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THE SITUATION IN THE SUGAR SECTOR

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INTRODUCTION

In October 1975 the Council of Ministers of the European Communities is to take a decision on the organization of the Community market in sugar. The present provisional system is to be replaced by a permanent system. The Nine must also decide at that time on how they intend to meet a certain number of international commitments which they have entered into in this sector[1].

In order to take these decisions the Ministers will have to take into account developments on the sugar market over recent years.

Three main features may be said to typify the present situation on the world sugar market:

- in spite of a disappointing sugar year in 1971/72, world sugar production is beginning to keep pace with consumption. Thus, in 1973/74, the deficit was reduced to 47 000 metric tons;

- stocks are continuing to fall and now cover only 19.3% of consumption, as against 25.6% in 1970/71;

- world sugar prices are showing a marked increase, the price of raw sugar having reached US $625 per metric ton on 21 May 1974.

As regards the sugar market in the European Community, in the 1973/74 sugar year a deficit of 384 000 metric tons was recorded.

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[1] See first part of "Newsletter of the Common Agricultural Policy" No 7 of July 1974.

This situation, which now appears to be due to structural causes, can be explained by four factors:

- profitability per hectare is decreasing;
- the area under beet has not increased, remaining at 1.5 million hectares;
- human consumption showed an unusual increase in 1973/74;
- 1973/74 deliveries of raw sugar from the developing countries of the Commonwealth were 300 000 metric tons less than the quantity specified in the Commonwealth Sugar Agreement.

The Community is, in any case, basically self-sufficient in sugar and would seem to have little cause for concern about the future of this sector since there would be no difficulty in increasing the area under beet.

I. SITUATION ON THE WORLD MARKET: STOCKS CLEARLY INSUFFICIENT

A. - BALANCE BETWEEN PRODUCTION AND CONSUMPTION IN 1973/74

Between the sugar years 1970/71 and 1973/74, world production of raw sugar increased by 11.3%, rising from 72.7 million metric tons to 81 million metric tons. During the same period consumption increased at a slower rate (8.7%), rising from 74.5 million metric tons to 81 million metric tons. Since the 1970/71 sugar year consumption has exceeded production, necessitating the use of stocks. The 1971/72 harvest, at 73.8 million metric tons, was particularly poor. During that sugar year, which saw production fall in Cuba and the Soviet Union, the deficit reached the high level of 2.2 million metric tons.

This deficit, which increased by 28.9% between the sugar years 1970/71 and 1971/72, has since been reduced: by 58.8% from 191/72 to 1972/73 and by 94.9% from 1972/73 to 1973/74.

In the 1973/74 sugar year the deficit was only 47 000 metric tons, as a result of increased production in Cuba and the Soviet Union. These two countries alone accounted for one-third of the world production increase between the 1972/73 and 1973/74 sugar years. Between 1970/71 and 1973/74 world production and consumption of raw sugar evolved as follows (in 1 000 metric tons):

	1970/71	1971/72	1972/73	1973/74
Consumption	74 518	76 105	78 099	81 068
Production	72 771	73 852	77 173	81 021
Balance	-1 747	-2 253	- 926	- 47

In 1970/71 production was 2% down on the preceding sugar year. During the 1971/72 sugar year a 1.4% improvement was recorded, although this was insufficient to cover the 2% increase in consumption.

In the 1972/73 and 1973/74 sugar years, however, production increased at a higher rate than consumption, the figures being 1.8% and 1.6% respectively.

The percentage increases for world production and consumption of raw sugar were as follows from 1970/71 to 1973/74:

	1970/71	1971/72	1972/73	1973/74
Production	-2.12	+1.49	+4.50	+4.99
Consumption	+3.18	+2.13	+2.62	+3.30

Consumption was covered by stocks as to 25.6% in 1970/71, the cover falling to 19.3% in 1973/74 (20% in August 1973). The decrease was negligible however in 1973/74, being only 4.3% as against 11.9% from 1970/71 to 1971/72.

Between 1970/71 and 1973/74 the percentage cover moved as follows:

	1970/71	1971/72	1972/73	1973/74
Percentage cover	25.61	22.54	20.22	19.35
Percentage decrease in cover	-	-11.98	-10.29	- 4.3

B. - SUBSTANTIAL PRICE INCREASES

The rise in world prices for white sugar has been very considerable between 1968 and 1974, for over this period these prices have risen from US $50.4 to $625 per metric ton (Paris Exchange price fob stowed).

The rate of increase in these prices was low between 1972 and 1973, being only 9.7%, but reached a peak between 1973 and 1974, when it rose to more than 129%. It should also be noted that the rate of increase was 16.7% between February and May of 1974.

