

THE EU SUGAR INDUSTRY:

OUR VISION FOR THE NEXT FIVE YEARS
2019-2024



INTRODUCTION

The EU sugar industry matters. Beet sugar production provides high-quality, remunerative jobs in some of the EU's most vulnerable rural areas, reflecting a labour productivity that reached over 150,000 euros per employee in 2017, compared to 57,000 euros in the wider food and beverages industry. Although small in direct employment terms, EU sugar production generates significant employment and gross value-added multipliers. In 2017 the industry supported almost 300,000 direct and indirect jobs, and contributed 15.6 billion euros to the EU's GDP¹. Ensuring the continued competitiveness and sustainability of our industry is vital to the livelihoods of hundreds of thousands of European citizens and some of our most fragile communities.

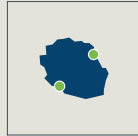
Over the past five years, CEFS has engaged in several policy debates: dialoguing actively with the European institutions on the sugar market situation; contributing to a more balanced approach to trade negotiations; balancing the Emissions Trading System to maintain competitiveness while achieving policy targets; promoting workable and sustainable phytosanitary and technical regulation; and striving for science-based policymaking when it comes to obesity, non-communicable diseases, and food and feed labelling and safety legislation.

This brochure shines the spotlight on three themes that will define the competitive evolution of the sector over the next five years: the current competitive framework; the policy initiatives necessary to future-proof the sector; and how to rebalance the debate around sugar and health.

