



Support a Fair Deal for Cane Refiners
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TATE & LYLE
Process Technology

European Sugar Regime

British Society of Sugar Technologists, 16 April 2013

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Reminder of what is in place today

What is broken

Proposals on the table

Process to agreement

Impact of an agreement





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REMINDER (1)

Beet 13.3M tonnes

Isoglucose 0.69M tonnes

Out of Quota 5.3M tonnes in 2012/13

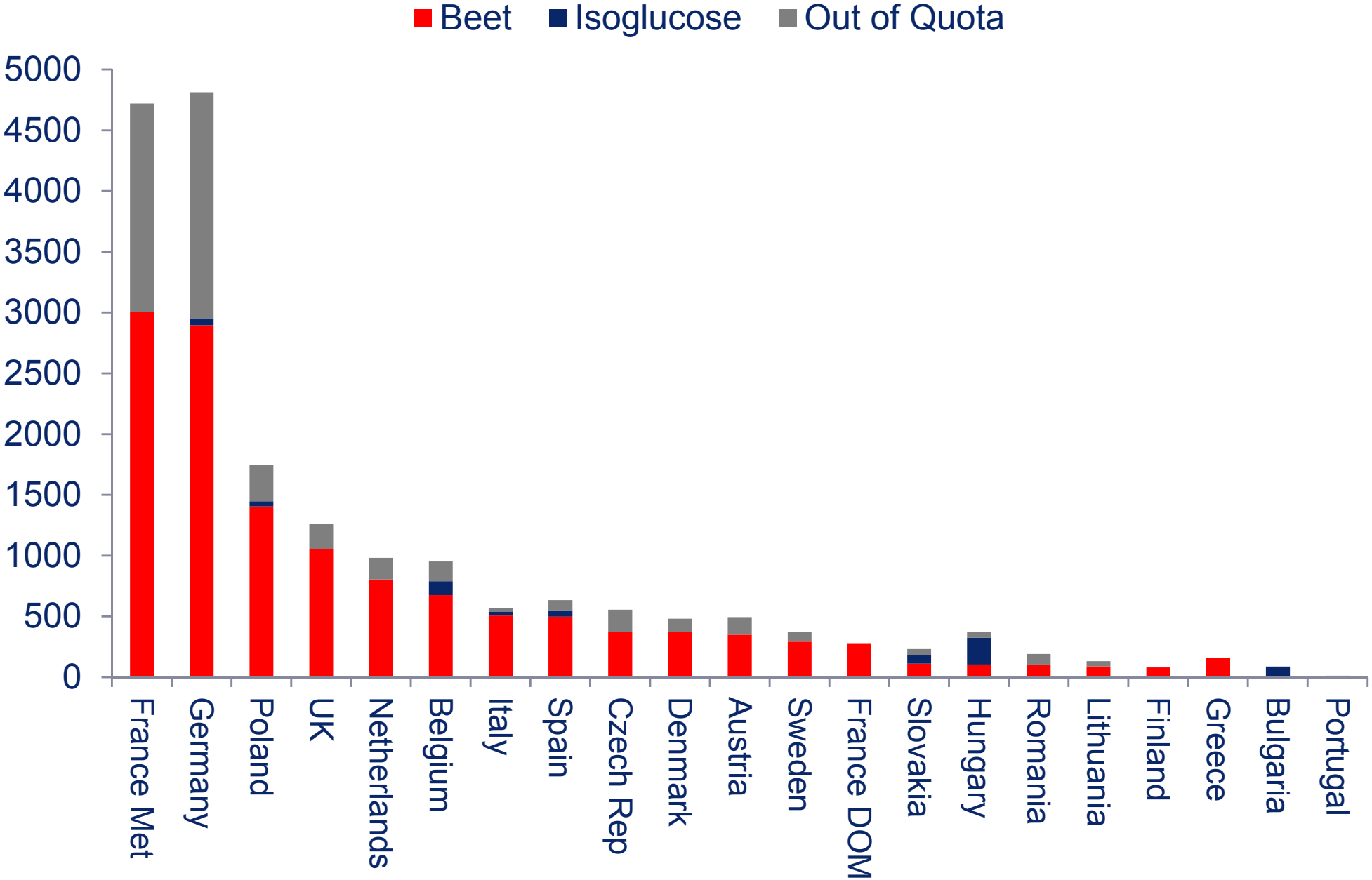
Certain uses for OoQ sugar

- Exports
- Ethanol
- Chemical Industry

Any other use subject to €500 per tonne levy

