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## **Report Name:** Sugar Semi-annual

**Country:** European Union

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**Report Category:** Sugar

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### **Report Highlights:**

Total EU27 sugar production for MY 2022/23 is forecast at 16 million metric tons (MMT), a decrease of 330,000 metric tons (MT) from MY 2021/22. This is the fifth consecutive year that the EU internal sugar production cannot meet domestic sugar consumption. While the total EU sugar consumption is stable at 17 MMT, the deficit is forecast to increase to 1 MMT, with imports in MY 2022/23 forecast at 2 MMT against 1.3 MMT of exports. EU sugar stocks will decrease to 1 MMT at the end of MY 2022/23. With EU sugar spot prices above €1,000/MT at the end of MY 2021/22, many small food processing companies face difficulties sourcing sugar. While this market situation makes bioethanol production from sugar beet unattractive, isoglucose producers fail to benefit from this situation as high grain and energy prices also keep processing margins unattractive. Also, the new Common Agricultural Policy starts on January 1, 2023, and it remains to be seen if EU sugar production will recover.

*Note: As of January 1, 2021, the separation of the United Kingdom (UK) from the European Union (EU) is complete, including trade between both entities. In this report if not indicated otherwise, the EU refers to the current EU27 without the UK.*

## **Executive Summary**

For market year (MY) 2022/23, the EU27 sugar beet area suffers another 2 percent decrease to 1.45 million hectares, as farmers chose to grow more profitable crops. With the widespread summer drought affecting beet and sugar yields, EU27 sugar production forecast for market year (MY) 2022/23 is estimated at just below 16 million metric tons (MMT) in Raw Sugar Equivalents (RSE). That is a decrease of 330,000 metric tons (MT) below the expected MY 2021/22 production, but still 1.0 MMT above the MY 2020/21 production which suffered from beet yellows virus (BYV) disease in mainly France, Germany, and Poland.

Total EU27 beet sugar production for MY 2022/23, including for industrial use, is forecast at 17.67 MMT RSE, down 340,000 MT from MY 2021/22, but still 900,000 MT above MY 2020/21. Production for industrial use, especially for bioethanol, is forecast to decrease again in MY 2022/23 because of high sugar prices, as bioethanol producers favor grains as a feedstock because of the profitable high-protein co-products.

Total EU27 sugar consumption is forecast to remain stable as the increased EU population, inflated with several million war refugees from Ukraine, compensates for any decrease in per capita consumption. At 17 MMT, EU sugar consumption in MY 2022/23 recovered from a decrease following the COVID-19 outbreak, but per capita consumption remains below pre-COVID-19 levels, as the EU food industry has embarked on a [program](#) to reduce sugar contents in food products by 10 percent by 2025.

The forecast for EU27 sugar imports in MY 2022/23 is increased to 2.0 MMT to cover the production deficit, stable from MY 2021/22. Sugar imports in MY 2020/21 ended at 1.8 MMT, despite increasing world sugar prices and the EU competing with the UK for preferential sugar after Brexit. After Brexit, sugar imports from the UK are only possible for sugar meeting the rules of origin. As a result, little UK sugar is still exported to the EU, mostly to Ireland. The EU27 sugar export forecast for MY 2022/23 is also almost stable compared to MY 2021/22 at 1.3 MMT, and just slightly above MY 2020/21. These lower EU sugar export levels from the past reflect the continued production deficit and the supply of almost exclusively white sugar going solely to traditional buyers in the region, including to the UK.

EU27 sugar stocks at the end of MY 2022/23 are forecast down to 1.1 MMT, 150,000 MT down from MY 2021/22, and on par with MY 2020/21 ending stocks. The EU27 isoglucose market continues to suffer from the strong competition of sugar, as production in 2022 is suffering from high production costs, and despite increased sugar prices.

On the policy side, the EU is facing many issues simultaneously. Beyond the COVID-19 crisis and the fall-out from Brexit, the European institutions are in the last stretch to finalize the new Common Agricultural Policy (CAP), which starts on January 1, 2023 and are rolling out an ambitious stated

agenda of becoming the first region to be climate neutral by 2050 through the European [Green Deal](#) and its associated [Farm to Fork](#) (F2F) and [Biodiversity](#) Strategies. The war in Ukraine is pushing up the prices of all farm and processing inputs. On trade, the EU concluded negotiations for a free trade agreement (FTA) with New Zealand and continues negotiations with Mexico, Chile, and Australia, but the Mercosur agreement remains blocked.

### Explanatory Notes to the Reader

- All sugar numbers are in raw sugar equivalent (RSE) unless otherwise noted.
- The Production, Supply, & Distribution tables (PS&D) in this report only pertain to sugar as defined by Harmonized System (HS) code 1701; therefore, it excludes raw beet sugar production destined for fermentation or other industrial purposes like bioethanol production.
- The conversion factors and marketing years used in this report:

MY = marketing year; for sugar October/September.

Raw cane sugar = 1.07 X Refined cane sugar

Raw beet sugar = 1.087 X White (refined) beet sugar

- Sugar imports for EU inward processing (IP) purposes are included in this report’s PSD tables. While raw sugar imported under IP is being re-exported as white sugar, it should be clear that processed products made using IP sugar and re-exported are included in the EU consumption line. Inward processing is the EU customs program under which the import duties for dairy, sugar, and starch containing commodities for processing and subsequent re-export are waived.

- EUR/USD exchange rate in 2021.



Source: ExchangeRate.com

## **Acknowledgements**

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Leif Rehder and Sabine Lieberz, FAS/Berlin covering Germany

Marit Van der Hoek, FAS/The Hague covering the Netherlands, Finland, Denmark, and Sweden

*Table 1 - EU27 Sugar Production, Supply, & Distribution (PS&D)*

EU-27 Sugar, Centrifugal (in 1,000 MT RSE)						
	2020/2021		2021/2022		2022/2023	
Market Year begin	October 2020		October 2021		October 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	2,076	2,076	1,622	1,106	1,827	1,245
Beet Sugar Production	15,689	14,992	16,280	16,285	16,030	15,950
Cane Sugar Production	224	224	225	194	225	200
Total Sugar Production	15,913	15,216	16,505	16,479	16,255	16,150
Raw Imports	989	989	1,300	1,350	1,000	1,300
Refined Imp. (Raw Val)	803	803	700	650	700	700
Total Imports	1,792	1,792	2,000	2,000	1,700	2,000
<b>Total Supply</b>	<b>19,781</b>	<b>19,084</b>	<b>20,127</b>	<b>19,585</b>	<b>19,782</b>	<b>19,395</b>
Raw Exports	10	23	10	6	10	10
Refined Exp. (Raw Val)	1,249	1,255	1,290	1,334	1,290	1,290
Total Exports	1,259	1,278	1,300	1,340	1,300	1,300
Human Dom. Consumption	16,900	16,700	17,000	17,000	17,000	17,000
Total Use	16,900	16,700	17,000	17,000	17,000	17,000
Ending Stocks	1,622	1,106	1,827	1,245	1,482	1,095
<b>Total Distribution</b>	<b>19,781</b>	<b>19,084</b>	<b>20,127</b>	<b>19,585</b>	<b>19,782</b>	<b>19,395</b>

The forecast for the EU27 beet sugar production for MY 2022/23 is reviewed to under 16 MMT from 1.452 million hectares (ha) of sugar beet. As anticipated, farmers in several EU member states (MS), including Belgium, Finland, France, Poland, and Spain, further decreased beet acreage because of low sugar beet profitability and at the benefit of more profitable crops, like corn or sunflower, in the case of Spain. Increases in beet acreage in Germany are too small to offset decreases. Furthermore, sugar beet plantings mostly had a good start, but the extensive summer drought is expected to lead to lower beet and sugar yields. In the spring of 2022, some sugar processors offered beet contracts for the 2022 harvest at significantly higher prices from the previous year, attempting to lure farmers to plant more beet, but these offers came too late to have farmers change their crop scheme for the current year. In general, beet price increases for the MY 2022/23 contracts are too small to cover significantly higher production costs and input prices. Lack of water availability for irrigation also plays a role in Southern European MS. Sugar processors also face increased production costs, like for energy, transportation, and packaging. Processors in several EU MS started the beet processing campaign one or two weeks early with the aim to finish beet processing before potential natural gas supply cuts, which could halt the sugar processing, during the coming winter.