SUGAR PRODUCTION SITES ASSOCIATED WITH CEFS



La Réunion



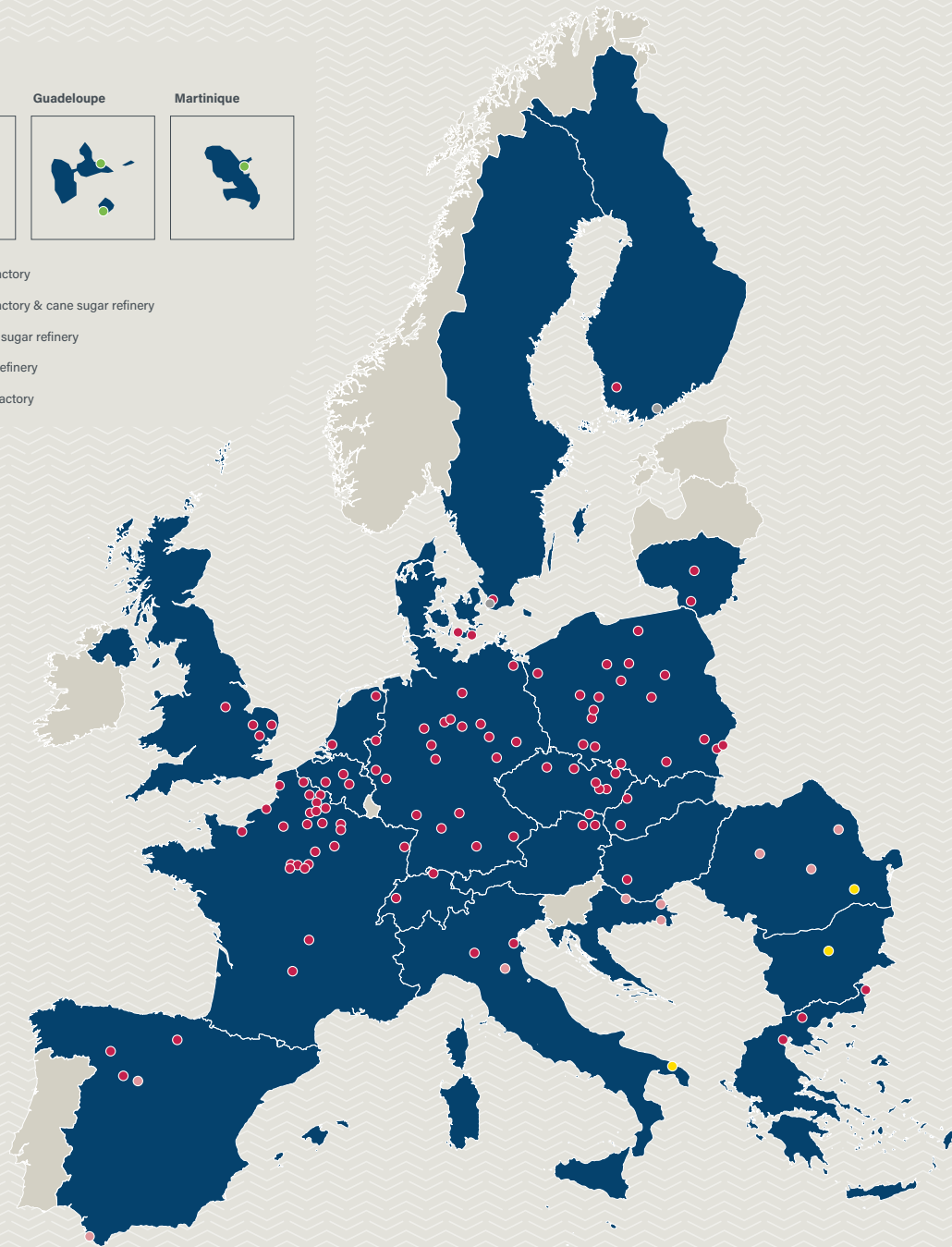
Guadeloupe



Martinique



- Beet sugar factory
- Beet sugar factory & cane sugar refinery
- Cane & beet sugar refinery
- Cane sugar refinery
- Cane sugar factory



TOTAL GDP CONTRIBUTION IN 2017: 15.6 bn €



TOTAL EMPLOYMENT CONTRIBUTION IN 2017: 362,100 employed persons



Figures for the EU27. Figures do not include the UK.

EXISTING COMPETITIVE FRAMEWORK

The EU is now one of the most deregulated sugar sectors in the world, and stands out as internationally competitive: sugar production per factory and sugar yields per hectare are now among the highest in the world. On a costs basis, the EU sugar sector is today somewhere in the middle of world rankings.

However, EU sugar has to compete with third country sugar produced to much lower social and environmental standards, often with government support. The EU market tracks world prices, which are heavily influenced by third country sugar produced

in this way (e.g. India, Brazil). The European Commission has not developed an adequate toolkit to establish a level playing field on the world market.

In parallel, the availability of plant protection products and new breeding techniques is under growing pressure, increasing costs in a market that is more pressured than ever. The ongoing and overly simplified debate around sugar and health is an additional source of uncertainty.



FUTURE-PROOFING THE INDUSTRY

The future development of the EU sugar industry will depend on a sound legislative framework adapted to our rapidly changing society. This means proper market management, a decent Common Agricultural Policy, a fair approach to trade, incentives for the development and uptake of new outlets for sugar beet, support for innovation in the field, and cooperation as we transition towards a low-carbon industry.

Sound market management

In a post-quota environment, one of our key priorities is the development of effective market management systems. The European Commission has not yet developed an adequate toolkit to respond to the cyclical crises that impact the sector. This can be done as part of the discussions on the CAP post-2020, or as a revision of existing legislation. When prices sink to levels that threaten the very future of the sector, the European institutions must have the instruments at hand to act in a timely manner. Market management tools should only be codified if the European institutions are prepared to use them. In addition, ad hoc measures to accompany the ongoing process of restructuring should be introduced when appropriate.