Tool 1 – Quotas

thousand tonnes WSE



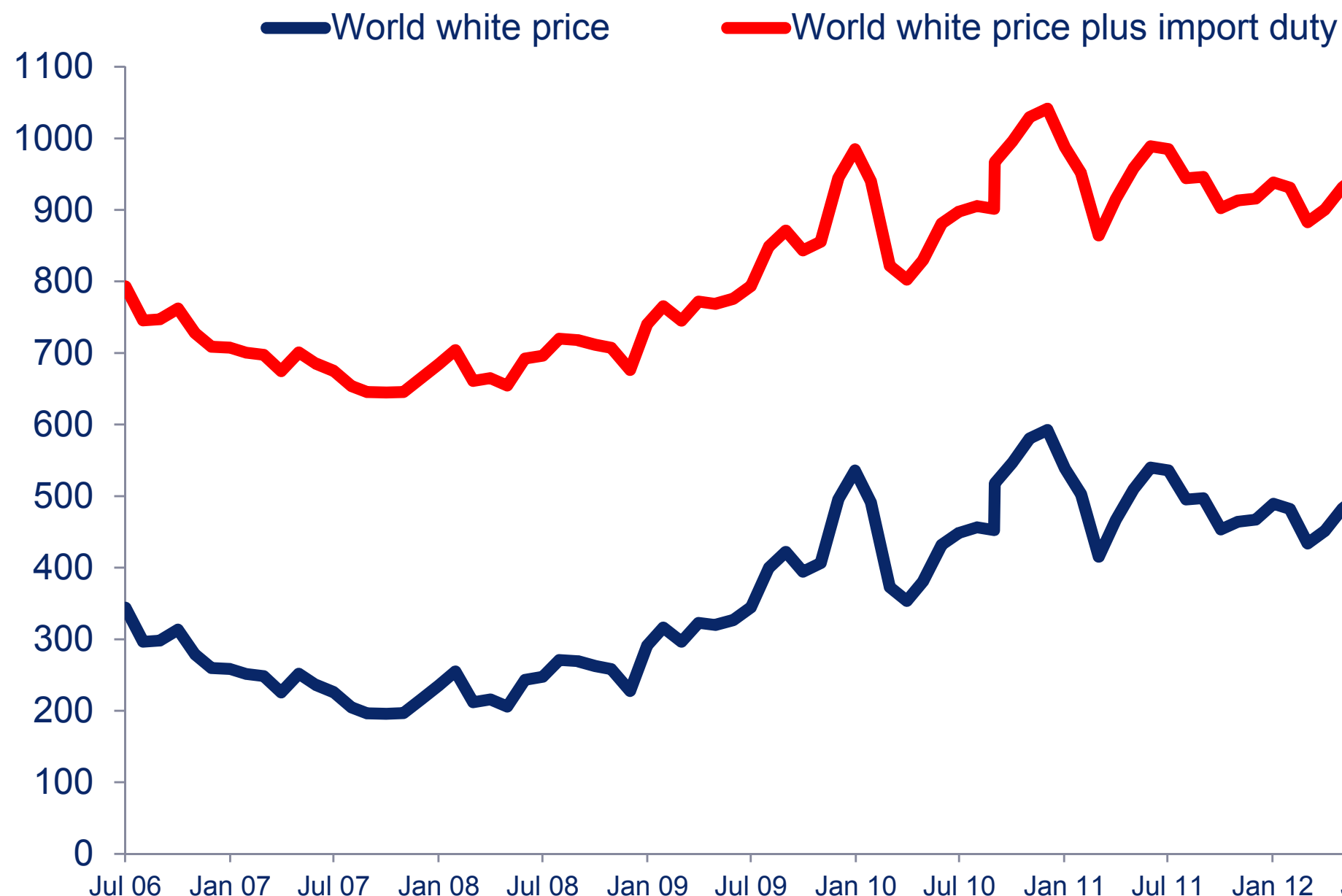


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Tool 2 - Import Duties

€ per tonne



REMINDER (2)

Import duties
bound under WTO
rules

Fixed at €339 for
raw and €419 for
white sugar

Supplementary
variable duty
currently
suspended

Preferential
imports policed by
strict import
licensing



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BROKEN (1)

EPA / EBA imports
forecast at 3.5M
tonnes by EC

All of this volume
was to be free of
import duty

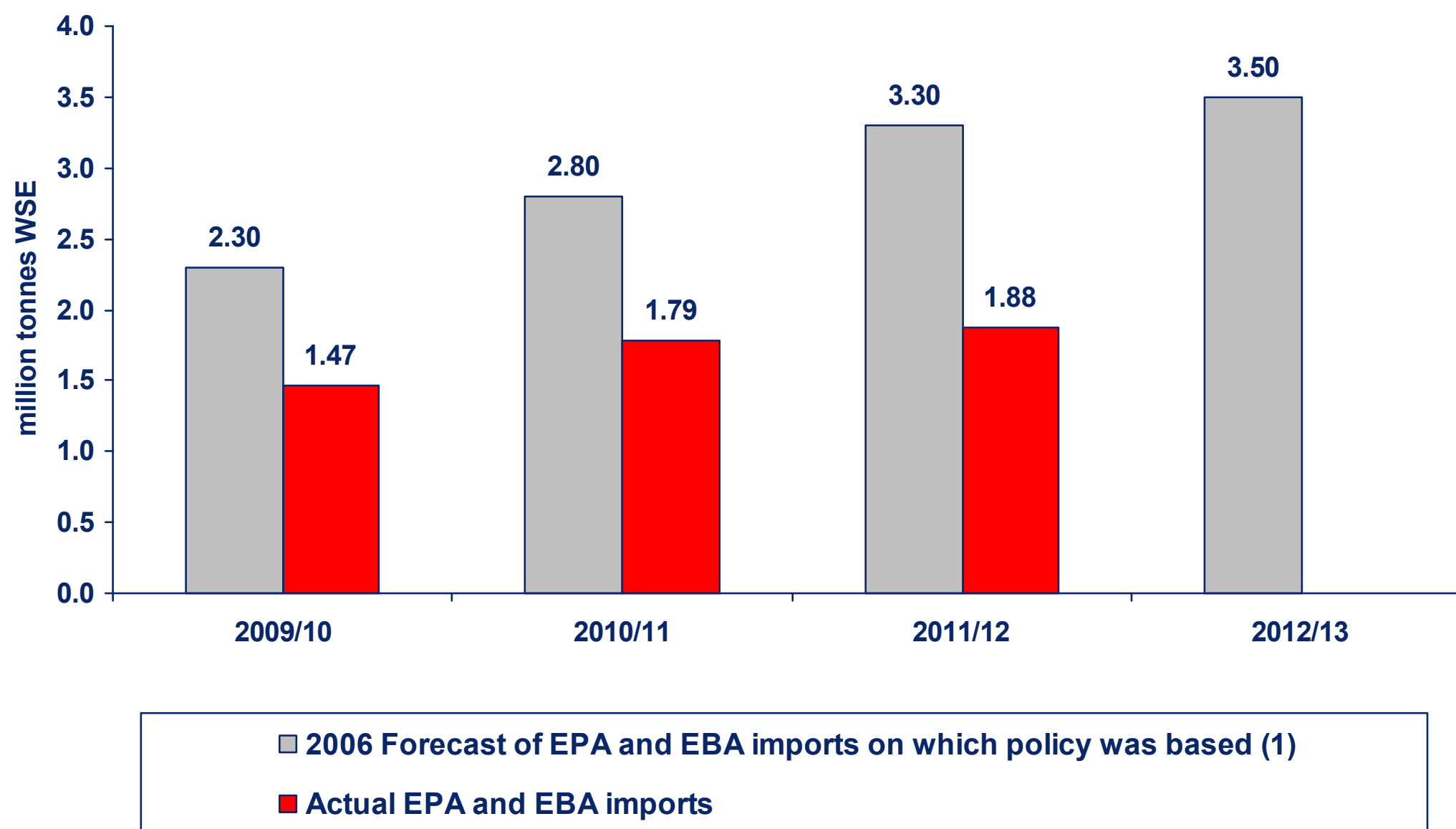
Gap 1.4M tonnes
between forecast
and actual in
2011/12