For MY 2021/22, EU beet sugar production ended close to the previous forecast at 16.3 MMT, but the final cane sugar production in the French overseas territories ended below previous expectations. For MY 2020/21, the final beet sugar production was decreased to 15.0 MMT as the final beet sugar production in [France](#) was significantly reviewed lower after a beet production year with severe beet

yellow virus (BYV) attacks that ravaged beet yields. Final sugar production for MY 2020/21 was also reviewed lower for Belgium and Spain, compared to the previous estimate.

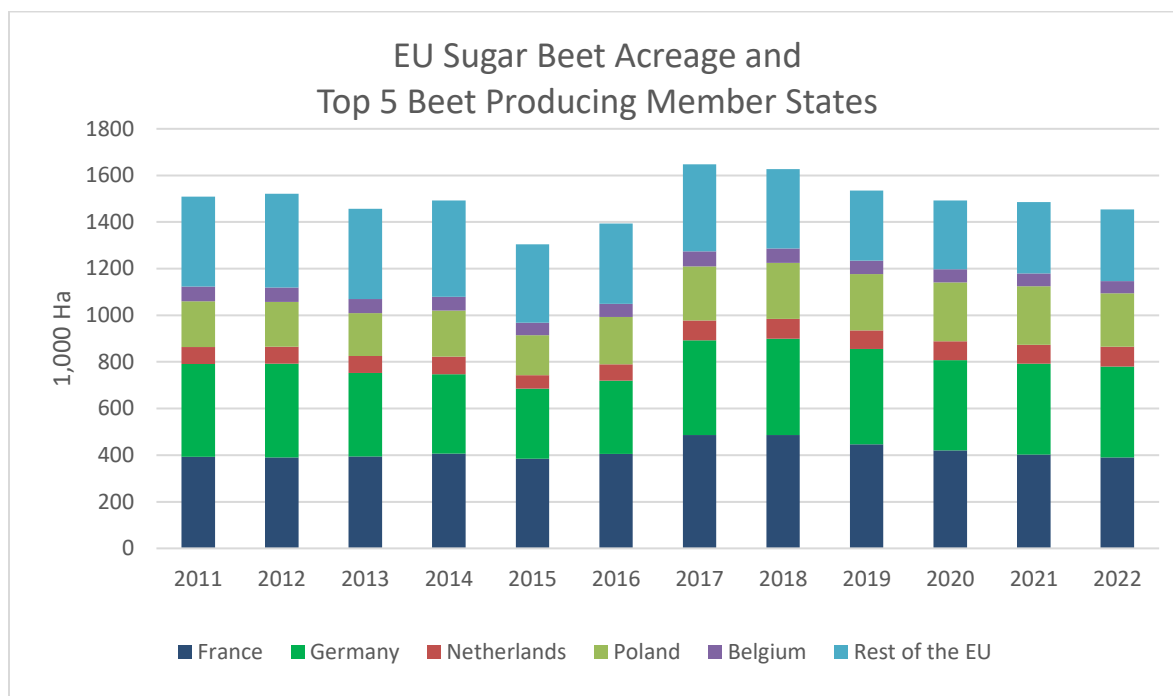
The declining trend in sugar beet area since the end of the EU sugar quota system can be seen in Graph 1 below. The EU beet area has decreased by 200,000 ha or 12 percent since 2017. In 2022, reportedly two more beet processing plants have been taken out of service after nine processing plants already closed in previous years (4 in France, 2 in Germany and Croatia and 1 in Greece). Lack of profitability induces farmers to reduce sugar beet acreage for more profitable crops, which in turn induces consolidation with processors. When a processing plant closes, this forces more farmers out of beet growing. For MY 2022/23, several more processing plants have reported to be under threat of closing. A reduction in available plant protection products (PPP), resulting from the EU not renewing product approvals, has stifled the productivity growth from the last decade and induced increased yield volatility, discouraging farmers even further. As an example, farmers blamed the 2020 BYV attack on the ban on neonicotinoid treatments and the governments from Belgium, France, Germany, and Poland were quick to grant a new derogation from the neonicotinoid ban for 2021. For 2022, some 14 MS are reported to have granted conditional derogation from the neonicotinoid ban for sugar beet seed, but the strict conditions on following crops are keeping uptake low.

**Table 2 - Production forecasts for MY 2022/23 and updates for MY 2020/21 and MY 2021/22**

<b>EU Sugar Beet Production</b>									
	<b>Planted Area, thousands of Hectares</b>			<b>Sugar beet yield in MT per Hectare</b>			<b>Sugar content in percentage</b>		
	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>
Austria	26.3	37.9	38.0	79.4	80.1	80.0	16.30	17.20	17.00
Belgium	57.1	55.2	53.3	84.3	82.4	80.0	17.40	17.00	18.50
Croatia	10.0	10.0	10.0	74.0	70.0	65.0	16.00	16.00	15.50
Czech Republic	57.1	57.7	61.2	62.6	77.0	69.0	15.84	18.10	18.24
Denmark	33.2	33.3	33.2	77.1	71.4	77.2	17.90	17.00	16.78
Finland	11.0	11.3	8.9	38.5	37.2	38.9	15.90	15.00	15.20
France	421.0	401.9	396.8	62.7	85.6	82.0	17.00	17.40	18.00
Germany	386.0	391.0	398.0	74.2	81.8	75.0	17.83	17.50	18.00
Greece	1.2	0.9	0.5	58.0	57.1	56.0	13.50	13.50	13.50
Hungary	12.9	12.2	10.0	60.5	53.0	52.5	16.00	16.00	16.00
Italy	27.4	28.0	27.0	67.2	54.1	61.1	14.50	16.20	14.50
Lithuania	14.7	15.8	13.0	65.6	54.3	61.0	17.50	17.10	17.10
Netherlands	81.5	81.0	81.9	82.1	80.7	85.2	17.20	16.50	17.50
Poland	252.0	250.1	230.0	59.5	61.1	62.0	15.50	17.21	17.00
Romania	21.3	19.6	15.0	33.7	40.0	38.7	16.80	15.50	16.50
Slovakia	21.7	22.1	19.2	62.0	62.6	59.5	14.45	17.21	16.50
Spain	28.7	29.6	26.7	85.8	86.0	85.3	17.40	17.50	17.80
Sweden	29.8	28.7	28.7	68.0	72.0	69.7	15.60	15.50	15.53
<b>Total EU27</b>	<b>1492.9</b>	<b>1486.1</b>	<b>1452.1</b>						

Source: FAS/USEU based on data from FAS analysts in EU MS.

**Graph 1 - EU Sugar Beet Acreage**



Source: FAS EU Posts based on Eurostat data.

**Table 3 - Total Sugar Beet Production Including Additional Production for Non-food Industrial Use**

<b>EU Beet Sugar Production (raw value)</b>				
	in 1,000 MT	2020/2021	2021/22	2022/23
EU Sugar Production		14,992	16,285	15,950
Production for Industrial Use		1,780	1,721	1,720
<b>Total EU Beet Sugar Production</b>		<b>16,772</b>	<b>18,006</b>	<b>17,670</b>

Source : FAS/USEU calculation based on contributions from FAS analysts in EU MS.

Total EU27 beet sugar production for MY 2022/23, including thick juice for industrial use that falls beyond the scope of our reporting, is forecast at 17.67 MMT. This is a 336,000 MT decrease compared to MY 2021/22. However, this remains about 1 MMT above BYV affected MY 2020/21. The industrial use of raw sugar juice for fermentation and bio-ethanol production is forecast to remain flat in MY2022/23, given the high sugar prices. Bioethanol production from sugar beet has almost stopped despite a higher bioethanol consumption after the COVID-19 crisis, except in a few dedicated beet processing plants, mainly in France. The decrease in bioethanol production results from bioethanol plants preferring to use grains as feedstock instead of sugar in the wake of increasing sugar prices. Table 4 hereafter breaks down the sugar beet produced and used for sugar production and industrial fermentation uses for bioethanol and other biochemical production. For more information about the bioethanol market see the FAS GAIN Report – [EU Biofuels Annual 2022](#).