A proper Common Agricultural Policy

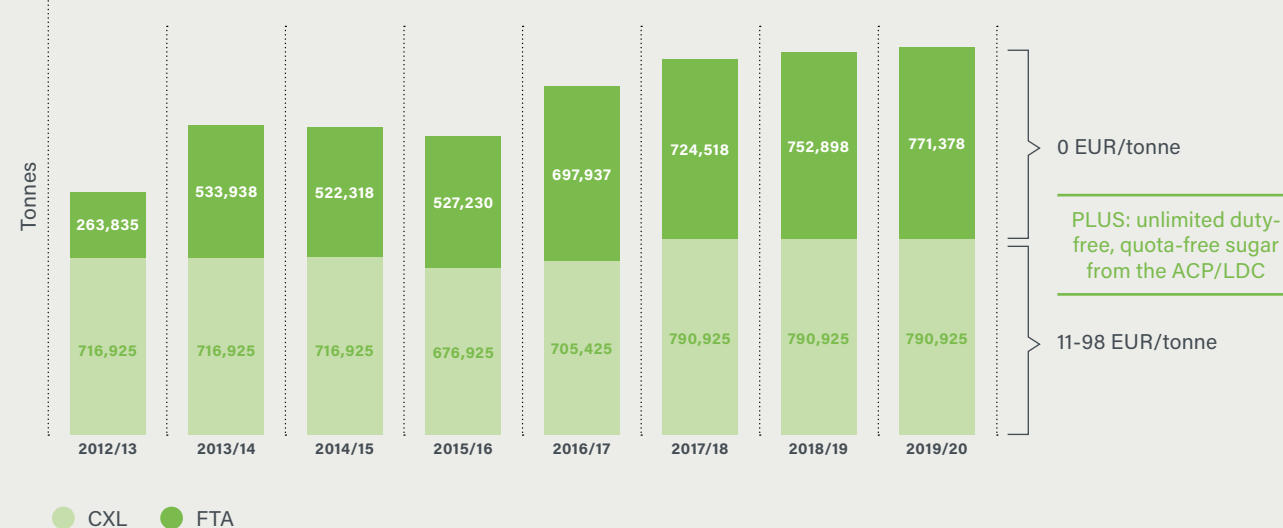
The economic sustainability of sugar beet cultivation is central to the competitiveness of our sector. The Common Agricultural Policy should be funded at the same level as currently

and direct income support for farmers must not be cut. The comprehensive contractual relationship between beet growers and sugar manufacturers, which is set out in detail in the current Single CMO regulation, should be preserved. Importantly, the European Commission must ensure that Member States' strategic plans are strictly monitored to ensure that no new distortions of the single market emerge as a result of the proposed new delivery model.

A fair approach to trade

In parallel to the progressive liberalisation of the sugar market, the EU has substantially opened its market to imports of third country sugar over the past decade. Given that after the abolition of quotas the EU has tended towards net exporter status, the rate of market opening needs to be dramatically reduced. It is essential that the sugar entering the EU market is not produced in such a way that violates social rights or environmental norms, nor with trade-distorting direct or indirect government support.

+ EU MARKET AVAILABILITY OF THIRD COUNTRY SUGAR (FTA & CXL ORIGINS)



On the world market, there is an urgent need to address the issue of government support and dumping of excess sugar, which frequently push prices to levels below the production costs of even the most efficient world producers. Depressed world prices reduce the viability of our exports, at a time when we are asking for more access to the sugar markets of the major consumers and net importers. The European institutions must do more to open markets for exports of white sugar and high sugar-containing products.

Managing Brexit's impacts

The EU-27 and the UK trade around 750,000 tonnes of sugar every year, worth up to 375 million euros, and two-way investments mean that our two sugar industries are substantially integrated. For this reason, we would only welcome a Brexit that ensures the continuation of unimpeded trade. In the event of a free trade deal, rules of origin should be put in place to ensure that any sugar entering the EU from the UK is truly British. The WTO quotas should be

split fairly between the EU and the UK, and ongoing trade negotiations (e.g. with Mercosur) should take the diminished size of the EU market into account.

Backing for the bioeconomy

The EU beet sugar industry is a key contributor to the EU bio-based economy. Our sector has a long tradition of valorising all products arising from the sugar process, minimising waste as far as possible. As well as sugar, our industry's products include food ingredients, animal feed, green chemistry products, and renewable ethanol for food and non-food uses.

