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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**Evolution of the sugar imports in the European Union from LDC and ACP countries**

**Commission report referred to in Article 5 (3) of Commission Regulation (EC) No  
828/2009**

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# **REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

## **Evolution of the sugar imports in the European Union from LDC and ACP countries**

### **Commission report referred to in Article 5 (3) of Commission Regulation (EC) No 828/2009**

#### **1. LEGAL FRAMEWORK**

Article 9 of Council Regulation (EC) N° 1528/2007 of 20 December 2007 (the Market Access Regulation) applying the arrangements for products originating in certain states which are part of the African, Caribbean and Pacific (ACP) Group of States provided for in agreements establishing, or leading to the establishment of, Economic Partnership Agreements (EPA) provides that for the period 1 October 2009 to 30 September 2015 imports of sugar from ACP states which are not Least Developed Countries (LDC) may be suspended where simultaneously sugar imports from all ACP's exceed 3.5 million tonnes and imports from ACP non-LDC's exceed 1.6 million tonnes per marketing year. This quantity has been subdivided by region of production which guarantees minimum access for each EPA region. This is called the Transitional Safeguard Mechanism (TSM).

Article 5 and Annex IV of Commission Regulation (EC) N° 828/2009 of 10 September 2009 laying down detailed rules of application for the marketing years 2009/2010 to 2014/2015 for the import and refining of sugar products of tariff heading 1701 under preferential agreements, provides further details of the TSM. Article 5 paragraph 3 states that "the Commission shall present a report on the functioning of the transitional safeguard mechanism for sugar". The report shall take account of sugar trade flows from ACP and LDC countries listed in annex I of this Regulation.

#### **2. INTRODUCTION**

In 2006 the European Union reformed its sugar regime in order to increase the competitiveness and market orientation of the EU sugar industry. Key elements of this reform were a gradual 36% cut in the EU support prices for both the EU producers and ACP/LDC preferential exporters and a reduction of the EU quota sugar production. The 2006 sugar reform took into account the preferential access for ACP and LDC sugar producers.

During the reform it was estimated that, on the import side, a major role might be played by "swap"<sup>1</sup> trade flows from preferential partners (ACP/LDC), under the hypothesis of a world

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<sup>1</sup> In those estimates, it was underlined that "A major role might be played by "swap" trade flows, on the level of which remained a lot of uncertainty", due to the difficulties in organizing this scheme (i.e. all EBA sugar production had to be exported to the EU and EBA countries had to buy sugar needed for

white sugar price of USD 200 /tonne and an exchange rate of 1.3 USD/€. Under these assumptions, the difference between the EU sugar price and the world price, or the price in the ACP and LDC countries, might encourage some of these countries to export to the EU as much of their domestic production as possible by using swaps.

Swaps depend on the gap between world and EU prices, freight costs and importers capacity to organise this difficult scheme. During the reform it was considered that the potential maximum volume which could be "swapped" was 3.5 million tonnes, which corresponded to the ACP/LDC production capacity.

### 3. NEW SUGAR IMPORT CONTEXT

The 2009/10 marketing year was the first year of implementation of a complete new legal framework on imports. As from 1 October 2009 the ACP preferential import regime changed from the country allocated ACP "Sugar Protocol" quantities to Duty Free Quota Free imports under the Economic Partnership Agreement (EPA) and Everything But Arms (EBA) agreements, which expanded significantly ACP/LDC market access: LDC's sugar exports to the EU were fully liberalized and sugar imports from ACP's non LDC's partners were subject only to a safeguard measure based on volume.

In 2009/2010, ACP/LDCs exports to the EU slightly decreased, but as from 2010/11, we assisted to a gradual but continuing rise in these exports. World market prices have been particularly high over the last 3 years and the EU market has been therefore less attractive; ACP/LDCs taking also advantage of high priced local, regional and world markets. ACP/LDCs exported in 2011 worldwide 3.2 million tonnes of sugar, of which 1.9 million tonnes to the EU. Moreover, growth of production and exports from ACP/LDCs has been lower than expected due to some delay in on-going investments.

Furthermore, since 2008 some ACP countries took a strategic decision to increase exports in the form of white sugar. This development combined with growing consumption in the ACP/LDC countries has reduced the volumes of raw sugar available for exports to the EU.