**Table 4 - EU Sugar Beet PS&D**

<b>Sugar Beets</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>
Market Year Begins	<b>Oct-20</b>	<b>Oct-21</b>	<b>Oct-22</b>
European Union	<b>New Post</b>	<b>New Post</b>	<b>New Post</b>
Area Planted (1000 HA)	1,492.9	1,486.1	1,452.1
Production (in MMT)	101.1	113.5	107.8
<b>Total Supply (in MMT)</b>	<b>101.1</b>	<b>113.5</b>	<b>107.8</b>
Utilization for Sugar (in MMT)	92.2	106.3	101.0
Utilization for Industrial Fermentation (in MMT)	8.9	7.2	6.8
<b>Total Distribution (in MMT)</b>	<b>101.1</b>	<b>113.5</b>	<b>107.8</b>
(1000 HA), (1 million MT)			

Source: FAS/USEU calculation based on MS data; not official USDA data.

### ***EU27 Sugar Consumption***

Total EU27 sugar consumption is forecast to remain stable in MY 2022/23 after recovering from a decrease from the COVID-19 outbreak in 2020, because the increased sugar consumption in home cooking did not fully compensate for the loss in away-from-home eating. An increase in the EU population, strengthened by an influx of several million war refugees from Ukraine, compensates for some decrease in per capita consumption from a heightened health awareness for food. [Food processors](#) across the EU continue to respond to consumer and health authorities' pressure to reduce sugar content in food and drinks through reformulating products. Some EU MS keep considering sugar taxes, but a recent [World Health Organization \(WHO\) report](#) indicates that the motives for taxes on sugar vary from reducing sugar consumption to plain revenue generation for budgetary deficit reasons.

While EU sugar prices have been increasing since 2019, recently, towards the end of MY 2021/22, spot white sugar prices in the EU have been reported well over €1,000/ MT, threatening the profitability of the EU export-oriented food industry, especially the smaller candy and chocolate producers. This led the Association of Chocolate, Biscuit and Confectionery Industries of Europe (CAOBISCO), together with the National Confectioners Association (NCA), to release the following [joint statement](#) on September 1, 2022, calling upon the European Commission and the U.S. Government to provide additional duty-free market access, at least until the new production becomes available. Further, some sugar using industries, like the drinks industry, have been considering switching to other sweeteners like isoglucose, but as the production of these alternate sweeteners in the EU is limited, such a reformulation is not viable for most food processors.

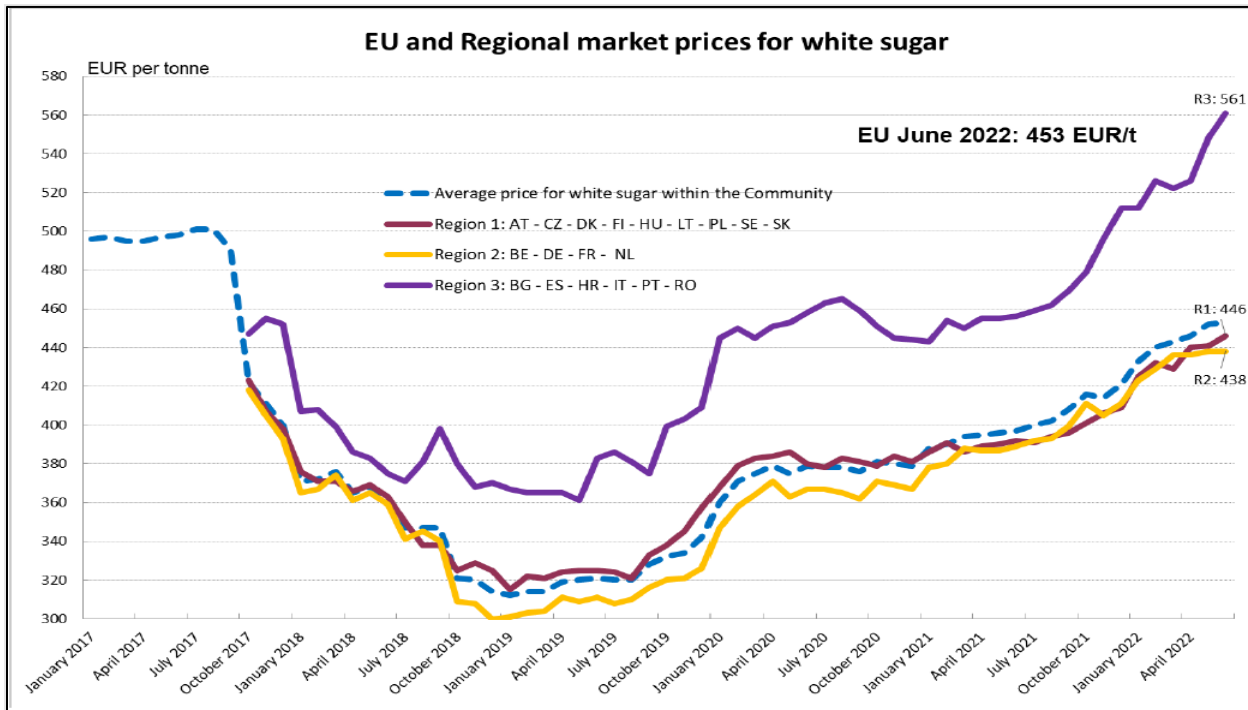
The shortfall in sugar production in recent years is also leading to rumors of sugar shortages on supermarket shelves towards the end of the marketing year, especially in Eastern European member states with limited sugar production capacities. In 2022, sugar rationing is reported in Hungary and even Poland, probably as the result of speculation, not lack of sugar supplies.



The price differentiation in the EU sugar market, as shown in graph 2 below, between the core producing MS (Region 2: Belgium, France, Germany, the Netherlands, and formerly the UK) and EU MS in the periphery (Region 3: Bulgaria, Romania, Greece, Croatia, Italy, Spain, and Portugal) continues to increase, reflecting the difference in sugar availability. This widening price gap at the end of 2021 benefitted less efficient beet sugar processors in Region 3, somewhat similar as happened in the spring of 2020 with the market disruption provoked by COVID-19.