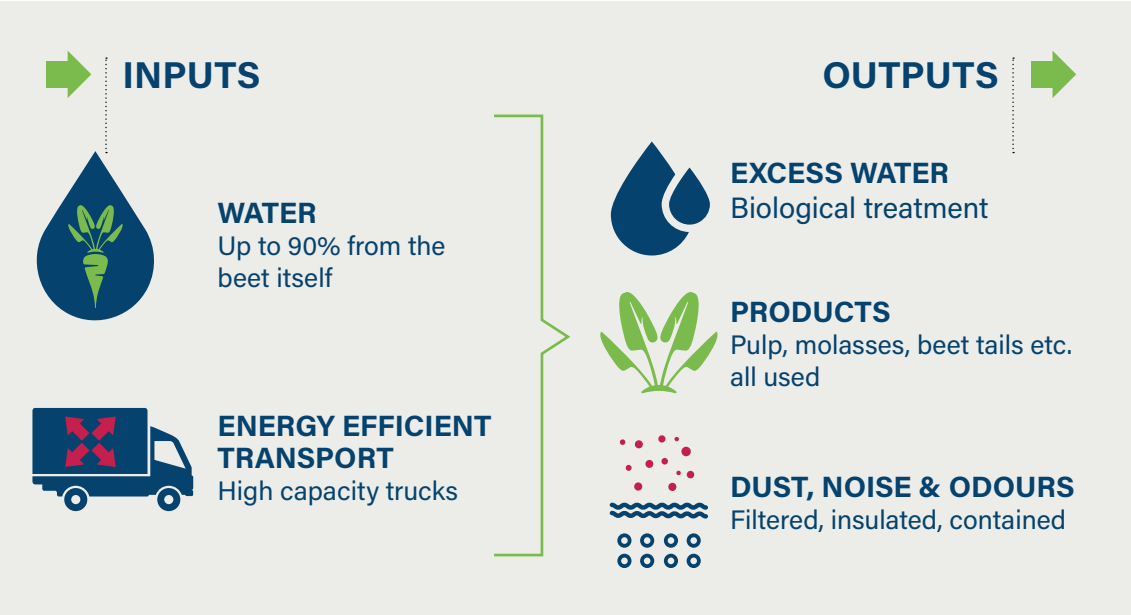
The political will to replace traditional fossil-based products by bio-based alternatives should be supported by an adequate market environment. The use of sugar beets in renewable materials (e.g. bioplastics) requires investment and still faces high competition from traditional, fossil-based products. In order to boost their relative competitiveness, it is therefore important to help bio-based alternatives reach economies of scale.



Attention to resource efficiency

Sugar manufacturing is characterised by a high degree of resource efficiency: a use is found for every part of the beet, meaning zero food waste; and up to 90 per cent of the water used in the factory is extracted from the beets themselves, making the industry a model of sustainable water management.

The revision of the Water Framework Directive should not result in cumbersome restrictions on sugar manufacturers. Concerning the delegated regulation on food waste measurement, the inclusion of “waste” from sugar processing will place an additional administrative and technical burden on sugar manufacturers and national administrations throughout Europe. The regulation should therefore be revised.



Access to plant breeding innovation

Access to plant breeding innovation (including new mutagenesis) is essential to the agri-food chain’s drive towards greater sustainability. Unfortunately, the Court of Justice of the EU has ruled that products resulting from mutagenesis must be subject to EU GMO legislation. Dating back to 2001, this legislation is no longer fit for purpose when it comes to new and innovative techniques. It is therefore crucial to start a discussion between decision-makers and stakeholders as soon as possible, in view of developing an adapted and workable regulatory framework that addresses the particular nature of plant breeding innovation and new mutagenesis in particular.

A risk-based approach to plant protection

Over the past decades, the EU beet sugar sector has continuously improved the efficiency of application of plant protection products in the field. But the decreasing availability of such products poses a growing challenge to the viability of sugar production in Europe. As a principle, policy measures regarding authorisation of pesticides should be risk- rather than hazard-based. Ultimately, since hazard cannot be completely avoided, the risk of exposure to hazard is the key factor to be taken into account.

Legal clarity for multiple-use substances

A clarification of the status of multiple-use substances – i.e. substances that are currently or were used as plant protection products – is urgently needed. At the moment, those substances are governed by Regulation (EU) No 396/2005, which sets Maximum Residue Levels (MRLs) for pesticides but does not take into account other uses of the substances concerned. Appropriate EU provisions should be set, taking into account all of the different uses of the substances without any automatic link to Regulation (EU) No 396/2005.

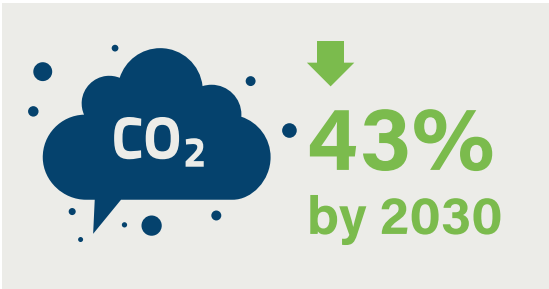
Support for organic production

The EU sugar sector is working hard to increase organic production of sugar and co-products to respond to societal and market demands. Nevertheless, organic sugar beet cultivation is beset by challenges – most notably pest issues, high field labour costs, and parallel production campaigns – which means that only 0.3% of cultivated areas are currently organic². In order to allow sugar beet growers already engaged in organic production to continue, and others to make the leap, the EU sugar sector calls for appropriate secondary EU organics legislation to allow for the use of the widest portfolio of techniques.

