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## MINUTES

### *Meeting of the «CDG on Agricultural Markets – Subgroup Sugar»*

**6 June 2024**

Chair: AGRI E.4

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

#### **2. Nature of the meeting**

Non public.

#### **3. List of points discussed**

##### **3.1. Sugar market situation**

#### **Overview of the world sugar market situation**

A representative of ASSUC presented the world market situation. For the marketing year 2024/25 global sugar production and consumption show an upward trend. A slight global deficit can be expected, mainly due to a strong demand, as a result of population growth, the global economic expansion after the pandemic and the recovery of the inflation. Global production is highly dependent on weather conditions and mainly on the impact of El Niño and La Niña. The level of stocks, according to some reports, is expected quite low and this is supporting an increase of prices.

The speaker briefed the members of the group on the market situation in the main sugar producing countries and concluded that many factors (weather, geopolitical tensions, logistic issues, high dependence of supply from Brazil) affect the supply, increase the transport costs, and set up barriers on trade.

After expressing the beet growers' disappointment to see the EU losing its role as an important player in the global scene, the representative from COPA (CIBE) asked whether raw sugar price is expected to increase and reach 20 cents/tonne in the coming months and why there is a significant difference between the projected figures on Ukrainian sugar exports between ASSUC (950 000 tonnes) and the Ukrainian Ministry of Agriculture (750 000 tonnes). As regards the first question, the speaker replied that it is very difficult to speculate on the world price evolution. In the EU market, prices could be anticipated to slightly decline, mainly due to the sufficient upcoming production. The

estimation of Ukrainian sugar exports was calculated as the difference between the expected production of 1.85 million tonnes and the domestic consumption expected to reach (according to the Ukrainian authorities) 900 000 tonnes, although this might be an optimistic result.

Another representative of COGECA (CIBE) stated that world sugar price lost 30% of its value since last November, most probably due to speculation. The EU market is fairly protected from these sudden changes of world prices. On the other hand, the operators do not have the same flexibility of switching to bioethanol as in other countries outside the EU.

### **Overview of the EU sugar market situation**

The Commission presented the recent price developments, trade flows, and production estimates for the marketing year 2023/24. The EU average market price for April reached EUR 831 per tonne. Sugar prices sold through the short-term contracts decreased further and, in February 2024, reached EUR 737 per tonne. EU imports for the first seven months of the marketing year 2023/24 reached almost 990 000 tonnes. Imports from Ukraine amounted to 375 000 tonnes, representing 38% of the whole EU sugar imports. Sugar exports for the first seven months of the marketing year 2023/24 reached 771 000 tonnes, with the UK being the largest export market for EU sugar. Sugar stocks at the end of March 2024 amounted to 10.1 million tonnes, down by 11% from the previous month and about 14% higher than the same month in the marketing year 2022/23.

According to the latest update of the sugar balance sheet, the production is projected at 15.6 million tonnes, which is 7% higher than the production of the previous marketing year. Imports of sugar as such could reach 1.9 million tonnes while exports are projected at 1.1 million tonnes. Net export of sugar in processed products is expected to decline and reach 1.65 million tonnes leaving the ending stocks at 2.26 million tonnes. The isoglucose production is expected to reach 430 000 tonnes, imports are projected at around 4 000 tonnes and exports at 45 000 tonnes, resulting in ending stocks of 26 000 tonnes.

A representative from COGECA (CIBE) indicated that in France there was a two and a half week delayed sowing but the effect on the beet yield could not be assessed yet. He asked the Commission to resume the publication of the standard deviation for EU sugar selling prices, to provide more regular updates of the trade flows with the UK and the progress made on the publication of sugar buying prices <sup>(1)</sup>.

A representative from COPA (CIBE), supported by the representative of CEJA, mentioned the rapid loss of active substances / pesticides due to past (and future) bans enforced by the Commission while no effective alternatives are available and the biological pesticides trials with have not shown encouraging results. This is not the case for their competitors from third countries. Another representative of COPA (CIBE) indicated that due to wet weather conditions in Belgium, France and the Netherlands, mechanical means cannot be used to fight a certain fungus that is affecting the sugar beet and chemical solutions would be needed.

Reacting to these comments, the representative of Bee Life mentioned in the chat that they strongly believe that the Integrated Pest Management (IPM) techniques and crop

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<sup>(1)</sup> In accordance with Regulation (EU) 2019/1746.

rotation could successfully address these concerns. They had no knowledge about the abovementioned trials for biological pesticides on sugar beets but stressed that pests might show resistance to chemical solutions and underlined that the Sustainable Use Directive (SUD) is still in force.