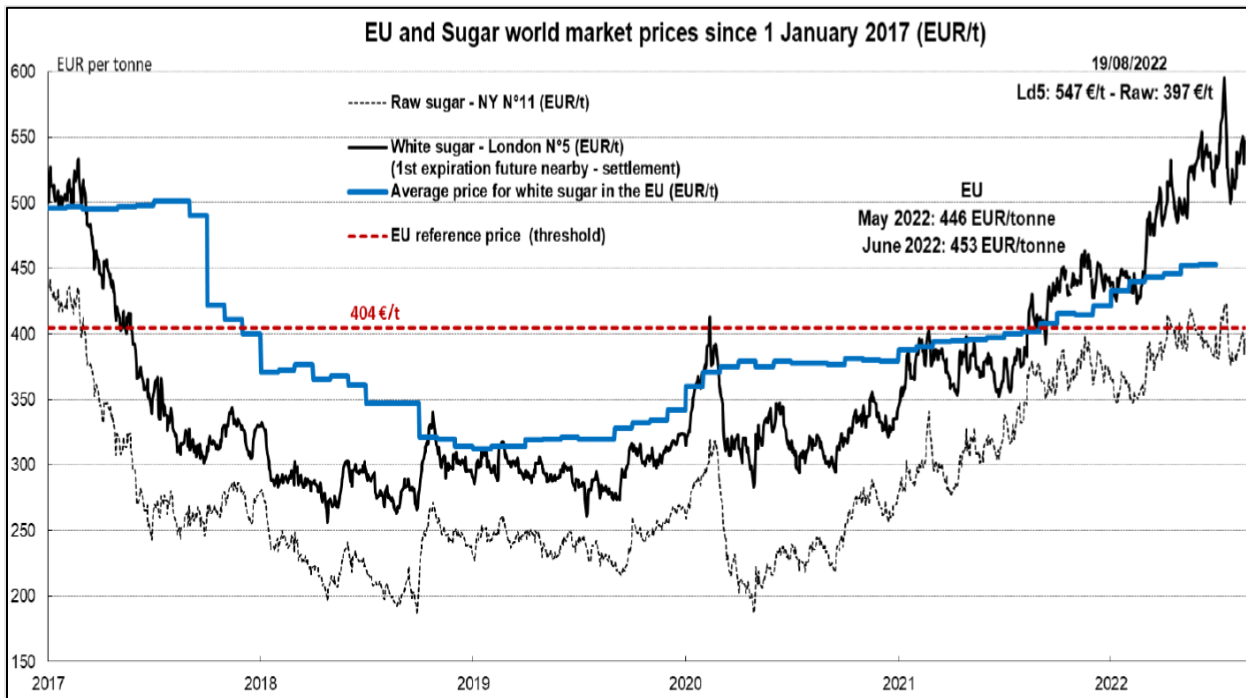
The departure of the UK at the beginning of 2021 did not lead to a major change in prices in Region 2 to which the UK previously belonged, although the UK was a net sugar importer from this zone and continues to be. The competition with the UK for sugar imports bolstered the increase in sugar prices on the London 5 market in the late summer of 2021, as shown in graph 3 below. The increasing price gap between raw and white sugar markets after the summer of 2021 generated higher margins for EU sugar refiners.

**Graph 2 - EU Regional Prices for White Sugar**



Source: European Commission

**Graph 3 - EU and World Market Prices After the End of the EU Quota Regime**



Source: European Commission

## **EU27 Sugar Trade**

### **Imports**

The forecast for EU27 sugar imports in MY 2022/23 is now stable at 2.0 MMT compared to MY 2021/22, supplementing the decreased sugar production forecast. Imports in MY 2021/22 started off rather slowly at the beginning of the EU beet processing campaign, to speed up towards the end of 2021 when global prices significantly increased even before the war in Ukraine started (See graph 4). Because of low ending inventories at the end of MY2021/22, a similar sugar import scenario is anticipated in the autumn of 2022 in anticipation of the new EU domestic production.

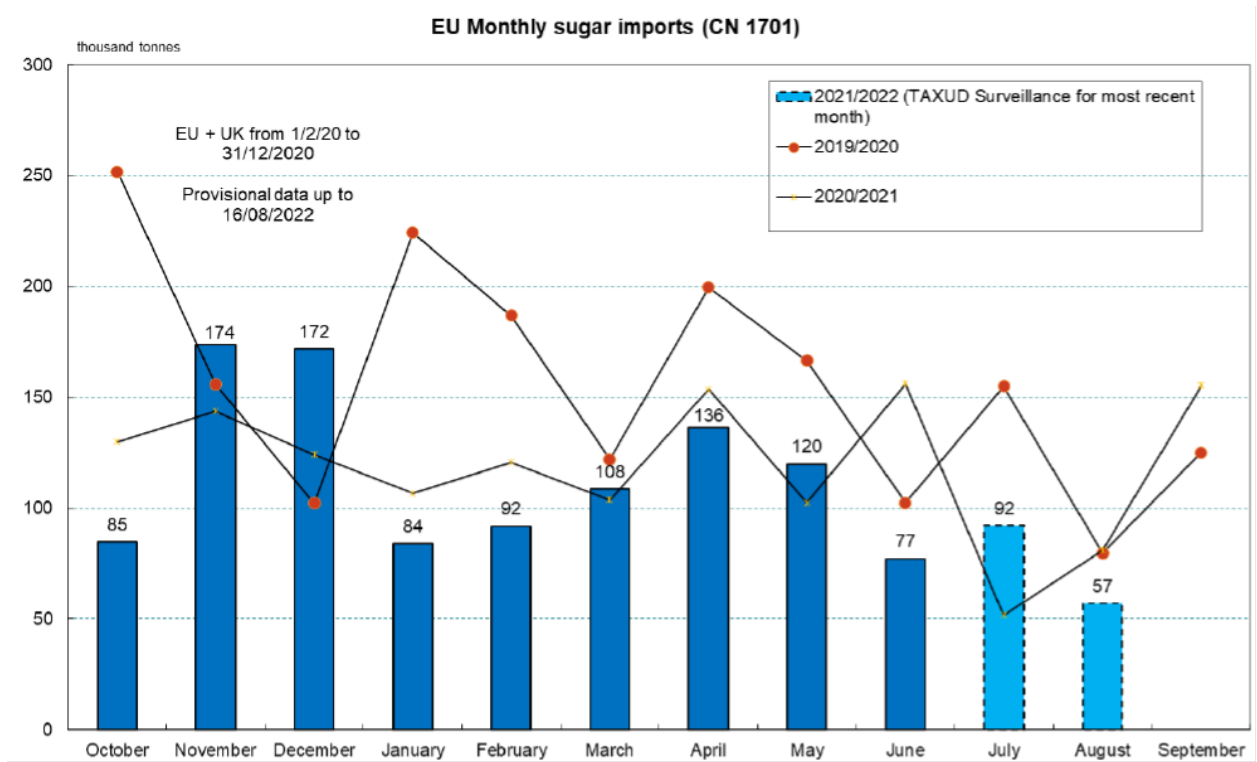
For MY 2020/21, EU sugar imports from the UK almost stopped in January 2021, except some imports into Ireland, after Brexit became final on December 31, 2020, despite the [EU-UK Trade and Cooperation Agreement](#) (TCA), which was concluded on December 24, 2020, providing for duty-free sugar trade. Due to agreed [rules of origin](#), the UK can no longer export refined sugar made from imported non-originating<sup>1</sup> raw sugar to the EU duty-free (and vice versa). As the UK is maintaining duty-free access for sugar from African, Caribbean, and Pacific (ACP) countries and Least Developed Countries (LDCs), the EU competes with the UK for preferential sugar at zero duty under the [Everything-But-Arms](#) (EBA) agreement and from FTA quota available for both the EU and UK market.

<sup>1</sup> Originating sugar for EU-UK bilateral trade only includes sugar produced in the EU and the UK, or sugar that has been significantly processed according to the rules of origin agreed in the TCA.

As a result, EU27 sugar imports under EBA have leveled off after January 1, 2021, being substituted by higher exports from other sources like Brazil, Algeria, and South-Africa. Graph 5 below shows the evolution of EU sugar imports from EBA countries.

