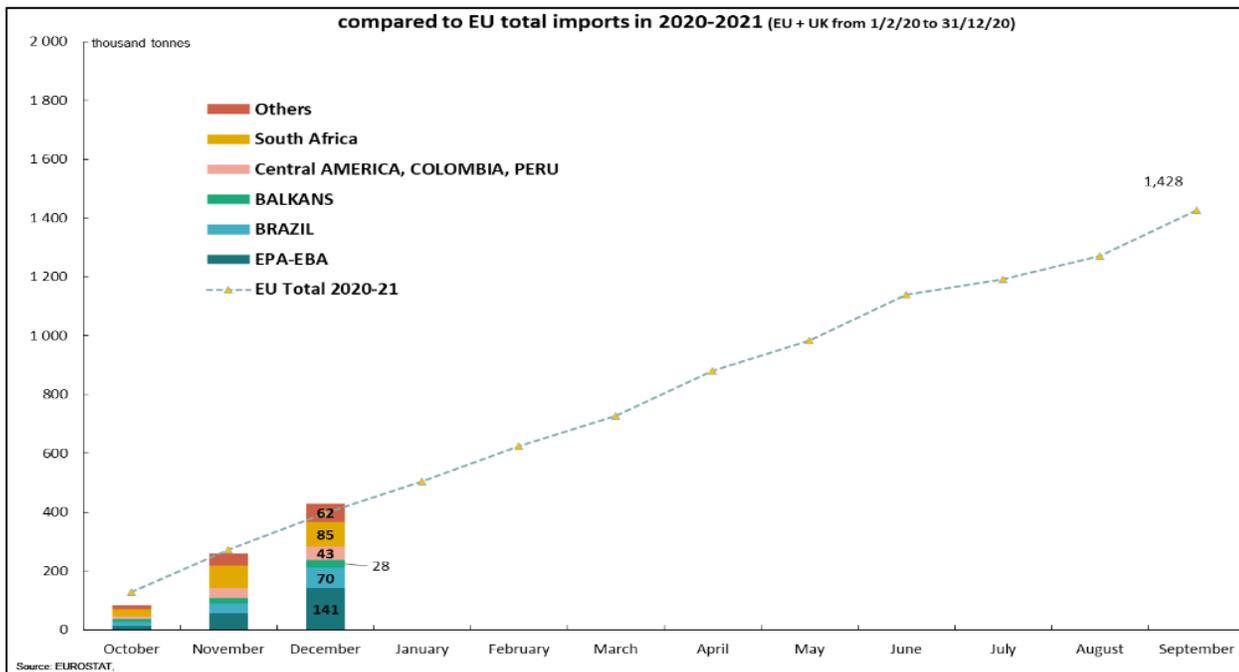
Source: European Commission

Graph 6 – EU Sugar TRQs 2020-2021 Use



Source: European Commission

Graph 7 – Total EU 27 Sugar Imports in MY 2021/22

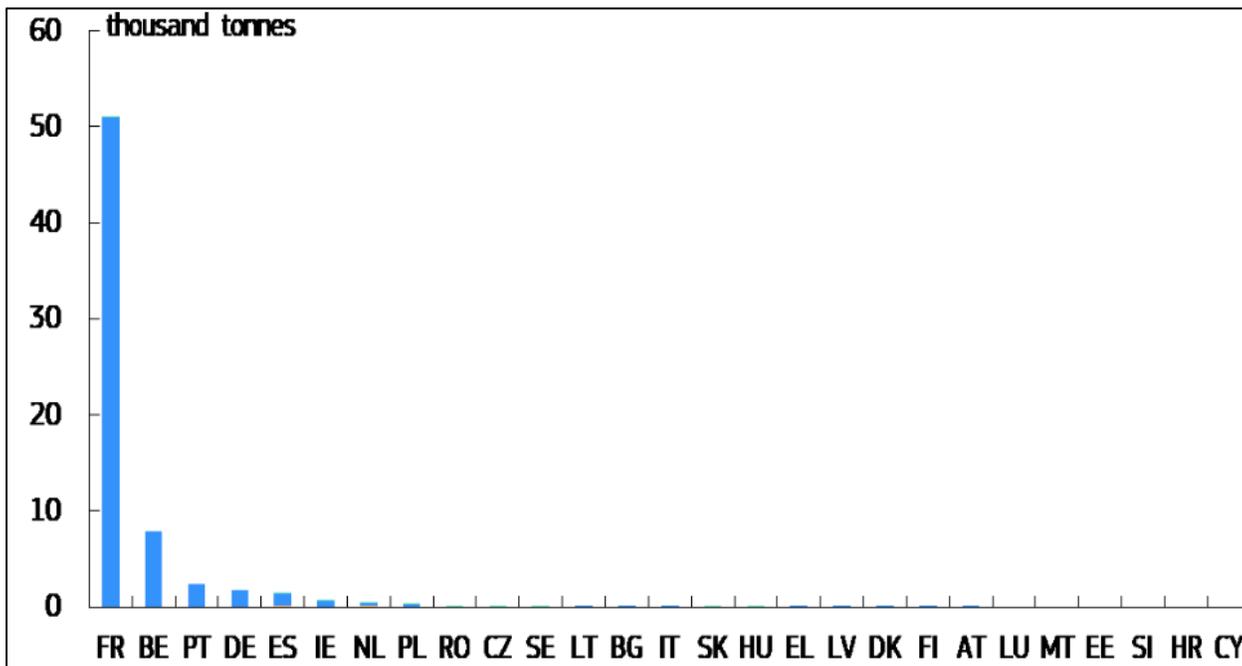


Source: European Commission

Exports

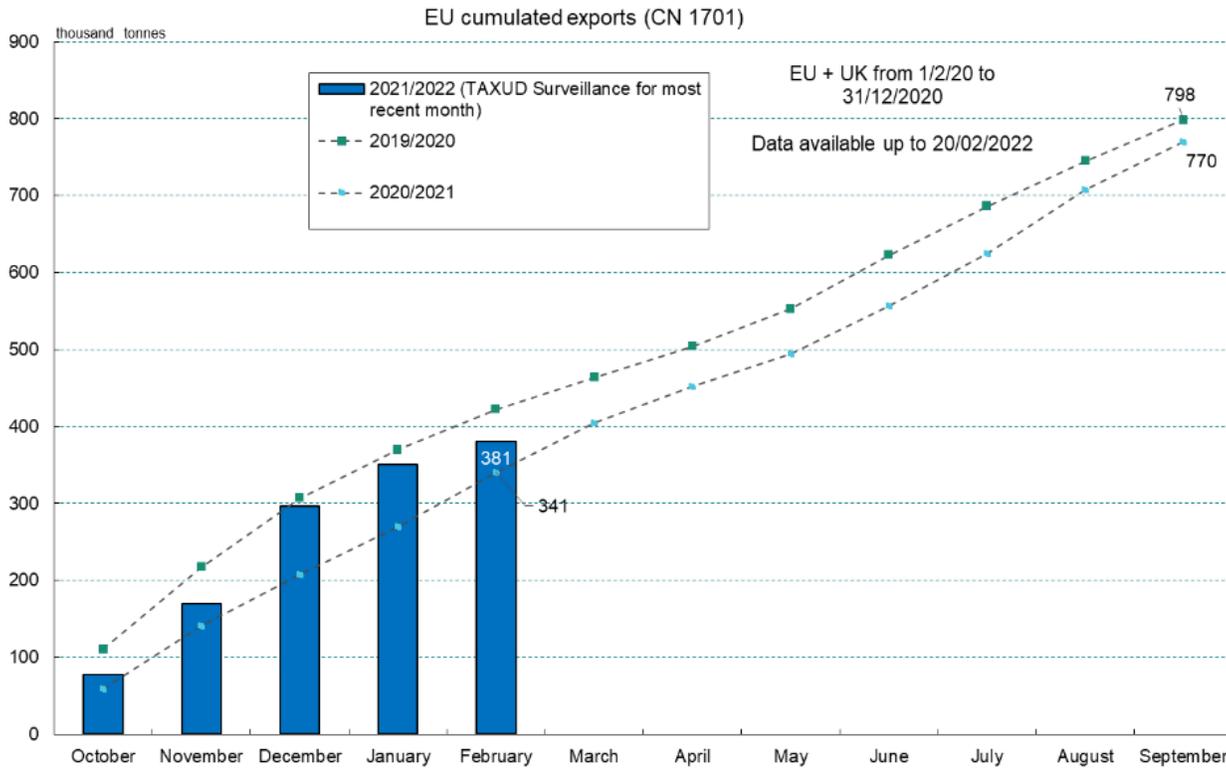
The EU27 sugar export for MY 2022/2 is forecast stable compared to MY 2021/22 at 1.2 million MT, slightly down from MY 2020/21 exports. These export levels reflect the continued limited supplies in the EU sugar market and will only allow supply to traditional buyers. The main EU sugar exporting MS are France, Germany, Poland, the Netherlands, and Belgium. The main EU sugar export destinations are Israel, Norway, and Switzerland, followed by North-African and Middle-East countries. EU sugar exports to the UK stopped in January 2021 after Brexit became final on December 31, 2020, but exporters quickly adapted to the new rules and EU sugar exports to the UK recovered, albeit not fully. While EU sugar exports to the UK face the same rules of origin after January 1, 2021, it is not expected to have the same impact as on imports from the UK as they only affect refiners processing imported raw sugar, which is small compared to EU domestic production. France remains the first sugar exporter to the UK (See graph 8). Note that the EU sugar export numbers in below graph 9 are almost exclusively white sugar exports, which explains the gap with this report's PS&D.

