

The effects of a new sugar regime reform on triple-P aspects of sugar and sugar beet production

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Introduction

Two expected major changes in the coming years:

- a decrease in European import tariffs for sugar by 70%, due to Doha Round WTO Negotiations;
- the abolishment of the sugar quota system in the EU from 2015 onwards.

Central research questions focus on the consequences of these changes for:

- the sugar and sugar beet sector;
- the sugar chain and market;
- developing countries in 2020.



Results

When import tariffs for sugar decrease by 70%:

- Imports of sugar into EU-27 from Brazil strongly increase, but decrease from developing countries;
- Sugar and sugar beet prices decrease by 9% and EU production decreases by 2%;
- European beet growers' income decreases;
- Added value of agro-complex in the Netherlands decreases;
- European sugar processing industry fears lower level of food safety and sustainability;
- Developing countries with a relatively high sugar cost price risk going out of business;
- Other developing countries may prefer to export sugar to other than EU countries (see Table 1).

When sugar quota system is also abolished:

- EU sugar production increases by about 11%;
- Sugar and sugar beet price decreases by 14%; sugar consumption may increase slightly by 1%;
- European beet growers' income decreases. However, differences between individual farms can be large (see Table 1).

Table 1 Sugar market balance in EU-27 in 2020 under different scenarios (million tonnes of white sugar)

Scenario	Production	Imports	Total supply	Exports	Domestic consumption	Other use	Total demand
Status quo	15,2	5,2	20,4	0,9	16,3	3,2	20,4
Doha-Lower import tariffs	14,9	6,4	21,3	1,6	16,5	3,2	21,3
Quota free	16,8	5,7	22,5	2,2	16,5	3,8	22,5
Diff. Quota free with Doha (%)	13,1	-11,5	5,7	36,2	0,3	17,7	5,7
Diff. Quota free with Status quo (%)	10,8	9,7	10,5	143	1,4	19,6	10,5

Source: CAPRI.

Other results:

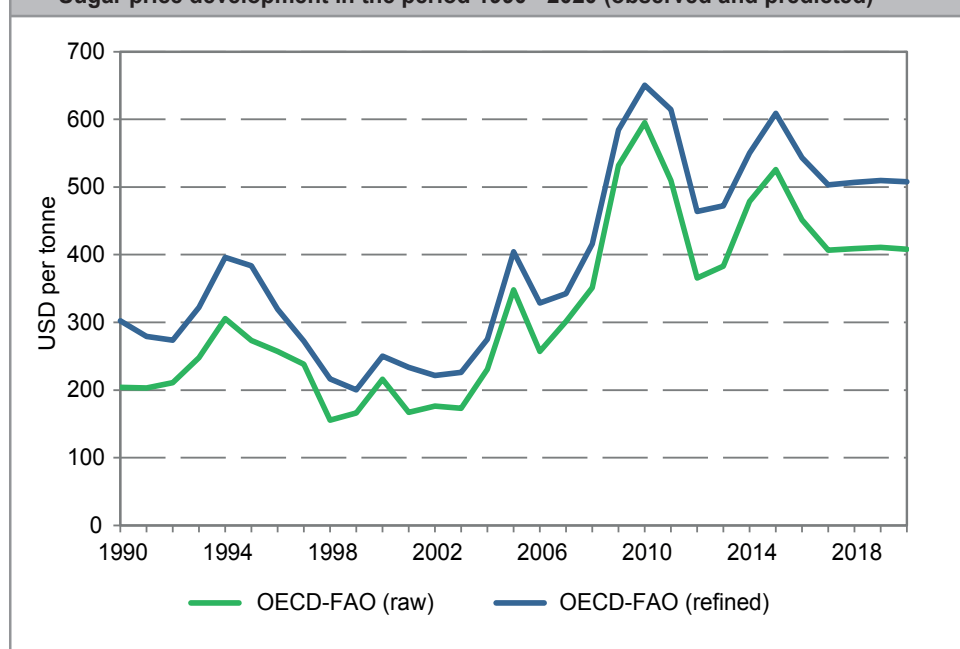
Due to the sugar reform in 2006, the EU:

- is more dependent on sugar imports;
- changed from net exporter to net importer;
- concentrated sugar production more in Northwest Europe.

Discussion:

- If Doha Round succeeds, then the abolishment of the quota system is better for EU farmers;
- However, this can differ per individual farm, depending on farm structure and possible adjustment options.

Sugar price development in the period 1990 - 2020 (observed and predicted)



Funds needed for additional research:

- Differences between farms in and between countries: direct and indirect effects (adaptations by farmers faced with the direct effects);
- Effects of sugar quota abolition on sugar markets: lower price level and more volatile prices;
- Price transmission within the sugar production chain in the different countries of the EU;
- Effects of sustainability of sugar produced and processed: EU versus other countries (LCA);
- Development strategies for farmers, industry and other chain partners.