Partnership in the transition towards a low-carbon industry

The EU sugar industry has made considerable progress on reducing emissions over the past decades. Central and Northern European sugar factories reduced carbon dioxide emissions by 50% on average between 1991 and 2013, in large part due to the transition to combined heat and power systems in factories.

The sector has committed to reduce greenhouse gas emissions by 43% by 2030 compared to 2005 levels, but reducing dependency on fossil fuels will be costly for sectors within the Emissions Trading System (ETS) such as sugar manufacturing. Therefore, state aid rules for ETS indirect costs compensation should be flexible, to allow individual sites to apply for aid, and for the possibility to update the list of beneficiaries over time.



In addition, the coordination between the sectors producing renewable energy and potential users of such energy should be encouraged. Restrictions on the use of food crops for renewable energy applications found in the revised Renewable Energy Directive do not support the transition into climate-neutral sugar production. Instead, policymakers should facilitate the decarbonisation of industries and guard against the risks of carbon leakage into countries with less strict emissions rules than the EU.

². CIBE estimate. MY 2018/19.

SUGAR AND HEALTH

Sugar is a carbohydrate. There are many different types of sugars, including sucrose (table sugar), glucose, fructose, and lactose, but they all provide 4 kcal/g. This is the same as proteins, but lower than fat (9kcal/g) and alcohol (7kcal/g). Ultimately, the body does not distinguish between sugars used in manufactured food and drinks or in the home, and those found naturally in foods. The sucrose found in a fruit and sucrose used to bake a cake are identical. All have the same calorific values and are digested in the same way³.

Sugar is a unique multifunctional ingredient: beyond its sweetening properties, sugar provides structure and texture to many traditional foods, helps to create crispness and texture, acts as a natural preservative, and is a fermentation substrate. No single ingredient can replace sugar in all foods and replicate its many functions at the same time.



CEFS recognises and shares the widespread concern over obesity and obesity-related non-communicable diseases. Given their importance, these health problems must be effectively tackled with measures that will bring about concrete and measurable results. This means:

- nutrition recommendations based on science;
- an assessment of the impact of existing measures;
- consumption recommendations that take into account dietary quantities, instead of only adopting a nutrient-specific approach.

Energy reduction-driven reformulation

Reformulation is when the composition of a food or beverage is modified by adding or removing certain nutrients, ingredients and/or additives. Reformulation to reduce sugar in foods has been taking place for some time; there is already a wide range of reformulated products on the market. Given the multifunctionalities of sugar, replacing sugar often results in the use of several additional ingredients and additives, not necessarily more fibre/vitamins, and no systematic calorie reduction. That is why sugar reductions must always be monitored in conjunction with energy reductions. In addition, to ensure that measures lead to concrete results, the health impact that reformulation efforts have had so far must be evaluated.

Labelling that informs

The energy content of a food is the most meaningful and relevant piece of information for the consumer. Given that overweight is the result of a positive energy balance sustained over a long period of time, front-of-pack labelling schemes must contribute

to a better understanding of the importance of calories by the consumer. When several criteria are included in a given front-of-pack labelling scheme, calories must be given at least equal importance (if not more) as the individual nutrients. Calorie content is an objective and non-discriminatory criterion



to compare products both within and across food categories. Front-of-pack calorie labelling would therefore be a useful contribution in the fight against obesity.

No to nutrient profiles

Nutrient profiles are a tool to classify foods according to their composition in certain nutrients. But nutrient profiles do not take into account the foods' overall nutritional contribution or the nutrients' consumption in the overall diet, which leads to unjustified distinctions between nutrients that have similar physiological impacts. This encourages unhelpful/questionable reformulation practices and enables certain products to bear claims while others cannot, despite their similar impact on health. Therefore, EU-level nutrient profiles should not be introduced.

3. Van Buul VJ et al. (2014) Misconceptions about fructose-containing sugars and their role in the obesity epidemic. Nutr Res Rev 27: 119-30.