The Commission mentioned that it is working on solving the technical problem preventing the publication of the standard deviation of the EU average selling prices. A detailed update of the trade flows with the UK, was recently presented, in the meeting of the Expert Group Sugar Market Observatory that took place on 15 March. On the publication of sugar buying prices, Member States are making efforts but encounter difficulties (for example, when operators raise confidentiality and competition concerns). The Commission, together with the Member States that have not sent all the notifications, are actively looking for solutions that will enable publication of the sugar buying prices.

### **Overview of the sugar market situation in Ukraine**

An expert from the Ukrainian Ministry of Agrarian Policy and Food was invited to present the sugar market situation in Ukraine. The speaker informed the members of the group that for the current marketing year 2023/24 the production is estimated at 1.8 million tonnes. This significant increase of production is due to crop rotation and the entry into force of the Autonomous Trade Measure (ATM) Regulation allowing for duty free exports to the EU. The exports are forecast at 750 000 while consumption will continue its downwards trend and settle at around 920 000 tones. The main export destinations are the EU, and after the restoration of the Black Sea export channel, Asia, Middle East, and Africa. According to the Ukrainian statistics, the exports to the EU reached 301 000 tonnes at the beginning of the year. The speaker stressed that, the EU concerns of internal market disturbance are fully understood in Ukraine as demonstrated by the setting the export quota to the EU at zero from 30 May 2024 until the end of this year. For the next marketing year 2024/25, the area shown reached the 97% of the forecasted 250 000 hectares and the production is expected to be at the same level as this year. The sector faces some major challenges, i.e. limited electricity supply, general labour shortage and the devaluation of national currency, that will lead to an increased cost of production.

An expert from the Association Recherches et Techniques Betteravières (ARTB) presented also an analysis on the Ukrainian sugar market that included information about this country's geopolitical position, its agricultural land and sugar industry and the multifaceted agricultural sector. The speaker mentioned the 'agro-holdings' in Ukraine, which correspond to former State-control farms, privatised in 1991, with integrated storage and processing facilities. Currently, 7 out of the 10 of these operators have their headquarters outside Ukraine. The speaker provided information about the historical trends of sugar beet production and yields from 1990 to 2020 and the sugar production capacities of the sector, that is seen as capable to rapidly adjust to the demand. The expert explained the impact on the EU average selling prices of the Ukrainian sugar exports to the EU. The expert closed the presentation with a series of questions on the review of the Deep and Comprehensive Free Trade Area (DCFTA) Agreement between the EU and Ukraine, the challenges linked to Ukraine's future accession to the EU (from the point of view of the CAP, the application of the European standards and regulations on genetically modified organisms and the use of neonicotinoids banned in the EU) and the 2025 forecast of the sugar beet area in Ukraine.

The delegate of the Ukrainian Ministry replied that the forecasted area for 2025 is around 250 000 hectares. Same projections are foreseen also for 2026, but the sugar production might be lower due to the increased cost of production and labour shortages. In reply to a question from the representatives of COPA (CIBE) on the export strategy of Ukraine, he mentioned the importance of the Black Sea export route for the exports to the Asian, Middle East and African markets. The Ukrainian sugar exports will be directed to these markets in 2025, after the EU ATM threshold is reached. However, projections for 2026 are hard to make at this point. Addressing another question from the representative of COPA (CIBE) on the use of plant protection products that are banned in the EU, the speaker mentioned that the alignment with the EU regulations is included in their overall accession plan. On observing the GMO legislation and monitoring the CO<sub>2</sub> emissions, raised by a representative of PFP CEFS, the Ukrainian delegate mentioned that the work is ongoing on setting up the legal framework for GMOs products and the main goal is the alignment with the EU legislation. Concerning the monitoring of the CO<sub>2</sub> emissions, these are quite low for the Ukrainian agriculture but hard to assess at this moment due to the ongoing war. In reply to a question on the export licences from the representative of ASSUC, the speaker reassured the audience that exports of sugar to the EU are stopped from 1 June 2024 and until the end of the year.