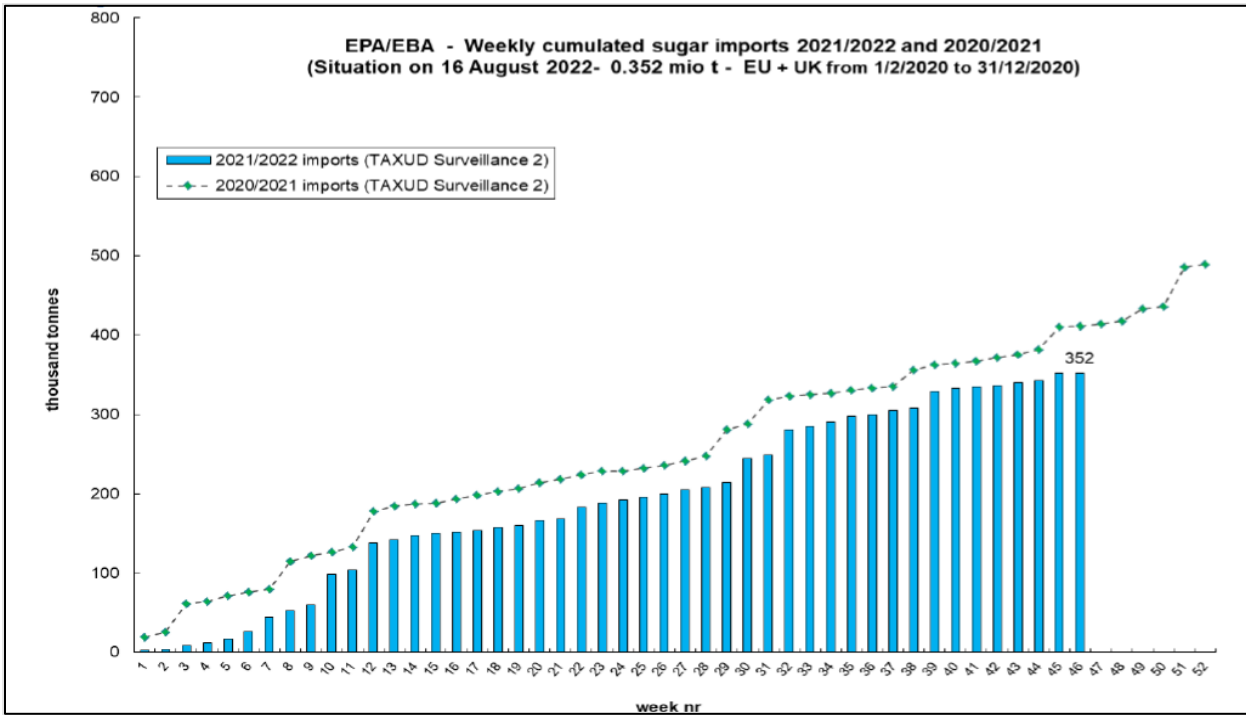
Imports into tariff rate quotas (TRQs) under FTA's are expected to remain stable, as no new FTAs were implemented since the [EU-Vietnam FTA](#), which entered into force on August 1, 2020 and provides for a sugar TRQ of 20,000 MT RSE. See the MY 2021-22 quota fill in graph 6 and 7. Despite a recent spike in the refining premium, sugar imports into the EU WTO CXL quota remained limited in MY 2021/22 because of a prohibitive €98/MT duty. It remains to be seen if they will pick up in MY 2022/23.

**Graph 4 - EU monthly Sugar Imports in MY 2021/22**



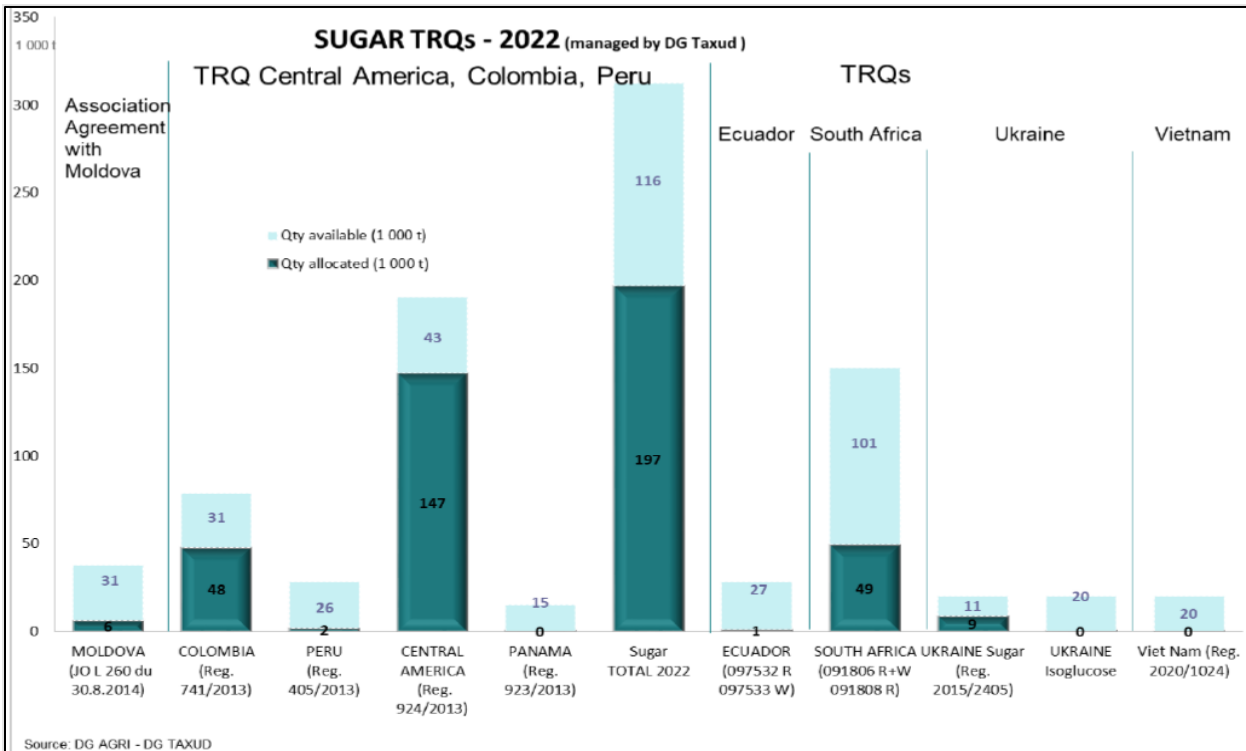
Source: European Commission

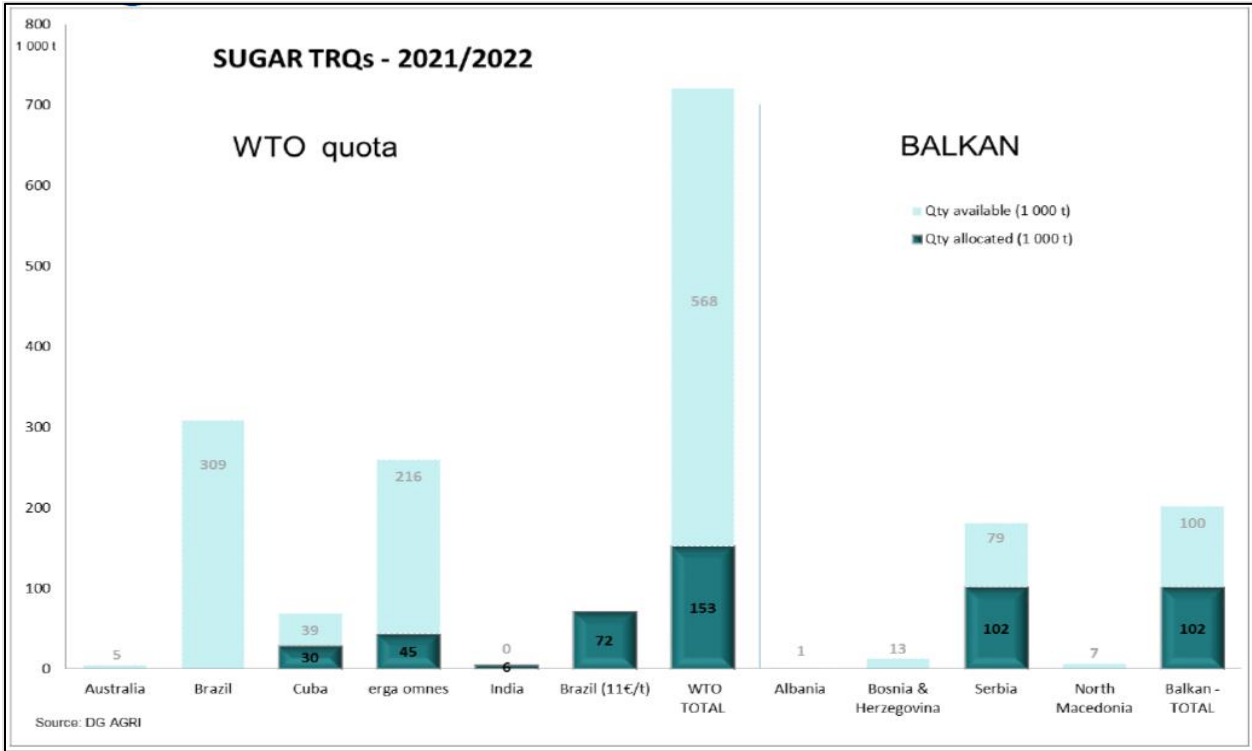
**Graph 5 - EU Imports from EBA Countries**