Graph 8 - EU Sugar Exports to the UK for the October-December 2021 Period



Source: European Commission

Graph 9 – EU cumulated exports for CN 1701



Source: European Commission

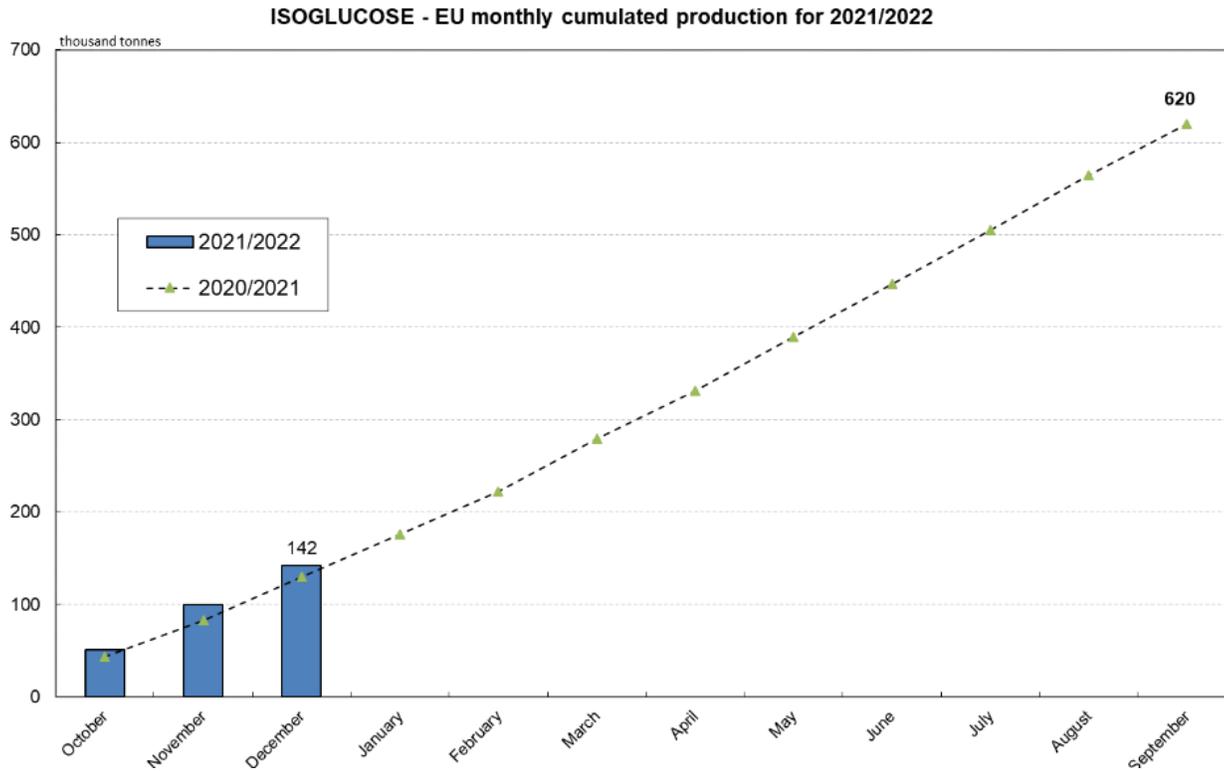
EU27 Sugar Stocks

EU27 sugar stocks at the end of MY 2022/23 are forecast at 1.6 MMT, down 0.15 MMT from MY 2021/22. The MY 2020/21 ending stock number was revised to 1.6 MMT in line with the increase in sugar production.

Isoglucose

Isoglucose production in the EU27 continues to increase in MY 2021-22 after it started to recover in 2021 compared to previous years (See graph 10 below). Increasing EU sugar prices are beneficial for isoglucose producers, but prices for wheat and corn, the two main raw materials for isoglucose, have soared as well because of tight global supplies considering heavy buying from China. There was a short-lived increase in production after the end of the EU sugar quota regime, but isoglucose had a hard time competing with low EU sugar prices in recent years. As a result, a new Hungarian plant, which opened in 2017, is only recently reaching capacity, including because the COVID-19 crisis reduced demand for soft-drinks in Hungary.