Gap finally made
good by

- i) Increasing
beet quotas
- ii) Tax auctions
for extra
imports

EPA / EBA forecast and actual sugar imports to the EU

Million tonnes WSE



(1) The forecast volumes were in Council Document 11255/05 of 2005.



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BROKEN (2)

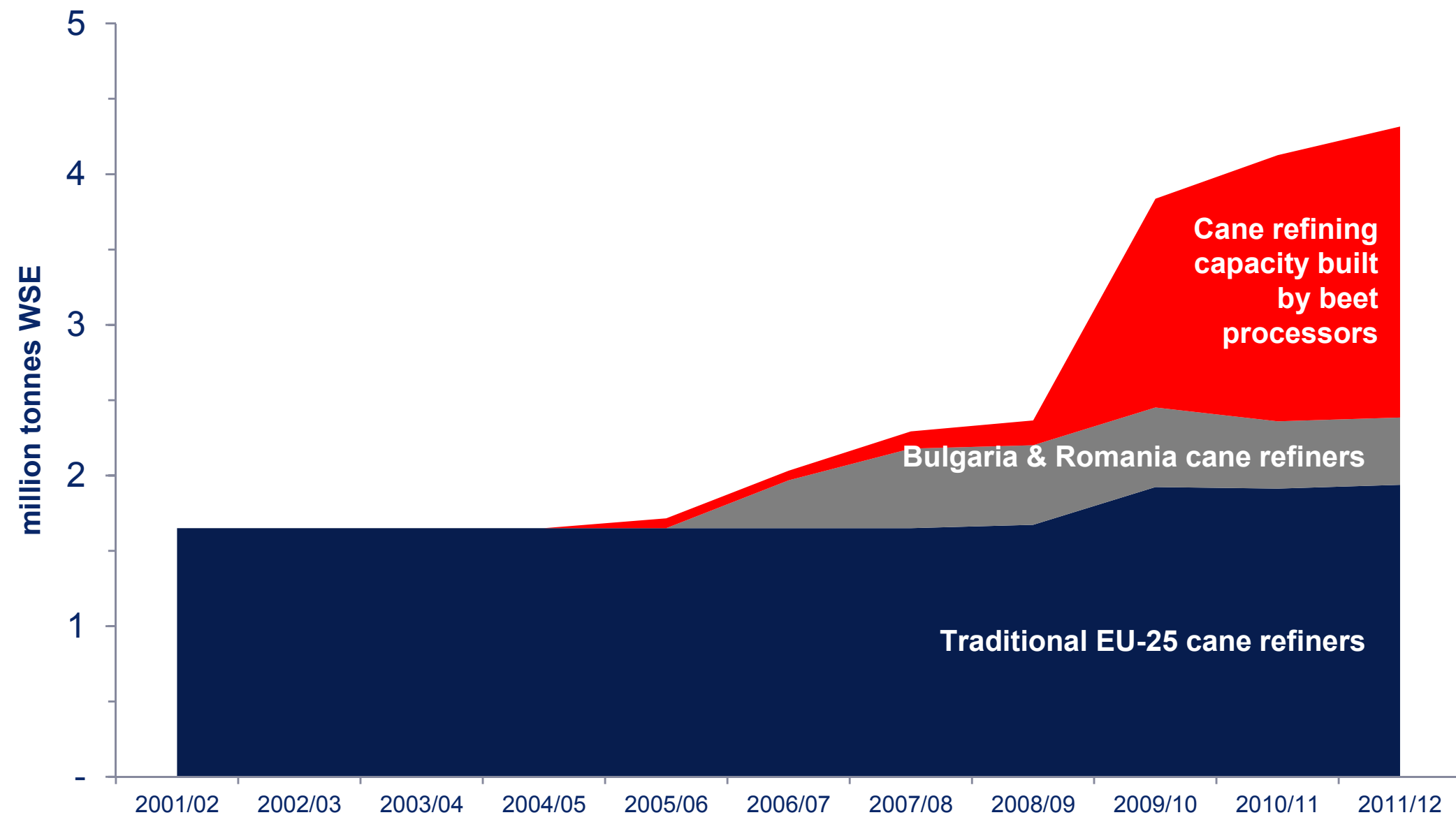
Commission allowed new entrants to refining from 2009/10 based on forecast increase in cane supply