The Commission informed the members of the group that the review of the DCFTA has already started in 2021, before the Russian full-scale military aggression in February 2022. The Commission has already declared that it will engage in the Article 29 review with Ukraine and is preparing for these negotiations. Regarding the challenges linked to Ukraine's accession to the EU, the Commission mentioned that the negotiations have started in November 2023, but this can be a long process. Therefore, the impact on the CAP at the time of the accession cannot be assessed now. Solutions to address these challenges will be found, as it was the case in the past with the previous accessions (Spain, Poland). The gradual alignment with the EU standards will be achieved during the accession process. The Commission took note of the concerns raised by the representatives of COPA and COGECA (CIBE) and PFP CEFS on the difference of the size of the agricultural holdings between the EU and Ukraine where a few agro-holdings produce 95% of the total agricultural commodities and also of the request expressed by a representative of COGECA (CIBE) for the need of a comprehensive study on the Ukrainian agriculture structure, to get an in-depth insight for the negotiations.

The representative of EFFAT asked about the closed factories in Ukraine and the possibility of them being operational again. The invited expert from ARTB replied that the ones that are non-operational will need a substantial restoration. However, there are currently 25 to 40 operational factories, and these have a good capacity to adapt to the market needs.

### **3.2. Autonomous Trade Measures (ATM) Regulation for Ukraine**

DG AGRI presented the Autonomous Trade Measure (ATM) Regulation for goods coming from Ukraine. The Commission reminded that before the full-scale Russian military attack in February 2022, the trade relations with Ukraine were regulated by the European Union - Ukraine Association Agreement that entered in force in September 2017. Under this Agreement, the EU has liberalised the imports of all agricultural products except for 40 tariff quotas for especially sensitive products with sugar being among them with a TRQ of 20 070 tonnes. The Autonomous Trade Measure Regulation entered into force on 4<sup>th</sup> of June and was prolonged twice. For the second prolongation,

which entered into force on 6 June 2024, the EU further strengthens the safeguard clause and introduces certain limits for seven sensitive products.

The speaker described the provisional and definitive safeguard measures (based on a duly substantiated request by a Member State or by the Commission) and the principles governing the automatic safeguard ('emergency break') for eggs, poultry, sugar, oats, groats, honey, and maize. The measure stabilises imports at average levels of 1 July 2021- 31 December 2023 and will be activated within 14 days since the trigger import volume is reached (262 653 tonnes for sugar). Once the measure is activated, the Most Favoured Nation (MFN) duties will apply. The imports from Ukraine will be closely monitored and published in the dedicated [Tariff quota details \(europa.eu\)](https://europa.eu) webpage and up-to-date- information will be publicly available.

The PFP (CEFS) representative asked that the figure for total sugar imports from Ukraine from the beginning of 2024 is provided together with an explanation for the discrepancies between the volumes of sugar exported to the EU as published by the Ukrainian authorities and the volumes of sugar imported from Ukraine as provided by the EU. The Commission indicated that the total volume of sugar imports up to the end of May is about 214 000 tonnes. The discrepancies are normal because certain quantities of goods exported to the EU are not actually released for circulation in the EU. In addition, some data recorded by Member States in the EU Surveillance database are still incomplete. DG AGRI brought this issue to the attention of the Trade Policy Committee and reassured the members of the group that it does its best to solve these problems in due time.

The representative from ASSUC asked about the exact time period between the threshold for the emergency break been reached and the duties been imposed by the customs authorities on the sugar imported from Ukraine. This is important for the traders with goods in transit, that may incur losses in case import duties are imposed unexpectedly. The Commission replied that, according to the current ATM Regulation, that period is set at 14 days.

In response to a question from the representative of COPA (CIBE), DG AGRI informed that the Commission Implementing Regulation (EU) 2024/1671 of 6 June 2024 laying down the arrangements for monitoring the import volumes referred to in Article 4(7) of Regulation 2024/1392 enters into force as from 7 June 2024 and the data recorded in the TAXUD Surveillance Database is publicly available.

The representative of ASSUC asked whether an integration between the DG TAXUD Surveillance Database and the DG Agri-food data portal is possible. The Commission mentioned that such an integration is not possible because of the different managing method used for the two databases (first-come-first-served basis for the TAXUD Surveillance Database, quotas managed via import licensing for DG Agri data portal).

### **3.3. FTA Negotiations (Mercosur, Australia, India, Mexico, and Thailand) - state of play**

**Mercosur:** The Commission informed the members of the group that the discussion between EU and the Mercosur countries on the additional legal instrument to address issues related to deforestation and climate is ongoing. Chief Negotiators meet regularly to clarify the remaining outstanding issues. While significant progress was made, important issues remain open. The two parties need more time to find solutions in this regard.