Graph 10 – Isoglucose – EU monthly production



Source: European Commission

EU27 Sugar Policy

EU Policy Response to the War in Ukraine

In February 2022, Russia launched an invasion in Ukraine. The war is threatening global food security mainly due to the high level of exports of feed and grains products from the two belligerent countries. The EU sugar sector will be impacted for the MY 2022/23 by the increased input prices, such as energy, pesticides and fertilizers, for which Belarus and Russia are important suppliers.

On March 23, 2022, the European Commission published a Communication on '[Safeguarding food security and reinforcing the resilience of food systems](#)'. This Communication outlines short-term and medium-term actions that the EU will take to enhance global food security and support EU farmers given rising commodity prices and costs for energy and fertilizer inputs due to the war in Ukraine.

First, €500 million euros will be distributed in national allocations to directly support EU farmers most affected by higher input costs and the closure of export markets. Member States can supplement this support up to 200 percent using national funds.

Additionally, the Commission has granted an exceptional and temporary derogation from certain greening obligations. Member States may allow production of any food and feed crops on fallow lands that are part of Ecological Focus Areas (EFA) for the duration of 2022, while still providing the full level of greening payment that

would be given if the land was kept fallow. This temporary flexibility aims to allow EU farmers to adjust and expand their cropping plans in response to the new market dynamics.

On land use, the Commission also supports Member States reducing blending proportion requirements for biofuels. This would reduce the amount of EU agricultural land devoted to production of biofuel feedstock, thereby freeing up the supply of food and feed commodities.

The European Commission has also allowed EU Member States to use derogations from [Regulation 396/2005](#) for pesticide maximum residue levels (MRLs) to be able to import feedstock from additional sources. For the Commission, individual Member State-specific MRL flexibilities are only meant to address acute shortages in the Member State that granted them, so the products imported under these temporary MRL flexibilities should not be traded with other Member States. Furthermore, national measures must be of limited duration and based on the specific situation in each respective Member State.

New CAP, Green Deal, Farm to Fork (F2F) and Biodiversity Strategies

The previous Juncker Commission published its original proposals for the next [Common Agricultural Policy](#) (CAP) on June 1, 2018, but it was evident from the start that, given the European elections in May 2019 and the uncertainty about [Brexit](#), it would be up to the incoming institutions to finalize the agreement. As the old CAP expired at the end of 2020 and Brexit became a reality at the end of January 2020, the new Von der Leyen Commission approved an extension of the current CAP and prepared a new multiannual financial framework 2021-2027 (MFF) proposal (€1074.3 billion), in combination with an extraordinary recovery effort for the COVID-19 crisis, known as the Next Generation EU (€750 billion). The [€1.8 billion package](#), which gained EU Council approval on July 21, 2020, aims at helping the EU to rebuild after the COVID-19 pandemic and support investment in the green and digital transitions. The new MFF proposal received final approval on December 17, 2020, and includes €356.4 billion for the new CAP and Fisheries policy, of which €270 billion for direct payments and market measures (together Pillar I) and €85.4 billion for rural development (Pillar II) for the 2021-2027 period. On June 25, 2021, the Parliament, Council, and Commission reached a provisional [political agreement](#) on the new [CAP 2023-2027](#), which will enter into force in 2023. The European Parliament granted final approval on November 23, 2021, and the European Council provided final approval on December 2, 2021.

On May 20, 2020, the European Commission announced both the [Farm to Fork](#) (F2F) Strategy and the EU [Biodiversity Strategy](#) for 2030 as roadmaps for enhancing food and agricultural sustainability by 2030 under the European [Green Deal](#). The Strategies mark the beginning of a multi-step legislative development process that aims to fundamentally change the way EU agriculture operates and food is produced for, and provided to, EU consumers. The goal is for MS to tailor their new CAP programs towards achieving and enforcing the different strategy targets through [enhanced conditionality measures](#). The stated goal is that 40 percent of CAP funding goes towards climate change mitigation measures. Specific goals are a 50 percent reduction in pesticide use, a 50 percent reduction of nutrient leakage in groundwater through a 20 percent reduction in fertilizer use, an increase in nature conservation areas to 30 percent, 10 percent of environmental set-aside, and 25 percent of land for organic farming. Additionally, increased animal welfare and limitations in veterinary drug use, especially antimicrobial use, goals are stated. For the implementation of the new CAP 2023-2027, MS were requested to submit so-called [National Strategic Plans](#) (NSPs) by the end of 2021. The Commission is scrutinizing the MS NSPs against the CAP agreement and F2F, incorporating MS specific goals and initiatives. As part of their NSP, several

MS are maintaining the voluntary coupled supports (VCS) from the previous CAP, including for sugar. The Commission is expected to approve most NSPs before the summer of 2022, giving MS only a few months to implement them before the new CAP starts on January 1, 2023.