Beet companies built cane refineries as

- i) Their beet quota fell
- ii) The beet industry was given €5 billion of aid to compensate

EU cane refining capacity

Million tonnes WSE per sugar marketing year



Source: Tate & Lyle Sugars



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BROKEN (3)

Capacity utilisation
fallen to around
60%

This is because the
Commission has:

DEMAND

Allowed beet
processors to move
in to cane refining

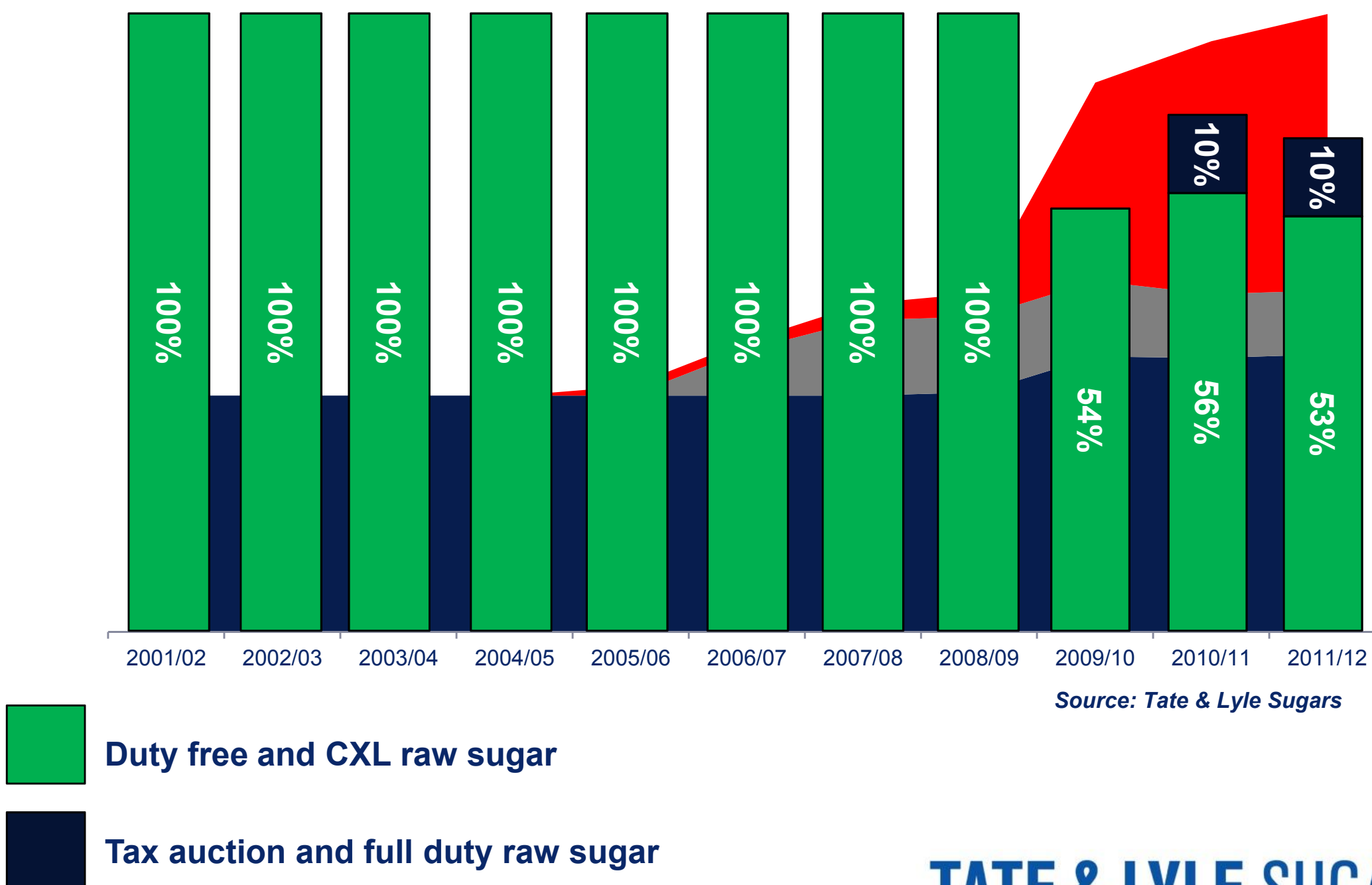
SUPPLY

Failed to ensure
duty free imports
reach the target on
which the policy
change to open up
demand was based

Some of the limited
sugar available for
refiners has been
at very high or full
import duty