In 2011, sugar **consumption** in the ACP/LDC countries was 7.3 million tonnes, compared to 5.1 million tonnes in 2004, which represents an increase of 41% during this period.

For details see table V in the annex.

### 4. EVOLUTION OF SUGAR IMPORTS

Following the 2006 sugar reform, the EU changed from a net exporter of sugar to a net importer.

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their consumption on the world market). Commission staff working document-reforming the European Union's sugar policy, SEC 2005, 0808 final, page 9.

#### **4.1. Quantities of sugar imports**

In the period **between 2001/02 to 2005/06**, average total sugar imports into the EU were 2.1 million tonnes, of which 1.6 million tonnes from ACP/LDC countries.

Since the marketing year 2006/07, total sugar shipments from third countries started to grow significantly, and during the **2010/11** marketing year sugar imports had already surged to the unprecedented level of 3.7 million tonnes (+ 77% compared to the period 2001/01 to 2005/06), the highest level ever. Meanwhile, preferential sugar imports from ACP/LDC countries reached the level of 1.8 million tonnes (+ 16% in relation to the period 2001/01 to 2005/06).

In the marketing year **2011/12**, overall imports of sugar into the EU were slightly lower than the previous marketing year, 3.6 million tonnes (- 3%). By contrast, preferential sugar imports from ACP-LDC countries continued to expand up to the level of 1.84 million tonnes (+1.9%, compared to the previous marketing year) setting a new record level. Therefore, preferential sugar imports have been growing continuously since the reform of 2006, although not to the extent expected in the most optimistic scenario, including swaps.

For details on imports see annex I.

#### **4.2. Origin of sugar imports**

This upward trend concerned particularly the ACP/LDC following origins: Mozambique, Swaziland, Malawi, Zambia, Zimbabwe, Laos and Cambodia.

Based on current data it seems that the most promising LDC country for further expansion of sugar production and export to the EU is Mozambique.

For details on imports see annexes II, III and IV.

#### **4.3. Raw versus white sugar imports**

The previous sugar protocol only allowed country allocated sugar, mainly raw sugar for refining. Therefore one of the major new elements since the reform of the sugar regime was the possibility to import white sugar. And indeed some ACP countries, notably Mauritius, have increased exports of white sugar compared to raw sugar, to reap the higher added value.

In marketing year 2011/12, raw sugar imports into the EU surged to a new record level of 2.7 million tonnes representing 76% of the total volume imported.

For details on imports see annex I.

## 5. SUPPLY AND SUGAR PRICE EVOLUTION

### Supply evolution

During the 2006/07 and 2007/08 marketing year, the EU sugar market was over supplied and the EU was obliged to withdraw quota sugar from the market. This surplus market situation lasted until the beginning of the 2008/09 marketing year. As of the marketing year 2009/10, the EU sugar market turned from an over-supplied market to a more balanced market. Whilst the open access for ACP/LDC countries created new opportunities for EU operators to source sugar, it also induced downward pressure on EU sugar prices. However, due to this development in combination with increasing world market price, some EU importers experienced difficulties to contract their supply needs. In the course of the calendar year 2011, it became evident that the EU sugar market was not an oversupplied market but rather a tight market. Therefore, as of the 2011/12 marketing year, sugar prices were negotiated in this new economic environment and the sugar producers managed to negotiate much higher sugar prices for the EU market.

### Price evolution

During the transitional period between **July 2006 – September 2009**, the EU internal white sugar price declined by 12%, falling from EUR 630 per tonne to EUR 555 per tonne.

During the period **October 2009 – February 2010**, imports were coming in at the expected rate, in accordance with EPA/EBA monitoring system. As a result, the EU internal price dropped from EUR 555 per tonne in September 2009 to EUR 493 per tonne in November 2009 (-11%), despite the temporary increase of the world market prices which in February 2010 reached a 30-year record high of EUR 522 per tonne.

During the following months, world market prices started to decline, with a sharp fall between **February and May 2010**, from EUR 522 tonne to EUR 376 tonne (-28%). During this period, EU internal market prices stabilised around EUR 475 tonne.

