



Brussels,
AGRI.E.4/JH/mb(2024)2573108

MINUTES

Meeting of the Expert Group Sugar Market Observatory

15 March 2024

Chair: AGRI.E4

1. Approval of the agenda and of the minutes of previous meeting

The agenda was approved.

2. Nature of the meeting

Non-public

3. List of points discussed

3.1. World Market Situation

ASSUC presented the recent developments and prospects for the world sugar market. The 2023/24 global sugar balance is at a small surplus, but for 2024/25 a relatively large deficit is expected. Continuous impact of El Niño on weather conditions in the southern hemisphere is still causing uncertainty, especially regarding Indian and Thai production in 2024/25. After a long period of record levels, prices have come down somewhat again, mainly caused by Brazil's record production and exports. CIBE asked whether the upcoming deficit and high prices could increase world sugar supply. In ASSUC's view, the still attractive world market price could incentivise higher production in Brazil and other origins. However, the potential to further increase the crystallisation capacity is limited in Brazil and the country's exports are constrained by logistical challenges.

Ukraine's production is expected to reach 1.7 million tonnes, with an export potential around 0.8 million tonnes, this could increase to 1 million tonnes in 2024/25 due to an increase in cultivation and production. CIBE asked if Ukraine would have the capacity to process the expected 300 000 ha of sugar beet. ASSUC informed that capacity is not an issue for Ukraine, but other factors (labour, energy etc.) could have an impact.

In the medium term, global political turmoil and logistic issues in the Panama Canal and the Red Sea are affecting the world market and trade flows. The Commission asked what the Red Sea situation would mean for EU trade. ASSUC replied that the situation affects all trade flows including those to the EU, both bulk and container trade. Especially shipments from Southern Africa, South-East Asia and Australia are affected. ACP/LDC representatives added that it is directly impacting ACP/LDC originating sugar imports. For example, shipments from Fiji and Mauritius to the EU are now following the Cape route, which increases the voyage duration and freight costs.

3.2. EU market Situation

DG AGRI provided an update on the EU sugar market situation. Since the last meeting in November, the EU average sugar price has remained elevated around EUR 855 per tonne. For the marketing year 2023/24, EU sugar production is expected to be 15.8 million tonnes. Up to February 2024, cumulated imports and exports reached 0.8 million tonnes and 0.6 million tonnes respectively. Imports from Ukraine represent 37% of total imports, amounting to 253 000 tonnes so far. CIBE and CEFS noted that the price developments should be seen in the context of high input costs and cannot easily be compared to historical price levels. A COPA representative informed the expert group that the beet prices in France have increased, which supported farmers' choice to cultivate sugar beet this year, even though yields have not been attractive last year. The detected aphid levels are already high in France. This could potentially lead to similar or higher infestation levels as in 2020.

A focussed discussion took place on the declining sugar use in the EU. Delegates were asked to give their views on the developments. CEFS put the decline in the context of the reformulation of food products and the cost-of-living crisis which reduced food purchases in general, which affects sugar sales as well.

3.3. Ukraine Trade

3.3.1. Commission Proposal for new ATM

DG AGRI presented the Commission Proposal to renew the Autonomous Trade Measure (ATM) Regulation for goods coming from Ukraine. The Commission proposes to prolong the ATM for another year until 5 June 2025. The new proposal significantly strengthens the safeguard mechanism that will help to protect farmers from adverse impacts of imports from Ukraine. The speaker described the provisional and definitive safeguard measures and the principles for the automatic safeguard that entails an 'emergency break' for eggs, poultry, and sugar. The measure stabilises imports at average levels of 2022 and 2023 and will be activated within 21 days since the trigger import volume is reached. This proposal was brought to the European Parliament plenary on 13 March and a formal adoption by co-legislators (trialogues) is ongoing.

CIBE supported by CEFS, welcomed the proposal, but stressed the importance of the sugar sector in the EU and the need for its protection. CIBE recalled that EU farmers support Ukraine, but a level playing field regarding pesticide use and production costs is important. Another CIBE representative stressed that the EU support for Ukraine should not be limited to the agricultural sector but should involve all sectors.

The VIRO representative supported the Commission proposal but stressed the need for aligning Ukraine production with EU standards to have a level playing field regarding production and emission costs. Very low priced sugar imports will have an adverse effect on Croatia's sugar sector which has much higher production costs. VIRO sees it as fair to the EU sugar sector to set the automatic safeguard threshold to the average of 2021, 2022, and 2023. Finally, VIRO suggested the introduction of an export licence system in Ukraine only for sugar producers. Such a system could prevent possible irregular trade activities that could harm the EU sector.

The CEFS representative also expressed support for the European Parliament's amendment, which aims to set the trigger volume to activate the safeguard at average imports levels of 2021, 2022, and 2023. It called upon the Commission to provide a timely, in depth, and reliable monitoring.