Cane Refining Capacity Utilisation

% per sugar marketing year



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The broken EU sugar market

Economic theory representation

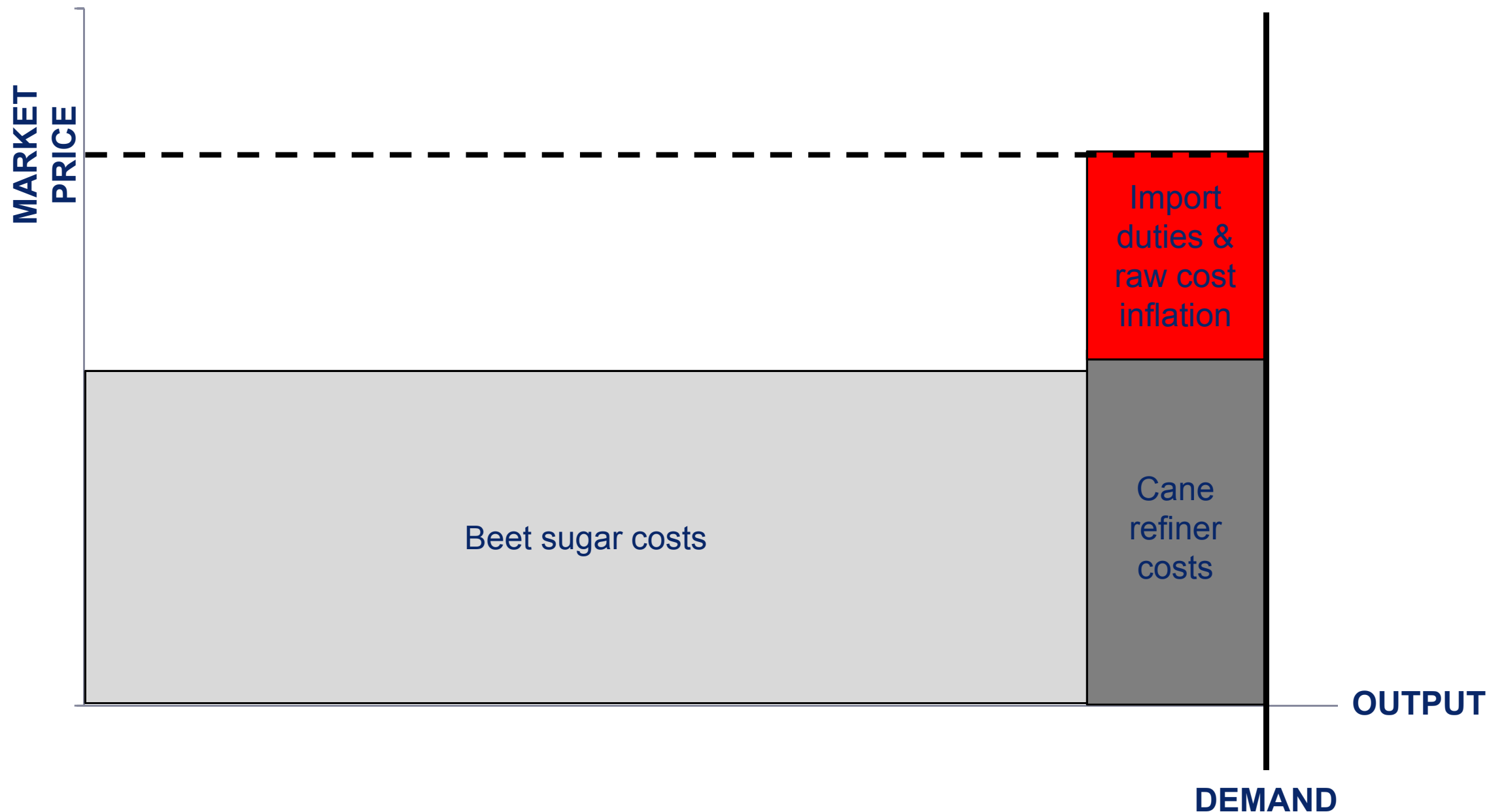
PRICE / COST

DEMAND

BROKEN (4)

Cane refiners costs forced up by

- i) Tax auctions
- ii) Cross-contamination of duty-free raw sugar cost
- iii) Higher unit manufacturing cost due to low capacity utilisation





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BROKEN (5)