Source: European Commission

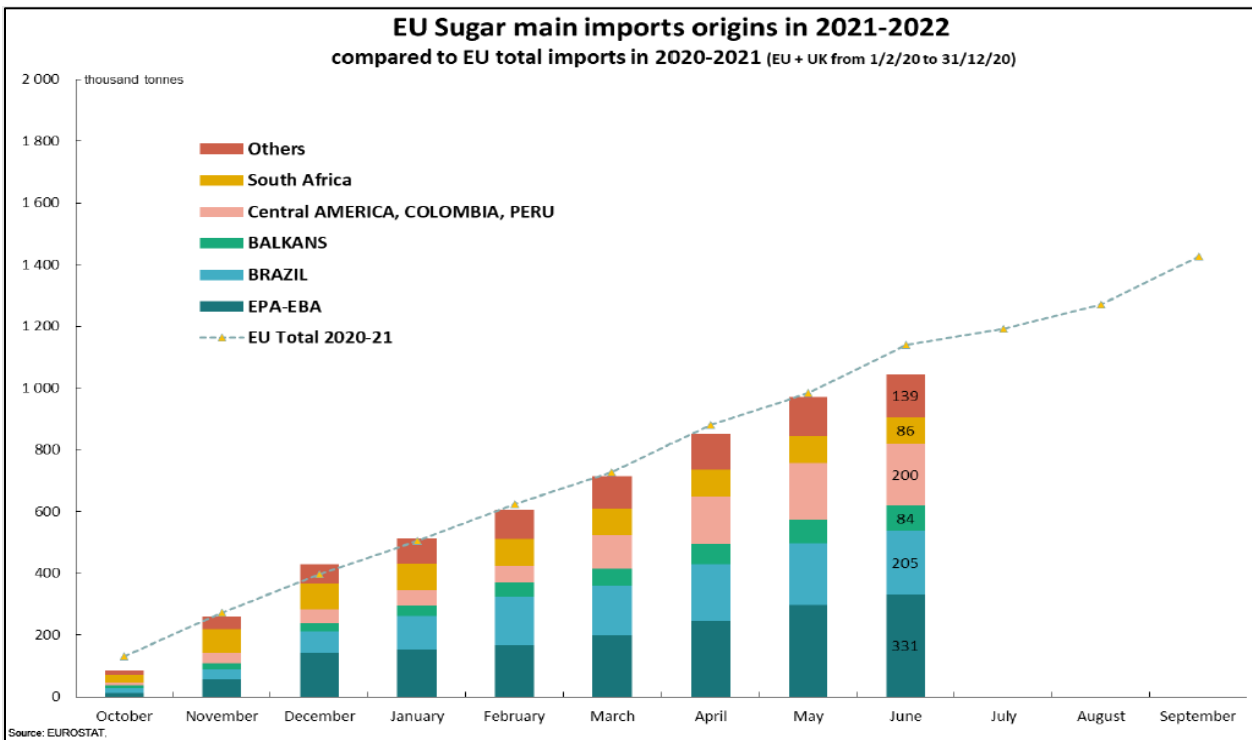
**Graph 6 and 7 - EU Sugar TRQs 2021-2022 Use**