However, world market prices displayed a sharp increase throughout the second semester of 2010, reaching levels above the EU price through **September 2010- January 2011**: in December 2010, the world market white sugar price was much higher than EU, EUR **628** tonne compared to EUR **486 €** tonne.

During the first semester 2011, the EU and the world market went in opposite directions, and by **May 2011** world market prices had fallen from EUR **628** tonne to EUR **400** tonne, driven by abundant supply on the world market. Meanwhile, during the same period EU price increased from EUR **486** tonne to EUR **536** tonne.

The prospect at the beginning of the marketing year **2011/12** had changed. It was clear that the import concessions awarded to ACP and LDC through the EPA/EBA agreements, were not generating excessive import flows. Previous expectations that the EU sugar market may be flooded by ACP/LDC sugar showed not to be realistic, and the prospect was that imports from the ACP and LDC countries would not be able to cover the gap between EU (in quota)

production and demand. As a result, EU sugar prices started to increase considerably above the world market price, even beyond the level prior to the implementation of the 2006 reform and contrary to the continuous decline in the world market prices since the beginning of 2011. Therefore, during the year 2012 the EU price increased uninterruptedly, reaching the high level of EUR 738 tonne in **January 2013**.

For details see graph in annex VIII.

## **6. NECESSARY MARKET MEASURES**

Paradoxically, during the last marketing years, instead of applying the transitional safeguard mechanism the Commission had to find ways to allow additional sugar into the EU market in order to fill the supply gap on the EU sugar market for food purposes (i.e. the EU quota market). The EU can choose between two sources of supply:

- Release of out-of quota sugar on the internal market
- Allow additional imports

In the marketing year **2010/11** a total additional quantity of **1.35 million tonnes** of sugar was supplied to the EU market of which:

- **500 000** tonnes release of out-of-quota sugar at zero tariff (and 26.000 tonnes of iso-glucose)
- **500 000** tonnes of additional imports within a zero duty TRQ
- **350 000** tonnes were allowed in tenders at reduced duty

In the marketing year **2011/12**, **1 million tonnes** of additional sugar was supplied to the EU market of which:

- **400 000** tonnes release of out-of-quota sugar (and 21.000 tonnes of iso-glucose) at a tariff of EUR 85/tonne
- **250 000** tonnes release of out-of-quota sugar (and 13.000 tonnes of iso-glucose) at a tariff of EUR 211 /tonne
- **399 000** tonnes of sugar imports at reduced duty (including 15 000 tonnes of white sugar)

## **7. CONCLUSIONS**

In the framework of the 2006 reform, it was forecasted that under very particular conditions the EU sugar market might be flooded with sugar from the LDC countries. Two conditions were necessary: (1) a large gap between EU price and world price and (2) capacity in organising a complex scheme leading to export local production from the LDC sugar



producing countries and importing a similar quantity from the world market to satisfy their domestic needs.

Following 2009 import liberalisation, very few countries seem to have succeeded in organising such a complex trade scheme. Nevertheless sugar imports from those origins have reached record levels, although not at a level that would have triggered safeguard measures, during the marketing years 2009/2010 to 2011/2012.

Until the end of the 2014/15 marketing year, the maximum level of sugar imports from ACP/LDC countries is expected to be in the range of 2.1 – 2.2 million tonnes. Therefore, it is highly unlikely that the safeguard measures will be triggered during its application period.