Result is obvious

Majority of industry is beet and do not face this cost

They are able to price up to the cane refiners costs

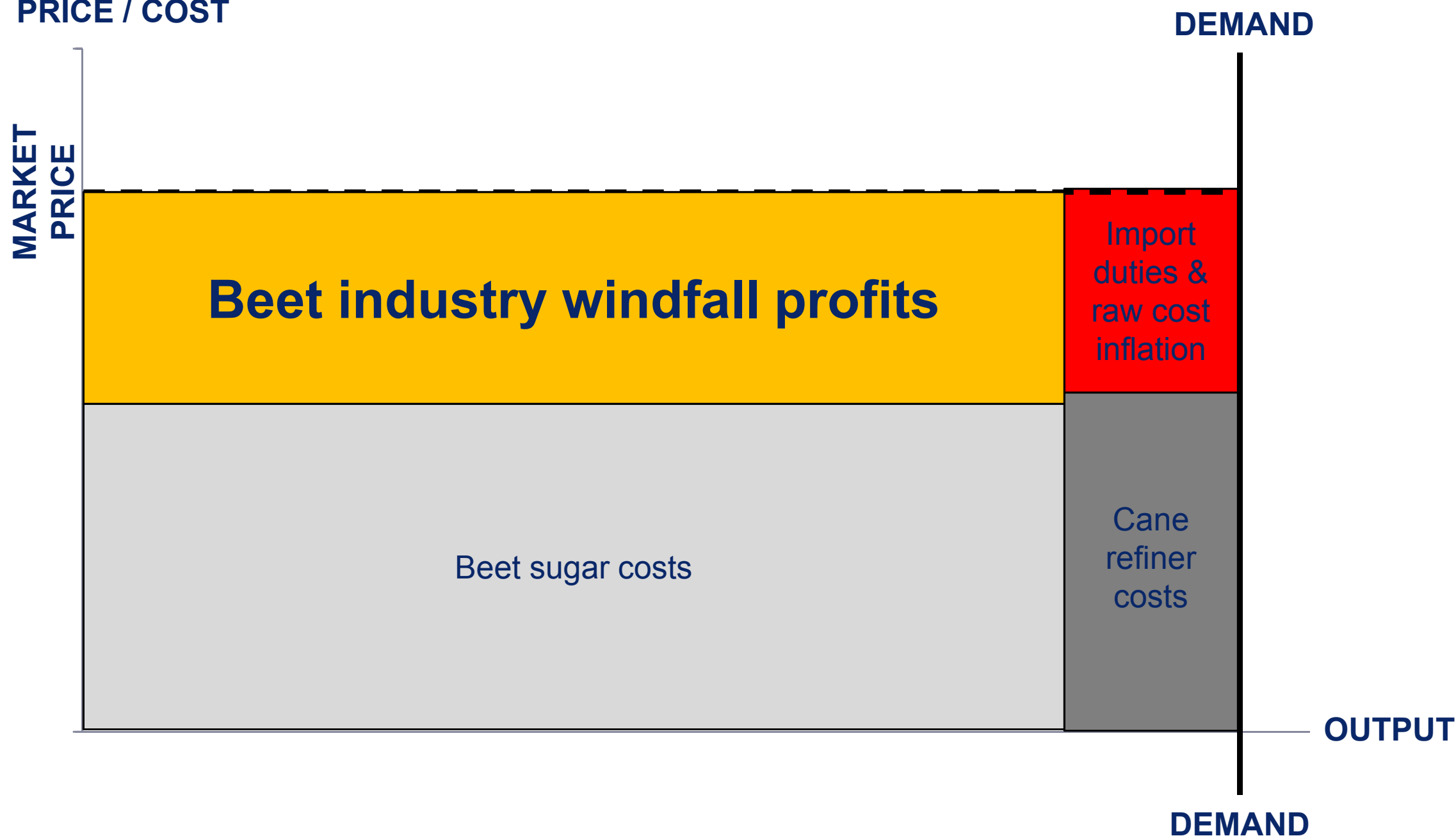
Result

- i) Windfall profits for beet industry
- ii) Cane refiners competitiveness artificially suppressed

The broken EU sugar market

Economic theory representation

PRICE / COST





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BROKEN (6)

EU sugar prices
80% above world
market

Prices continue to
diverge

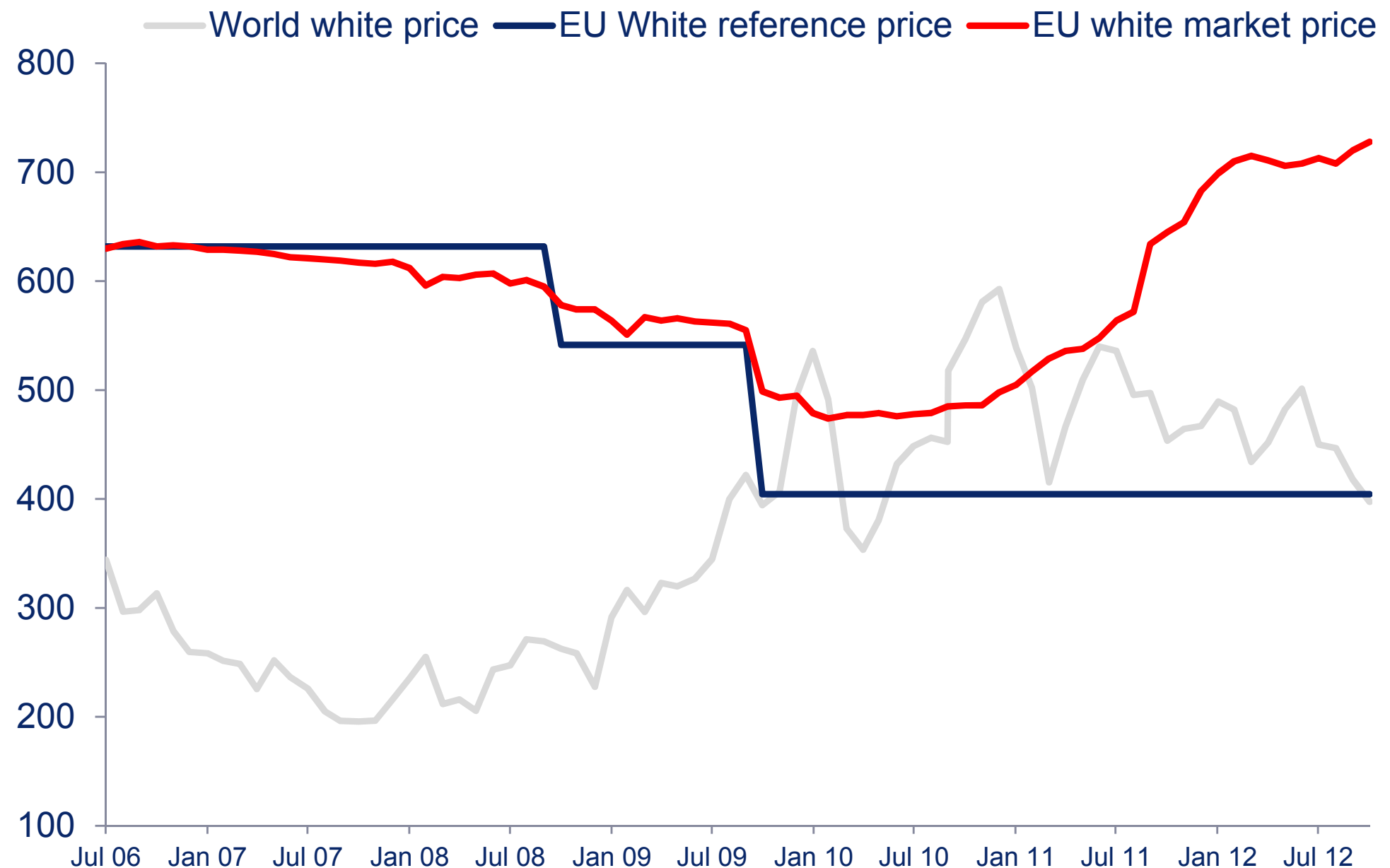
Reason?