The EU sees its [Green Deal](#) and accompanying strategies as its way of achieving its [Paris Climate Agreement](#) and other [UN Sustainable Development Goal](#) commitments. Both legislative bodies have requested that impact assessments must be available before legislative initiatives are proposed.

Brexit Update

The UK formally left the European Union on January 31, 2020, and the one-year transition period ended on December 31, 2020, in which it continued to fully comply with EU rules and legislation. During this transition period, both parties negotiated a [Trade and Cooperation Agreement](#) (TCA) on their future relationship, which was only concluded on December 24, avoiding a no deal outcome (hard Brexit). The EU and the UK agreed on duty-free trade for sugar for originating sugar. Early trade problems occurred because of the Brexit impact of the [rules of origin](#), for which the EU also provides specific [guidance](#). The EC also published a specific [guide](#) on the use of EU Tariff Rate Quotas (TRQ).

The UK government published its post-Brexit [tariff schedule](#) that applies as of January 1, 2021. The MFN tariff for refined sugar is £350/MT (€419/MT), while the MFN tariff for raw sugar for refining carries a £280/MT (€339/MT) duty. The UK is providing a duty-free TRQ of 260,000 MT for raw cane sugar for refining for one year. Info on the TRQs that UK operate is available [online](#).

While the EU immediately applied full customs checks on January 1, 2021, the UK extended the grace period for the implementation of full customs inspections on imports from the EU to January 1, 2022, but the implementation at UK border posts has been further postponed.

EU Eyes Four New FTAs as No Progress on EU-Mercosur Trade “Agreement in Principle” Is Made

In 2022, the EU has the ambition to finalize the update of its FTAs with Mexico and Chile, as well as new FTAs with New Zealand and Australia. At least, the FTAs with Mexico and Australia are expected to include a chapter on sugar. In the meantime, no progress was made, nor is expected on the EU’s troubled Mercosur deal.

On June 28, 2019, the EU reached a trade [“Agreement in Principle”](#) with the four member countries of Mercosur (Argentina, Brazil, Paraguay, and Uruguay). The details of this agreement, that provides for a new 10,000 MT duty-free import quota for Paraguay, while Brazil would see the in-quota duty eliminated on 180,000 MT of its WTO quota, still need to be elaborated and its implementation, on a provisional basis, is years away. Nevertheless, intensifying discussions on climate change mitigations and further environmental restrictions as the EU is discussing its Green Deal and F2F proposals, as well as criticism from EU farmers, MS and EP, have put into question the future of this FTA. The number of MS stating that they will not ratify the EU-Mercosur agreement continues to increase.

Pesticide Policy - Neonicotinoids

In 2018, the European Commission banned the use of three neonicotinoids (clothianidin, imidacloprid, thiamethoxam), except for use in greenhouses, because of their harmful effect on wild bees and honeybees. These neonic pesticides are important for sugar beet production, because they are used to prevent aphid infestations in sugar beets. Aphids spread many diseases including viruses such as the beet yellows virus (BYV) which leads to beet dwarf jaundice, a disease that can cut yields by half. Since the ban in 2018, about 15 MS have requested 74 emergency derogations for their use, for which over 50 percent was for the use on sugarbeets. This procedure allows individual MS to apply for a three-month emergency authorization for the use of a banned substance, in case they can prove that its use is safe for their particular case and there is no alternative available.

In 2020, Austria, Belgium, Croatia, Czech Republic, Denmark, Finland, Hungary, Lithuania, Poland, Romania, Slovakia, Slovenia, and Spain had exemptions on the neonicotinoid ban in place for use in sugar beet seed coating for one or more on the banned active substances. After the severe yellows virus attacks in 2020, France and Germany also provided an exemption for 2021. All these MS have extended exceptions for 2022 as well, but the strict conditions on following crops severely limit take-up by farmers. In November 2021, the European Food Safety Authority (EFSA) published its [assessment](#) that all the emergency authorizations for the use of neonicotinoids in sugar beet by 11 MS in 2020 and 2021 were justified.

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