# ANNEX I

EU27 SUGAR IMPORTS BY MARKETING YEAR (OCT-SEPT) - CN 1701 IN TONNES											
	2001-02	2002/03	2003-04	2004-05	2005-06	Average 2001/02 2005/06	2007-08	2008-09	2009-10	2010-11	2011-12
<b>ACP and LDC</b>	1.605.650	1.471.504	1.583.673	1.570.403	1.544.446	1.555.135	1.518.806	1.886.113	1.521.920	1.807.498	1.842.447
<i>of which</i> ACP	1.531.465	1.386.191	1.485.563	1.457.685	1.417.174	1.455.616	1.496.276	1.854.121	1.469.558	1.742.997	1.784.101
EBA-LDC (1)	74.185	85.313	98.110	112.718	127.272	99.520	22.530	31.992	52.362	64.500	58.346
<b>CXL (2)</b>	82.899	82.899	82.899	82.899	82.899	82.899	715.275	770.933	594.749	1.219.176	1.196.580
<b>Balkan</b>	205.559	325.407	91.979	492.334	394.013	301.858	356.268	356.360	340.942	344.124	359.399
<b>Other Origins</b>	70.649	86.102	153.752	178.838	201.681	138.204	106.794	134.946	58.484	315.949	152.576
<b>EU TOTAL IMPORTS</b>	<b>1.964.757</b>	<b>1.965.912</b>	<b>1.912.303</b>	<b>2.324.474</b>	<b>2.223.039</b>	<b>2.078.097</b>	<b>2.697.142</b>	<b>3.148.352</b>	<b>2.516.096</b>	<b>3.686.747</b>	<b>3.551.002</b>
<i>of which</i> raw sugar							2.205.305	2.623.549	1.930.752	2.563.972	2.703.252
white sugar							491.837	524.803	585.344	1.122.775	847.750
Source: Eurostat Comext database											
(1) Laos, Cambodia, Nepal, Bangladesh.											
(2) Brazil, Cuba, Australia, India (India before 2005 was in the ACP protocol)											



## ANNEX III

**REG. (CE) n° 828/2009 - PREFERENTIAL EPA-EBA AGREEMENTS SUGAR**

## IMPORT LICENCES FOR SUGAR AND SUGAR PRODUCTS

CERTIFICATS D'IMPORTATION POUR LE SUCRE ET LES PRODUITS DU SECTEUR SUCRE

[illegible]



## ANNEX IV

### REG. (CE) n° 828/2009 - PREFERENTIAL EPA-EBA AGREEMENTS SUGAR

IMPORT LICENCES FOR SUGAR AND SUGAR PRODUCTS

CERTIFICATS D'IMPORTATION POUR LE SUCRE ET LES PRODUITS DU SECTEUR SUCRE

October 2011 September 2012

(tonnes white sugar equivalent)

#### CUMULATED ALLOCATED QUANTITIES BY MEMBER STATE AND ORIGIN

Quota		Member States																													
Nr	origin	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	TOTAL		
09.4221	Bangladesh	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	15 000	15 000	
	Cambodia	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	41 530	41 530	
	Laos	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Nepal	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
09.4231	Benin	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Burkina Faso	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Dem. Rep. Congo	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Ethiopia	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Madagascar	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Malawi	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Mozambique	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Senegal	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Sierra Leone	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	Sudan	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Tanzania	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Togo	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Uganda	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Zambia	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4242	Ivory Coast	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4243	Swaziland	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4244	Kenya	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4245	Mauritius	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4246	Zimbabwe	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4246	Fiji	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4247	Barbados	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4247	Belize	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4247	Dominican Republic	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4247	Guyana	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4247	Jamaica	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09.4247	Trinidad & Tobago	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cumulated total		16 422	20 713	664	101	411 469			1 842	194 883	7 857	301 600	66						47 930	1 849	103 193	149 424	137 467	87	16 652	1 729	466 437	1 880 385			

[illegible]

	2004	2005	2006	PRODUCTION				2009	2010	2011
LDC not ACP	265.000	250.000	280.000	310.000	260.000	225.000	275.000	305.000		
TOTAL ACP	6.119.767	5.928.438	5.926.168	5.748.037	5.650.445	5.859.932	5.677.900	6.154.852		
Total LDC+ACP	6.384.767	6.178.438	6.206.168	6.088.037	5.910.445	6.084.932	5.952.900	6.459.852		

Source: raw value

## ANNEX VII

	EXPORT							
	2004	2005	2006	2007	2008	2009	2010	2011
LDC not ACP	214.960	280.000	220.000	140.000	252.751	463.141	431.476	378.006
TOTAL ACP	2.923.344	2.773.966	2.840.530	2.612.995	2.629.260	2.391.984	2.443.570	2.847.671
Total LDC+ACP	3.138.304	3.053.966	3.060.530	2.752.995	2.882.011	2.855.125	2.875.046	3.225.677

Source: ISO, International Sugar Organization (raw value).

## ANNEX VIII

### EU and world sugar price