From 1968 to 1974 world prices for white sugar (in French francs and in US dollars at the Paris Exchange) and their rate of growth were as follows:

	1968	'69	'70	'71	'72	'73	13.2.74	31.5.74
FF	242	380	485	694	1021	1121	2570	3000
Dollars	50.4	79.1	101	144.5	212.7	233.5	535.4	625
Percentage increase	-	57	27.6	43	47.1	9.7	129.2	16.7

C.- BRAZIL: POTENTIALLY THE MAJOR WORLD PRODUCER

Over the period 1970-1973 the average share of cane in world sugar production was 58.3%, compared with 41.7% for beet. The breakdown was as follows (in %):

	1970/71	1971/72	1972/73
Cane	58.66	56.81	59.62
Beet	41.34	43.19	40.38

The nine countries of the EEC are the main world producer of beet sugar, followed by the Soviet Union and the United States.

The main producers of sugar cane are Cuba, Brazil - these being the main exporters - and India where production is almost exclusively for domestic consumption. Sugar cane is principally grown in the developing countries.

In some such countries, such as Mauritius and Fiji, the sugar cane crop is of key importance for the economy and export revenue. It should also be remembered that Brazil is now considered to be the country with the world's largest capacity for sugar production.

In 1971 world sugar beet and sugar cane production was shared as follows (in million metric tons):

Countries producing cane sugar		Countries producing beet sugar	
Cuba	6	Soviet Union	8.40
Brazil	5.20	The "Six" of which	8
India	3.90	Germany	2.2
China	3.10	France	3.2
Australia	2.70	Italy	1.1
Mexico	2.50	Belgium	0.8
Philippines	2.10	Netherlands	0.7
South Africa	1.70	United States[1]	4.20
Hawaii	1.10	Poland	1.70
Dominican Republic	1.10	United Kingdom	1
Argentina	0.99	Spain	0.94
Peru	0.88	Turkey	0.91
Indonesia	0.83	Czechoslovakia	0.73
Columbia	0.77		
Taiwan	0.76		
Others	9	Others	7

[1] USA: Including cane sugar.

Will stocks pose a problem in 1980?

According to certain estimates world consumption of raw sugar will rise in 1980 to 100 million metric tons, which represents a 23.35% increase on the 1973/74 figure and an annual growth of 3.89%.

The figure advanced for 1985 is 113 million metric tons, that is, a 39.98% increase over 1973/74 and a 3.58% increase per year. We have seen that production is now growing at 4.99%. If that growth is maintained, production will reach 105.250 million metric tons in 1980 and 125.460 million metric tons in 1985.

If it is assumed that consumption will be 100 and 113 million metric tons in 1980 and 1985 respectively, production will therefore cover demand but will be insufficient to rebuild stocks which, in normal circumstances, should represent approximately 23% of consumption. If the production figures for 1980 and 1985 are 105.250 and 125.460 million metric tons respectively, stocks will represent no more than 5.2% and 11% respectively of consumption in the said years.

For the 1974/75 sugar year the forecasts are as follows:

- Soviet Union: production will be slightly down on 1973/74, when it was exceptionally high;
- Brazil: this country, with the world's largest potential capacity, should produce 7 425 000 metric tons, as compared with 7 150 000 metric tons in 1973/74. Exports will rise to 2 376 000 metric tons and domestic demand will increase by 30 000 metric tons.

- Australia: production, which reached 2.6 million metric tons in 1973/74 and 2.9 million metric tons in 1972/73, should increase slightly.

- South Africa: production was down in 1973/74 - 1.850 million metric tons, compared with 2.9 million metric tons in 1972/73 - but should rise to approximately 1.950 million metric tons.

- Cuba: production will be slightly up on 1972/73, when it reached 5.750 million metric tons.

- Mauritius: production will probably be down on the preceding year.

- Philippines: a development plan provides for an annual increase in production of 100 000 metric tons.

II. SITUATION ON THE COMMUNITY MARKET

A.- In 1973/74 production did not keep pace with the great increase in consumption

Community production of white sugar decreased by 0.57% from 1972/73 to 1973/74. During the latter sugar year production stood at 9.529 million metric tons. This figure is disappointing, for, given a normal average yield of 6.3 metric tons per hectare and a total of 1 565 000 hectares under beet, production should have reached 9.85 million metric tons.

In 1972/73 production had amounted to 9.584 million metric tons, that is, 0.5% less than in 1971/72, when a considerable increase had been recorded over the preceding sugar year.