**Australia:** The Commission informed the members that the EU remains committed to conclude an agreement with Australia when a balanced outcome will be achievable. However, there is no clear time frame for this, and it does not appear feasible in the coming months. The outstanding issues still to be agreed include agricultural market access for the most sensitive agricultural products (beef, sheep meat, sugar), Geographical Indications (GIs) and issues regarding Sanitary and Phytosanitary Measures (SPS). These are also the top trade interests of Australia in the whole FTA negotiation, and a deal will not be possible without EU concessions on sugar. The Commission reassured the members that will strive to ensure moderate concessions on sugar given the sensitivity of the sector.

**India:** The Commission informed the members of the group that seven rounds of negotiations have been held so far. The first market access offers have been exchanged in August 2023. The last round of negotiations was held from 19 to 22 February 2024 in New Delhi. However, little progress was made during this last round. The next round is scheduled from 24 to 28 June 2024 in Brussels.

**Mexico:** The Commission informed that negotiations are still ongoing regarding the outstanding part of the agreement. However, agriculture is out of scope of the current negotiations.

**Thailand:** The Commission informed the members of the group that two further rounds are scheduled to take place in 2024 (June and October). In addition, mentioned that it is too early to discuss market access issues as the first Market Access exchange of offers is not expected to take place before the end of the year. Finally, the Commission stressed that is fully aware of the potential sensitivity of the sector vis-à-vis Thailand.

### **3.4. AOB: Estimation of the sugar content in certain processed products**

The Commission informed the members of the group of its intension to set up a thematic CDG group dedicated to assessing the validity of the coefficients that are currently considered to provide an estimation of the sugar content in certain agricultural products. The trade flows (imports, exports) of the sugar contained in these products are reflected in the sugar balance sheet prepared by DG AGRI.

The objective of this thematic group is to provide DG AGRI with expertise regarding the most recent changes in the sugar content of the above-mentioned products as a result of product reformulation due to health concerns, changes in the legal framework at EU or Members State level, sugar tax legislation and other measures. This information will be taken into account by DG AGRI when assessing if the current coefficients are still valid.

The Commission would appreciate the members' engagement and active participation in the works of this thematic CDG. A call for interest will be sent to the members of this group (CDG on Agricultural Markets – Sugar) in due time. External experts with relevant knowledge and experience on this topic, may be invited to assist the works of the group. The kick off meeting of the thematic CDG is planned for mid-October. The meetings will be held virtually (via Webex) in English. Two, maximum three meetings are envisaged, depending on the progress of the works of the group.

The PFP (CEFS) representative asked for further clarifications regarding the products to be assessed and the nature of the working group. The Commission replied that there is an extensive list of products from which a selection will be made to ensure an adequate coverage and the representativeness (at least the 80% of the sugar imported and exported

through these processed products). The nature of the group was decided on the grounds of internal administrative procedures. The call for interest aim is to identify the organisations that have the expertise to participate in this exercise. Participation is not obligatory for the organisations that consider that cannot contribute to this specific task.

The Commission gave a positive reply to the COPA (CIBE) representative who welcomed the initiative and asked whether experts from technical institutions, ministries, and similar entities with the specified background could also be invited to contribute to the works of the thematic CDG.

#### **4. Next meeting**

The next meeting is provisionally scheduled for 6 December 2024

#### **5. List of participants**

Organisations present at the meeting are listed in the next page.

List of participants– Minutes

*Meeting of the  
«CDG on Agricultural Markets – Subgroup Sugar»  
6 June 2024*

<b>ORGANISATION</b>
ASSUC
Bee Life - European Beekeeping Organisation
BEUC - Bureau Européen des Unions de Consommateurs
CEFIC - European Chemical Industry Council
CEJA - Conseil Européen des Jeunes Agriculteurs / European Council of Young Farmers
COGECA - European agri-cooperatives / General Confederation of Agricultural Co-operatives of the European Union
COPA - European farmers / Committee of Professional Agricultural Organisations of the European Union
EFFAT - European Federation of Food, Agriculture and Tourism Trade Unions
Euroseeds
FoodDrinkEurope
PFP CEFS
<b>AD-HOC EXPERTS REPRESENTING:</b>
Association Recherches et Techniques Betteravières
Ministry of Agrarian Policy and Food of Ukraine