Source: European Commission

**Graph 8 - Total EU 27 Sugar Imports in MY 2021/22**

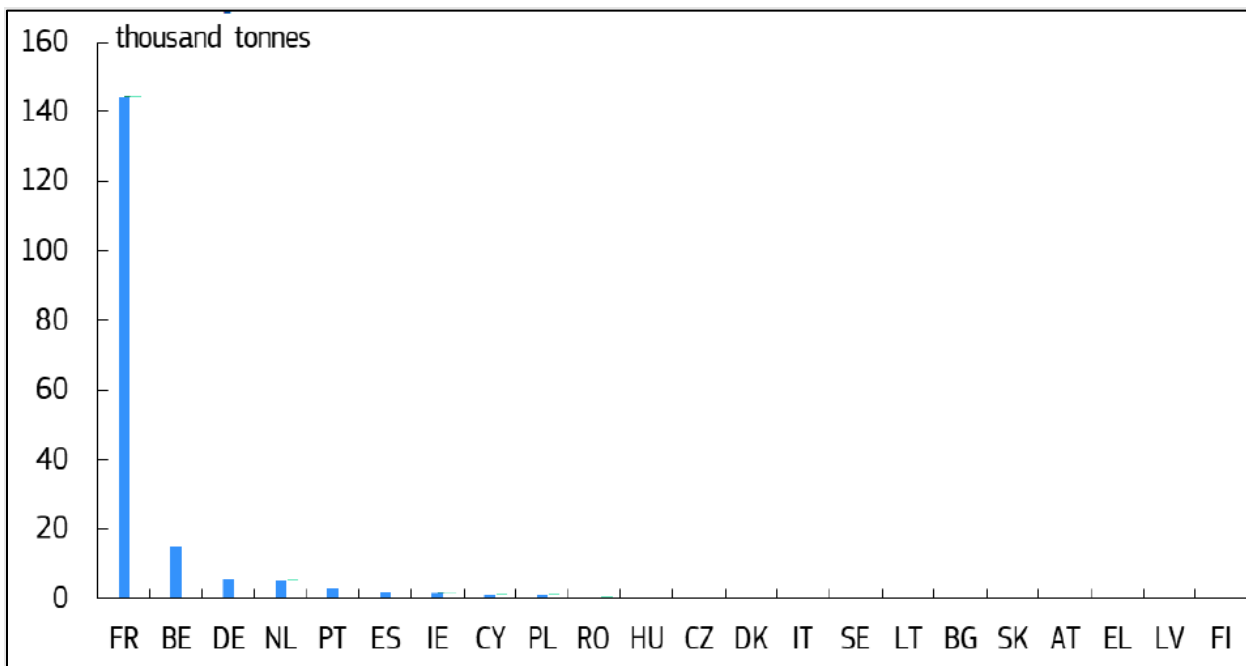


Source: European Commission

## Exports

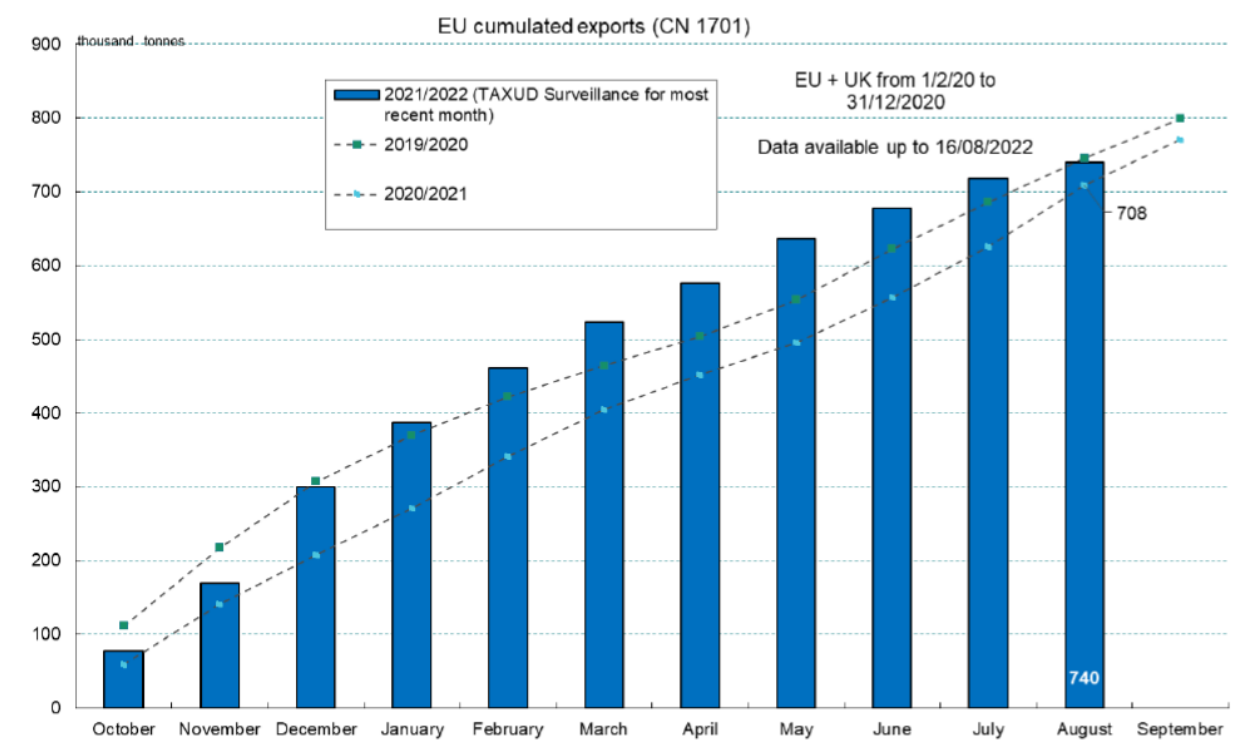
The EU27 sugar export for MY 2022/2 is forecast at 1.3 million MT, slightly down from MY 2021/22 exports. Sugar exports in MY 2021/22 are slightly higher than previously anticipated and higher than MY 2020/21 exports. Exports in MY 2021/22 recovered to the UK, following a temporary decrease after Brexit, and Egypt. The main EU sugar exporting MS are France, Germany, Belgium, and Poland. The main EU sugar export destinations are Israel, UK, Norway, and Switzerland, followed by North-African and Middle East countries. While EU sugar exports to the UK face the same rules of origin after January 1, 2021, it is not having the same impact as EU imports from the UK, as they only affect refiners processing imported raw sugar, which is small compared to EU domestic production. France remains the prime sugar exporter to the UK (See graph 9). Note that the EU sugar export numbers in graph 10 below are almost exclusively white sugar exports, which explains the gap with this report's PS&D.

**Graph 9 - EU Sugar Exports to the UK for the October 2021-June 2022 Period**



Source: European Commission

**Graph 10 - EU cumulated exports for CN 1701**



Source: European Commission

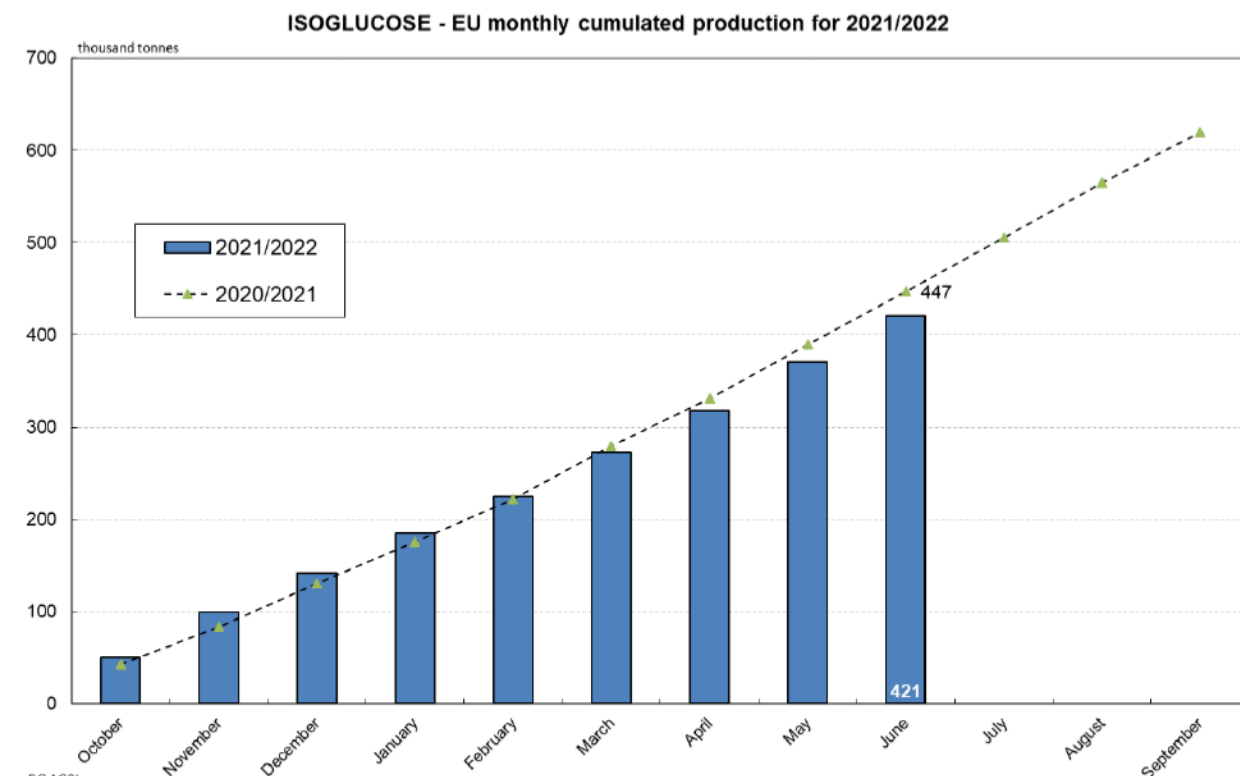
### **EU27 Sugar Stocks**

EU27 sugar stocks forecast at the end of MY 2022/23 is decreased to 1.1 MMT in line with the decrease in production, down 0.15 MMT from MY 2021/22. The MY 2020/21 ending stock number was revised to 1.1 MMT in line with the reviewed sugar production.

### **EU27 Isoglucose Production**

After a strong start in MY 2021/22, isoglucose production in the EU27 began to slow compared to MY 2020/21 when production costs, especially for energy, rose after the Russian invasion in Ukraine (See graph 11 below). Increasing EU sugar prices should be beneficial for isoglucose producers, but prices for wheat and corn, the two main raw materials for isoglucose, have soared and challenges remain for the export of Ukrainian grains and tight global supplies. There was a short-lived increase in production after the end of the EU sugar quota regime, but isoglucose had a hard time competing with low EU sugar prices in recent years. As a result, a new Hungarian plant, which opened in 2017, continues struggling to reach capacity, despite a price cap on energy installed by the Hungarian government.

**Graph 11 – Isoglucose – EU monthly production**



Source: European Commission

### ***EU27 Sugar Policy***

#### ***EU Policy Response to the War in Ukraine***

In February 2022, Russia launched an invasion in Ukraine. The war has threatened global food security mainly due to the high level of exports of feed and grain products from the two countries. On July 20, 2022, the UN Food and Agriculture Organization (FAO) published a “[Note on the impact of the war on food security in Ukraine](#)”. The EU sugar sector is impacted for the MY 2022/23 by increased input prices, such as energy, pesticides, and fertilizers, for which Belarus and Russia are important suppliers.

On March 23, 2022, the European Commission published a Communication on ‘[Safeguarding food security and reinforcing the resilience of food systems](#)’. This Communication outlines short-term and medium-term actions that the EU will take to enhance global food security and support EU farmers given rising commodity prices and costs for energy and fertilizer inputs due to the war in Ukraine. First, €500 million euros will be distributed in national allocations to directly support EU farmers most affected by higher input costs and the closure of export markets. Member States can supplement this support up to 200 percent using national funds.



Additionally, the Commission has granted an exceptional and temporary [derogation](#) from certain greening obligations. Member States may allow production of any food and feed crops on fallow lands that are part of Ecological Focus Areas (EFA) for the duration of 2023, while still providing the full level of greening payment that would be given if the land was kept fallow. This temporary flexibility aims to allow EU farmers to adjust and expand their cropping plans in response to the new market dynamics. On land use, the Commission also supports Member States reducing blending proportion requirements for biofuels. This would reduce the amount of EU agricultural land devoted to production of biofuel feedstock, thereby freeing up the supply of food and feed commodities.

