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EU-Australia FTA negotiations: What is at stake for the EU Sugar Market?

In the coming months the EU is expected to finalise a Free Trade Agreement (FTA) with one of the largest net sugar exporters on the world market: Australia. For both parties, sugar has been characterised as a sensitive product and hasn't yet been discussed. But Australia is pushing hard for more access to the EU sugar market, despite its distance from Europe and proximity to key sugar deficit markets in East Asia.

The EU sugar industry is clear: no additional EU market access should be granted to Australian sugar in the current negotiations. Here's why.

There is no shortage of European sugar

EU sugar production is consistently sufficient to meet domestic consumption. According to the European Commission production has exceeded consumption every year since 2017/18.

Sugar manufacturers have worked hard to ensure continuous supplies, despite the unprecedented increase in the costs of energy and other inputs, including sugar beet. Ending stocks as of 30 September are no cause for concern. Let's also not forget that EU sugar continues to be exported to third countries, showing that the availability of sugar on the EU market is not an issue, even in the current costs environment.

Policymakers must not prevent the market from compensating the increase in costs via higher sugar prices. And they must not confuse higher prices with lack of availability. Historically, EU sugar producers have supplied the domestic market at some of the lowest prices in the world, below those in the USA, China, Mexico, and – at least since the end of quotas – amply-supplied Brazil.

The EU sugar sector is already substantially open

The EU has already concluded negotiations with big sugar producers such as Brazil, Central America and South Africa, in which it provided substantial duty-free concessions on sugar imports. Especially in the case of the six Central American countries, the EU took the unprecedented step of offering "endless" annual increases in the tariff-rate quotas, totalling almost 5,000 tonnes per year.

Australia already has access to the EU market via an exclusive WTO quota of 10,000 tonnes, kept in full after the departure of the UK from the EU, in addition to access to another WTO quota for all countries (Erga Omnes) of almost 300,000 tonnes.

As a result of this market opening, the EU sugar market is now heavily exposed to world market prices. Unfortunately, the world sugar market is massively distorted by third country dumping and subsidies. Only this year the WTO condemned India – the world's largest sugar exporter – for subsidising its production and exports.

Concessions on sugar imports from Australia would heap yet more pressure on the economic sustainability of the sector, which has closed 15 factories since the end of production quotas in 2017.

Given the remoteness and small size of the Australian sugar market, European sugar exporters will not benefit from any FTA with Australia. Even the Australians concede that the EU is not a natural destination for exports, but rather an overflow market to be used when East Asian consumption is saturated. The natural question to ask is: who benefits from including sugar in this agreement?

EU-made sugar is more sustainable

Sustainability has long been at the heart of the EU beet sugar sector. EU sugar beet growers and sugar manufacturers already comply with the highest environmental and health standards in the world, resulting in higher costs and an uneven playing field with third country producers.

Whereas EU sugar manufacturers are subject to an Emissions Trading System, Australia has no such system in place. EU sugar manufacturers must pay for an increasing share of their carbon emissions as the ETS is tightened; Australian sugar manufacturers are subject to no such requirements.

Meanwhile, the EU Farm to Fork Strategy sets a target of a 50% reduction in pesticide and fertiliser use by 2030. Contrast this with Australia, which outnumbers the EU in terms of approved active substances and where the chemical treatment of sugar cane is subject to much fewer restrictions.

Importing sugar from Australia, when it can very well be made here, will lead to unnecessary long-distance shipments, resulting in heavy pollution (COx and SOx).

Unnecessary, uneconomical and polluting voyages should not be promoted through an FTA at a time when EU operators are subject to increasing requirements to reduce their own carbon footprint.

It is senseless to impose stricter environmental regulations on European producers while simultaneously opening up the market to products manufactured under lower standards and shipped over long distances. EU trade policy should be consistent with the EU's environmental and climate ambitions, as well as the social ones.

The EU sugar sector: A strategic asset to be protected

The EU beet sugar production is both an agricultural and industrial activity. It sustains the lives of hundreds of thousands of families in vulnerable rural areas across the EU.

The high-quality, remunerative industrial employment it provides is rare in these regions, and cannot be easily replaced. Due to the high capital intensity of beet sugar production, and the agronomic expertise required to cultivate sugar beet, once sugar production in a region disappears it is highly unlikely to return.

Our beet sugar sector contributes to the EU's food security. In producing bioethanol and biogas, it also helps reduce our dependence on fossil fuels.

But opening the EU market to third country sugar puts the future of the sector in doubt. As the world becomes more uncertain and imports of food and energy less reliable, politicians and policymakers must look to those sectors such as sugar that support the EU's food and energy sovereignty. Rather than expose them to artificial headwinds, they should be protected and accompanied in the transition towards a greener and more efficient future.

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