Response to
shortage has been

- Delayed
- Ad-hoc
- Focused on politics, not the problem

The broken EU sugar market

€ per tonne CIF EU (world) or ex-works (EU)



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Proposals for post-2015 Sugar Regime

	European Commission Oct 2011 publication	EP Agri Committee Jan 2013 vote	European Council
Quotas	❖ Quotas lapse	❖ Quotas stay ❖ Quotas given back to some countries	❖ Quotas stay until end-September 2017
Import Duties and measures	❖ Import duties remain ❖ No mechanism to automatically make good preferential cane sugar shortages	❖ Import duties remain ❖ No mechanism to automatically make good preferential cane sugar shortages	❖ Import duties remain ❖ No mechanism to automatically make good preferential cane sugar shortages
Market Management	❖ None	❖ Beet quota and import increase in event of shortage ❖ But imports nullified by 3M tonnes clause	❖ None



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PROCESS

Some key differences this time

27 Member States

Co-decision with European Parliament

Sugar part of much wider CAP debate

European Parliament

European Commission

Member States

- Trilogue negotiations
- Cover whole of CAP
- 30 meetings until 27 June 2013
 - Key issues for sugar
 - ❖ End date for quotas
 - ❖ Countries that want quota back
 - ❖ Role of imports and cane refiners

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Concentration in the European Sugar Market

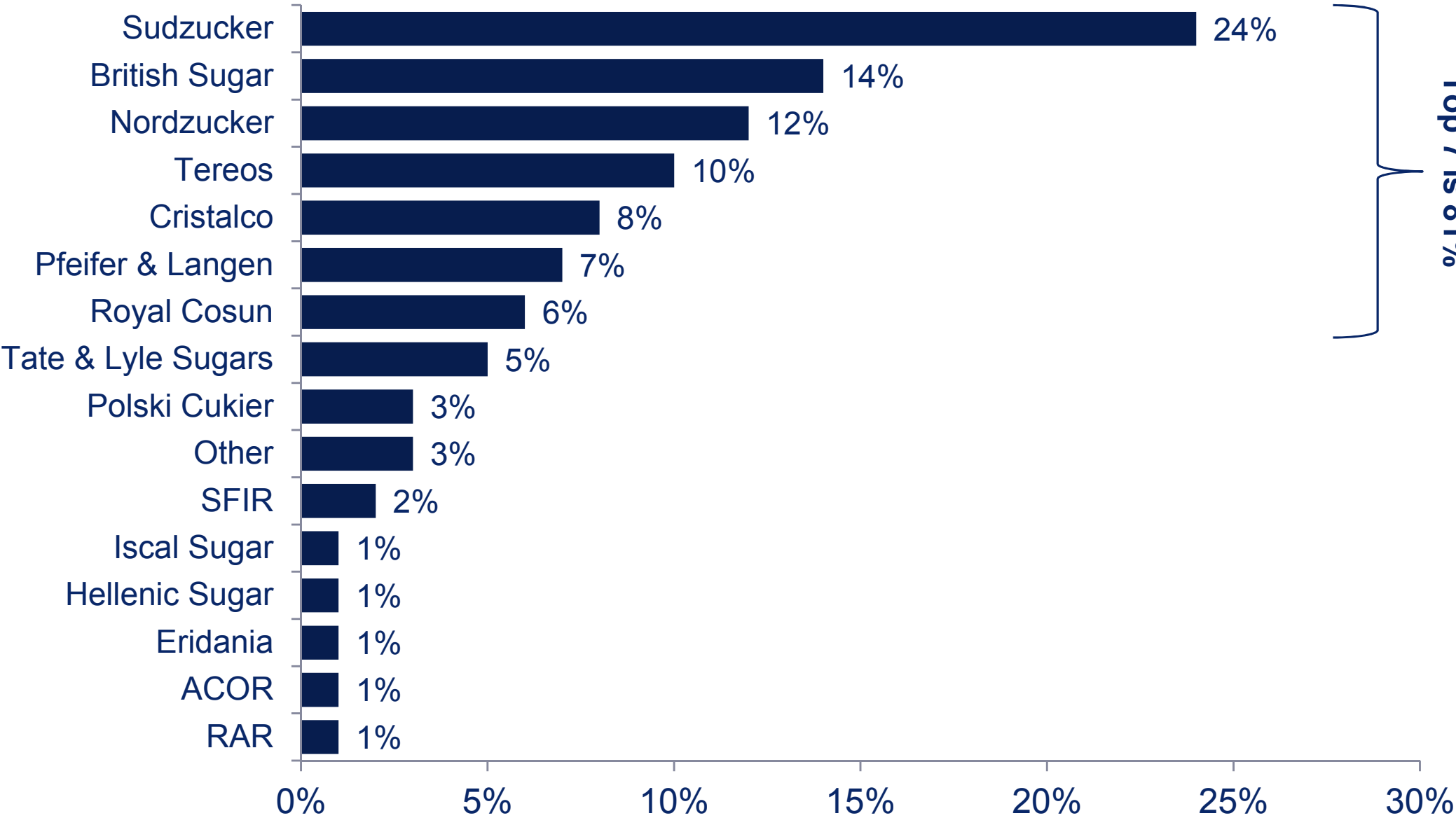
% of EU-27 sugar production from beet and cane

IMPACT

Market already highly concentrated

Commission, EP and Council Proposals will both increase concentration

Increases potential for “tacit collusion” at best, actual collusion at worst



Source: Tate & Lyle Sugars company estimates



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Will the Proposals fix the broken EU sugar market?