The European Commission has also allowed EU Member States to use derogations from [Regulation 396/2005](#) for pesticide maximum residue levels (MRLs) to be able to import feedstock from additional sources. For the Commission, individual Member State-specific MRL flexibilities are only meant to address acute shortages in the Member State that granted them, so the products imported under these temporary MRL flexibilities should not be traded with other Member States. Furthermore, national measures must be of limited duration and based on the specific situation in each respective Member State.

### ***New CAP, Green Deal, Farm to Fork (F2F) and Biodiversity Strategies***

The previous Juncker Commission published its original proposals for the next [Common Agricultural Policy](#) (CAP) on June 1, 2018, but it was evident from the start that, given the European elections in May 2019 and the uncertainty about [Brexit](#), it would be up to the incoming institutions to finalize the agreement. As the old CAP expired at the end of 2020 and Brexit became a reality at the end of January 2020, the new Von der Leyen Commission approved an extension of the current CAP and prepared a new multiannual financial framework 2021-2017 (MFF) proposal (€1074.3 billion), in combination with an extraordinary recovery effort for the COVID-19 crisis, known as the Next Generation EU (€750 billion). The [€1.8 billion package](#), which gained EU Council approval on July 21, 2020, aims at helping the EU to rebuild after the COVID-19 pandemic and support investment in the green and digital transitions. The new MFF proposal received final approval on December 17, 2020, and includes €356.4 billion for the new CAP and Fisheries policy, of which €270 billion for direct payments and market measures (together Pillar I) and €85.4 billion for rural development (Pillar II) for the 2021-2017 period. On June 25, 2021, the Parliament, Council, and Commission reached a provisional [political agreement](#) on the new [CAP 2023-2027](#), which will enter into force in 2023. The European Parliament granted final approval on November 23, 2021, and the European Council provided final approval on December 2, 2021.

On May 20, 2020, the European Commission announced both the [Farm to Fork](#) (F2F) Strategy and the EU [Biodiversity Strategy](#) for 2030 as roadmaps for enhancing food and agricultural sustainability by 2030 under the European [Green Deal](#). The Strategies mark the beginning of a multi-step legislative development process that aims to fundamentally change the way EU agriculture operates and food is produced for, and provided to, EU consumers. The goal is for MS to tailor their new CAP programs

towards achieving and enforcing the different strategy targets through [enhanced conditionality measures](#). The stated goal is that 40 percent of CAP funding goes towards climate change mitigation measures. Specific goals are a 50 percent reduction in pesticide use, a 50 percent reduction of nutrient leakage in groundwater through a 20 percent reduction in fertilizer use, an increase in nature conservation areas to 30 percent, 10 percent of environmental set-aside, and 25 percent of land for organic farming.

Additionally, increased animal welfare and limitations in veterinary drug use, especially antimicrobial use, goals are stated. For the implementation of the new CAP 2023-2027, MS were requested to submit [National Strategic Plans](#) (NSPs) by the end of 2021. The Commission is scrutinizing the MS NSPs against the CAP agreement and F2F, incorporating MS specific goals and initiatives. As part of their NSP, several MS are maintaining the voluntary coupled supports (VCS) from the previous CAP, including for sugar. The Commission approved the first seven NSPs on August 31, 2022, followed by two more, and is expected to approve the remaining NSPs before the end of 2022, giving MS only limited time to implement them before the new CAP starts on January 1, 2023.

The EU sees its [Green Deal](#) and accompanying strategies as its way of achieving its [Paris Climate Agreement](#) and other [UN Sustainable Development Goal](#) commitments. Both legislative bodies have requested that impact assessments be made available before legislative initiatives are proposed.

### ***Brexit Update***

The UK formally left the European Union on January 31, 2020, and the one-year transition period ended on December 31, 2020, in which it continued to fully comply with EU rules and legislation. During this transition period, both parties negotiated a [Trade and Cooperation Agreement](#) (TCA) on their future relationship, which was concluded on December 24, 2020 avoiding a no deal outcome (hard Brexit). The EU and the UK agreed on duty-free trade for sugar of respectively EU and UK origin. Early trade problems occurred because of the Brexit impact of the [rules of origin](#), for which the EU also provides specific [guidance](#). The EC also published a specific [guide](#) on the use of EU Tariff Rate Quotas (TRQ).

The UK government published its post-Brexit [tariff schedule](#) that applies as of January 1, 2021. The MFN tariff for refined sugar is £350/MT (€419/MT), while the MFN tariff for raw sugar for refining carries a £280/MT (€339/MT) duty. The UK is providing a duty-free TRQ of 260,000 MT for raw cane sugar for refining for one year. Info on the TRQs that UK operate is available [online](#).

While the EU immediately applied full customs checks on January 1, 2021, the UK extended the grace period for the implementation of full customs inspections on imports from the EU to January 1, 2022, but the implementation at UK border posts has been further postponed.

### ***EU Eyes Four New FTAs as No Progress on EU-Mercosur Trade “Agreement in Principle” Is Made***

On June 30, 2022, the EU concluded negotiations on an FTA with [New Zealand](#), eliminating all duties on EU exports of confectionary and chocolate. The EU also has the ambition to finalize the update of its

FTAs with Mexico and Chile, while negotiations on an FTA with Australia continue. The FTAs with Mexico and Australia are expected to include a chapter on sugar.

On June 28, 2019, the EU reached a trade “[Agreement in Principle](#)” with the four member countries of Mercosur (Argentina, Brazil, Paraguay, and Uruguay). The details of this agreement, that provides for a new 10,000 MT duty-free import quota for Paraguay, while Brazil would see the in-quota duty eliminated on 180,000 MT of its WTO quota, still need to be elaborated and its implementation, on a provisional basis, is years away. Nevertheless, intensifying discussions on climate change mitigations and further environmental restrictions as the EU is discussing its Green Deal and F2F proposals, as well as criticism from EU farmers, MS, and EP, have put into question the future of this FTA. Several MS continue to criticize the EU-Mercosur agreement.

### ***Pesticide Policy - Neonicotinoids***

In 2018, the European Commission banned the use of three neonicotinoids (clothianidin, imidacloprid, thiamethoxam), except for use in greenhouses, because of their harmful effect on wild bees and honeybees. These neonic pesticides are important for sugar beet production because they are used to prevent aphid infestations in sugar beets. Aphids spread many diseases including viruses such as the beet yellows virus (BYV) which leads to beet dwarf jaundice, a disease that can cut yields by half. Since the ban in 2018, about 15 MS have requested 74 emergency derogations for their use, for which over 50 percent was for the use on sugarbeets. This procedure allows individual MS to apply for a three-month emergency authorization for the use of a banned substance, in case they can prove that its use is safe for their particular case and there is no alternative available.

In 2020, Austria, Belgium, Croatia, Czech Republic, Denmark, Finland, Hungary, Lithuania, Poland, Romania, Slovakia, Slovenia, and Spain had exemptions on the neonicotinoid ban in place for use in sugar beet seed coating for one or more of the banned active substances. After the severe yellows virus attacks in 2020, France and Germany also provided an exemption for 2021. All these MS have extended exceptions for 2022 as well, but the strict conditions on following crops severely limit take-up by farmers. In November 2021, the European Food Safety Authority (EFSA) published its [assessment](#) that all the emergency authorizations for the use of neonicotinoids in sugar beet by 11 MS in 2020 and 2021 were justified.

At the end of September 2022, EU Member States voted in favor of the Commission’s proposal to reduce EU Maximum Residue Levels (MRLs) for clothianidin and thiamethoxam to the limit of determination (LOD), which is based on EU concerns with global pollinator declines. The regulation is expected to be adopted in early 2023, and once published, the ban will go into effect in three years to give food operators and third countries time to adapt to the new rules. Once the rules are in place, imported products will no longer be able to contain residues of these two neonicotinoids.

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European Union	<a href="#">Sugar Annual 2021</a>	04/22/2021
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United Kingdom	<a href="#">EU-UK Trade Agreement - Potential Impacts of Rules of Origin</a>	01/11/2021

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