

# ACP-LDC Sugar Industries Group

Representing the ACP and LDC sugar industries supplying the EU

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ACP/LDC Sugar Industries Group (ACP Sugar) is requesting that the UK Government establishes a sugar market structure that recognises;

- *the long history of supply from ACP/LDC countries,*
- *the socio-economic importance of sugar to our industries/economies,*
- *the vulnerability of these industries/economies to distorted global markets,*

and therefore, upon exiting the European Union, implements policies that provide for:

- 1. The continued preferential access to the UK market for ACP and LDC origin raw and refined sugars on a duty-free basis***
- 2. The creation of the value of preferential access by the establishment and maintenance of market value via various measures. These measures would need to include, but not be limited to, the retention of a tariff on non-preferential raw and refined sugar at the current EU levels,***
- 3. The recognition of sugar as a “Sensitive Product” requiring “Special and Differential Treatment”, in the establishment of trade policy and in all negotiations and agreements with third countries, most particularly those with the European Union.***
- 4. That the ACP and LDC suppliers be consulted fully during the formulation and establishment of UK trade policies in relation to sugar***

## **Importance of the UK Market**

- There is a long history of sugar supply from Commonwealth countries to the UK in the form of the Commonwealth Sugar Agreement, the Sugar Protocol and more recently through EBA and EPA duty-free access.
  - The UK is a deficit market of around 0.8 million metric tons
  - The maintenance of preferential access at preferential prices into the UK after Brexit is absolutely vital to the continuance, development and expansion of our industries.
  - In the reformed EU regime after 1st October 2017, it is estimated that imports into the European Union from third countries will fall to around 1.5 million tonnes. The UK’s deficit therefore represents more than 50% of estimated current imports to the EU28.
  - In recent years, the demand for raw sugar for refining in the UK has been dramatically affected by the importation of white sugar from EU27, a trade in part driven by Voluntary Coupled Support (VCS) paid to some EU beet farmers. It is estimated that VCS supported the production of 3.6 million tonnes of sugar in 2016/17.
  - Most ACP/LDC sugar producers continue to rely on a refinery at EU destination to commercialise their bulk raw sugar.
  - Many ACP sugar industries have invested, diversified into and developed a market for direct consumption refined and unrefined sugar in the UK and elsewhere in Europe.
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- In order to maintain in the UK a viable market for ACP Sugar and a healthy refining and beet sector post-Brexit, it is essential that limits are put in place on the volume of sugar entering from EU27 to prevent the UK from becoming a dumping ground for VCS subsidised EU production.

### **Importance of sugar to our Industries/Economies**

A report commissioned jointly by the EU commission and the ACP Group and prepared by LMC on behalf of Cardno<sup>1</sup> has highlighted the importance of sugar in ACP/LDC countries, including the following:

- Sugar has a huge socio-economic impact in ACP/LDC countries contributing to GDP and to employment in rural areas. In one ACP country, sugar represents 73% of agricultural GDP and 35% of agricultural employment.
- ACP Sugar industries rely on the EU market to differing degrees. In some industries more than 90% of sales have traditionally been committed to the EU.
- Many ACP sugar industries have invested, diversified into and developed a market for direct consumption refined and unrefined sugar for supply into the UK and elsewhere in Europe.

### **The World Market Price**

- The world market price is recognised as a distorted and residual price, unrepresentative of the true cost of production in even low-cost producing areas.
- Major exporters such as Brazil and Thailand subsidise and support their industries extensively. Producers in 11 EU countries benefit from Voluntary Coupled Support payments to beet growers, which is a meaningful form of subsidy that damages the market for our sugar in the EU, the UK and on the world market generally.
- Hence, the world market price represents the value of a subsidised, small and residual tonnage and should not be used as a benchmark for sustainable trade arrangements such as the supply of sugar to the UK.

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<sup>1</sup> *Study on Current and Forecast Market Developments for ACP Sugar Suppliers to the EU Market – Cardno Emerging Markets UK*

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