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In 2017



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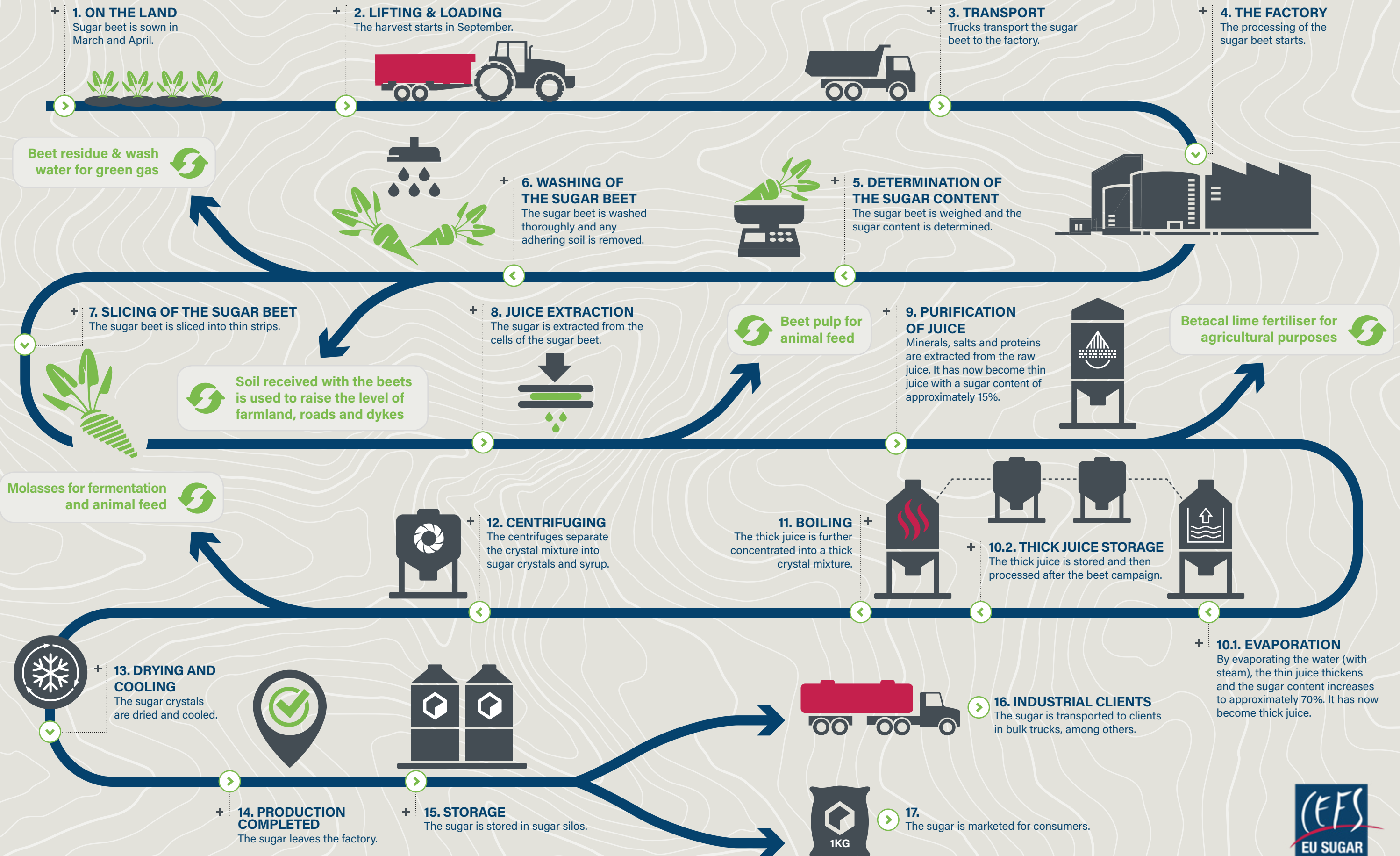
15.6 Billion Euros

For each direct job created in the EU sugar industry, another 14.3 jobs are supported within the EU27



Figures for the EU27. Figures do not include the UK.

HOW SUGAR IS MADE⁴





CEFS stands for le Comité Européen des Fabricants de Sucre, or in English: the European Association of Sugar Manufacturers. CEFS is an international non-profit organisation and a recognised interlocutor for the EU Institutions since 1953, sharing knowledge and technical expertise on sugar. CEFS' membership is composed of sugar-producing companies in the EU and Switzerland.



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