DG AGRI assured the members of the group that it is closely monitoring the imports of products from Ukraine and stressed that the Commission proposal aims to stabilise the

sugar imports from Ukraine at the average level of 2022 and 2023. According to the proposal, if the threshold is reached before the ATM enters into force, the Commission will still have 21 days to verify the data and introduce the ‘emergency break’. The reference period and the inclusion of other products in the ATM are currently discussed in the dialogues between the co-legislators. Finally, in response to a question posed in the chat by CIBE, DG AGRI informed that there are currently no discussions ongoing for an ATM after June 2025, but it is not excluded that the two parties may continue having a close relationship.

3.3.2. Importing Ukrainian sugar in practice

ASSUC gave an overview of the supporting documents needed to import sugar from Ukraine. It mentioned that in practice, there are no specific requirements from the Ukrainian customs authorities. Export licences from Ukraine are required and trade is not restricted to the sugar traders only, as is the case for other imports. The percentage of physical checks is limited to 1 - 2% of the imported quantity. On the other hand, the EU customs authorities may analyse and ask for additional documents in case of doubts on the authenticity of the presented supporting documents. Trade takes place in a structured and unstructured way. The main issues for the unstructured imports are linked to the lack of quality and health related documents checks, lack of traceability, public health risks, and unfair competition in case of highly discounted cash settlements. ASSUC recommended the introduction of importing rights reserved for traders with history in sugar trade, a minimum requirement for documentation for imports, and stricter checks on quality and traceability.

In response to the presentation, the chair (DG AGRI) informed the group that some of the issues mentioned are being monitored, also involving DG SANTE and TAXUD. These issues are not sugar specific. These issues are also discussed between the Commission, the neighbouring Member States and Ukraine in the Joint Coordination Platform. Finally, the chair reiterated the invitation to the members of the group to share with the Commission possible evidence of non-compliance, low quality imports, or other irregularities.

3.4. International trade negotiations

DG AGRI updated the expert group on the outcome of the 13th Ministerial meeting of the World Trade Organisation (WTO) that took place from 26 to 1 March 2024 in Abu Dhabi. EU negotiators secured some agreements on e-commerce, new rules on global services trade, environmental cooperation, and the strengthening of developing countries’ position in the global trade system. However, it was not possible to find compromise on global fisheries subsidies, dispute settlement, and agriculture. Further information on the outcome of the 13th Ministerial meeting of the WTO is found in the dedicated Europa webpage: [13th Ministerial WTO conference \(europa.eu\)](https://ec.europa.eu/economy_finance/13th-ministerial-wto-conference_en)

DG AGRI updated the expert group on the state of play regarding the negotiations of Free Trade Agreements with Mercosur, Australia, India, Mexico, and Thailand.

Mercosur: The Commission has sent its proposal for an additional instrument to Mercosur in March 2023. It provides an extensive interpretation on trade and sustainable development aspects of the agreement but does not reopen the agreement. Following Mercosur’s response, an intensive dialogue is ongoing. Work continues at technical level.

Australia: While the recent attempt to strike a deal has not been successful, the EU’s aim remains to conclude an agreement with Australia when a balanced outcome could be achieved. Not many issues are still open, but these includes agricultural points: market access for sensitive agricultural products (beef, sheep meat, and sugar), geographical

indications and sanitary and phytosanitary (SPS) issues. A deal will not be possible without EU concessions, including on sugar. The Commission strives to ensure moderate concessions on sugar and that future market access will be subject to sustainability criteria.

India: Seven rounds of negotiations have been held so far, and the first market access offer has been exchanged in August 2023, which did not include sugar. The last round of negotiations was held from 19 to 22 February 2024 in New Delhi. The next round is not scheduled yet. The Commission is aware of the high sensitivity of sugar and sugar related products (including ethanol) and will defend the sector during the negotiations.

Mexico: Work is still ongoing on finalising the modernized agreement. Despite the visit of President Van Der Leyen to the Mexican President in 2023, with the commitment at the highest level to close the agreement, negotiations on the outstanding part of the agreement are still ongoing. This does not concern agriculture. The finalisation may however be delayed due to the upcoming presidential elections in Mexico in June 2024.

Thailand: The kick-off of the negotiations in the week of 18 September 2023 were positive, as well as the second round that took place in the week of 22 January 2024 in Bangkok. Two further rounds are likely to take place in 2024 (June and October). At this early stage there is no discussion on market access and the Commission has not engaged in any sector-specific discussion. However, the EU sensitivities are already known, and sugar will be part of the most sensitive products in these negotiations.

ASSUC asked in the chat if the sustainability conditionality in the Australia FTA would be a basis for future agreements. DG AGRI replied that it is not possible to prejudge the EU position in future FTAs on conditionalities, being on sugar or on other commodities. Future approaches will be tailor-made in view of the trading partner's profile.

4. Next meeting

The next meeting will take place on 12 September 2024.

5. List of participants

The following associations were present: AB Azucarera Iberia SLU, ACP/LDC Sugar Industries Group, ASSUC- European Association of Sugar Traders (ASSUC), Boettger Food Ingredients GmbH (BFI), COMITE EUROPEEN des FABRICANTS de SUCRE (CEFS), Committee of the European Sugar Users (CIUS), European Sugar Refineries Association (ESRA), European agri-cooperatives (COGECA), European farmers (COPA), International Confederation of European Beet Growers (CIBE), Viro tvornica secera d.d. (VIRO)

Pierre BASCOU