€ per tonne CIF EU (world) or ex-works (EU)

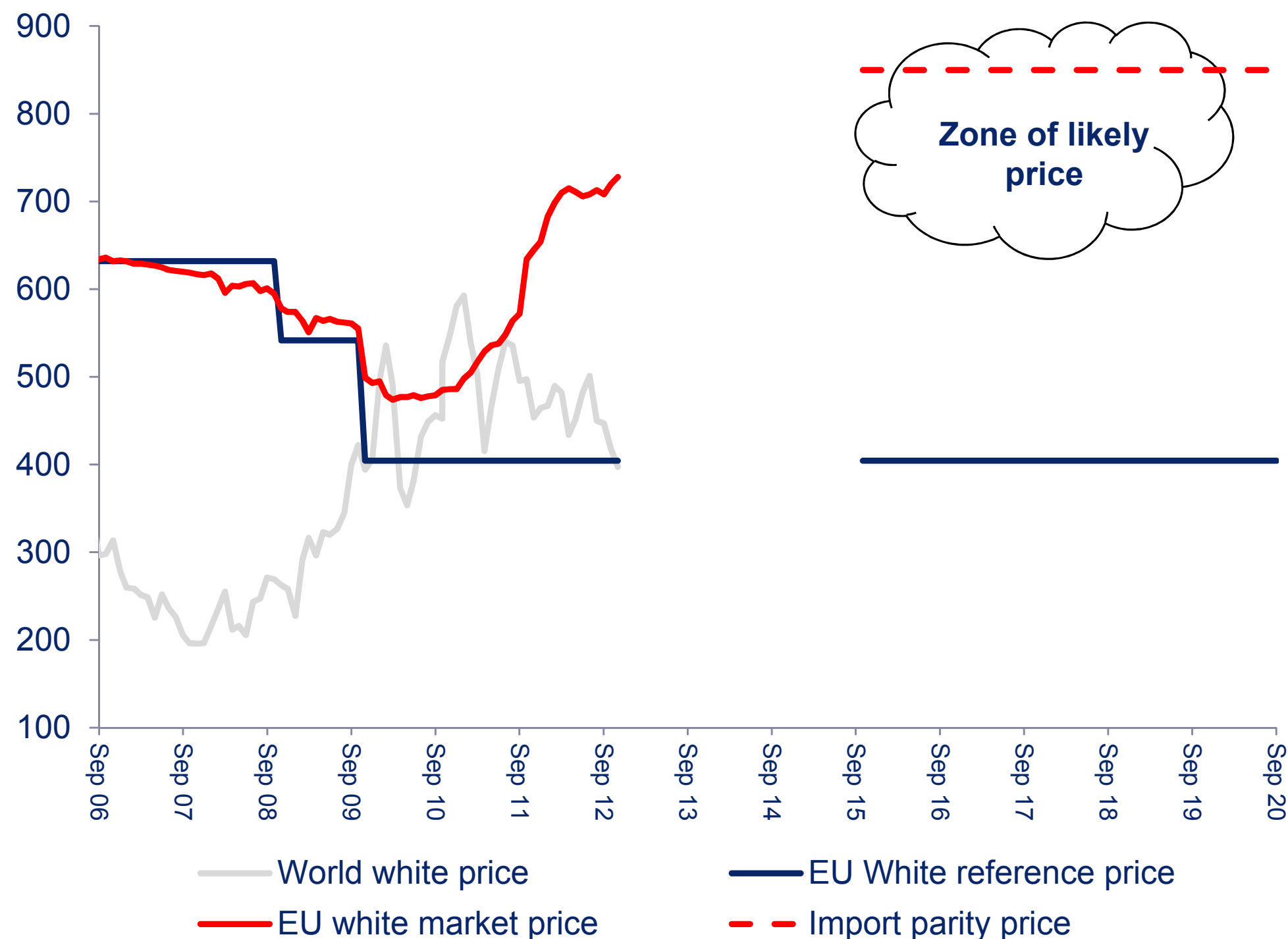
IMPACT

Will it fix the broken market?

No

It will increase concentration

Increased likelihood of operating at or near full duty import price





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Quotas stay
Import duties stay



Quotas go
Import duties go



Quotas go
Import duties stay

Quotas stay
Import duties go



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Quotas stay
Import duties stay



Quotas stay
Import duties go

Zone of agreement to ensure
broken market is fixed

Quotas go
Import duties stay



Quotas go
Import duties go

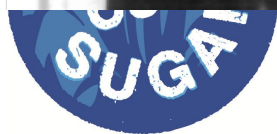


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- Key tools QUOTAS and IMPORT DUTIES
- Current proposals are HIGHLY ASYMETRICAL
- High risk of uncompetitive outcome
- SYMETRY needed between the 2
- Not asking for perfection
- But ASYMETRICAL treatment will mean
 - No independent cane refiners
 - Increasingly concentrated EU sugar market
 - Even less chance of competition and choice





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