From 1968/69 to 1971/72 production in the Nine was as follows (in 1 000 metric tons of white sugar):

Sugar year	EUR-9	EUR-6	Germany	France	Italy	Netherlands	Belgium	UK	Ireland	Denmark
1968/69	8 196	6 823	1 820	2 630	1 186	661	526	897	162	314
1969/70	8 718	7 435	1 908	2 936	1 270	703	618	861	143	279
1970/71	8 366	7 051	1 892	2 856	1 095	657	551	906	141	268
1971/72	9 629	8 071	2 156	3 225	1 148	770	772	1 086	173	299

Community consumption of sugar increased fairly regularly at approximately 120 to 150 000 metric tons per year.

From 1968/69 to 1971/72 human consumption of white sugar within the Nine was as follows: (in 1 000 metric tons):

Sugar year	EUR-9	EUR-6	Germany	France	Italy	Netherlands	Belgium	UK	Ireland	Denmark
1968/69	8 957	5 931	1 926	1 735	1 400	551	319	2 656	135	235
1969/70	9 143	6 065	1 928	1 790	1 450	572	325	2 702	136	240
1970/71	9 604	6 517	2 060	2 016	1 500	621	320	2 703	139	245
1971/72	9 339	6 325	2 087	1 782	1 520	590	346	2 628	147	239

From these statistics it can be seen that present Community stocks are quite insufficient. In 1973/74 they stood at 880 000 metric tons, whereas they should have amounted to 1.2 million metric tons.

On 1 July 1974, that is, towards the end of the sugar year, stocks amounted to 650 000 metric tons, a fall of 26% since the beginning of the sugar year.

B.- THE EEC: PRINCIPAL WORLD EXPORTER OF WHITE SUGAR

Since 21 November 1973 the export of sugar from the Community has been subject to levy. This measure, which was introduced by the Commission of the European Communities and consists of a special levy of 3 units of account per 100 kg[1] in the case of white sugar and 2.76 u.a./100 kg in the case of raw sugar, was taken because of the sharp rise in world prices which, at the time when this decision was taken, were 2 u.a. above the Community intervention price. The Community authorities feared that this different - which subsequently became even larger - might lead to a massive exit of sugar from the Community and thus to increased prices within the EEC and supply problems in certain peripheral regions, such as the south of Italy.

Even so, the Community of Nine is the principal world exporter of white sugar. Sales in this sector amounted to 1.6 million metric tons in 1971-72 and 1.4 million metric tons in 1972-73, the breakdown being as follows:

(in 1 000 metric tons)	1971/72	1972/73
Export of surpluses on production quotas	620	215
Exports without further processing	795	1 007
Exports of processed products	200	200
TOTAL	1 615	1 422

[1] 1 u.a. = US $1 before the 1971 devaluation.

The Six account for the great majority of the Community's white sugar exports, their sales to non-member countries - not including exports of surpluses on production quotas -- amounting to 895 000 metric tons in 1971-72 and 1 million metric tons in 1972-73. From 1969-70 to 1972-73 these exports developed as follows (in 1 000 metric tons of white sugar):

	1969/70	1970/71	1971/72	1972/73
Sugar without further processing				
Germany	25	17	150	148
France	319	541	442	668
Netherlands	26	5	-	9
Italy	-	-	-	-
BLEU	113	90	130	106
EUR-6	483	653	722	931
Processed products containing sugar				
Germany	5	10	10	10
France	45	51	49	41
Italy	20	5	21	9
Netherlands	75	70	77	77
BLEU	20	20	16	16
EUR-6	165	156	173	153

The Six sell mainly to the African countries, particularly Sudan, Mali, Chad and Senegal and also to the Middle East, Algeria and Tunisia.

Denmark exports on average 65 000 metric tons per year, of which a large part goes to Norway. Irish exports are minimal.

There is also considerable trade within the Six. In this market France is the principal supplier and Italy the principal buyer.

From 1970-71 to 1972-73 this trade developed as follows (in 1 000 metric tons of white sugar):

	IMPORTS			EXPORTS		
	1970/71	1971/72	1972/73	1970/71	1971/72	1972/73
<u>Sugar without further processing</u>						
Germany	184	130	100	61	76	93
France	4	1	3	600	467	494
Italy	447	445	468	-	-	-
Netherlands	125	118	132	6	5	3
BLEU	5	5	1	98	151	114
EUR-6	765	699	704	765	699	704
<u>Processed products containing sugar</u>						
Germany	63	76	76	21	15	13
France	43	52	66	31	38	43
Italy	2	3	6	7	20	27
Netherlands	14	14	14	47	71	62
BLEU	18	33	13	34	34	30
EUR-6	140	178	175	140	178	175

C.- THE UNITED KINGDOM: THE COMMUNITY'S MAIN IMPORTER OF SUGAR

In 1971-72 and 1972-73 imports by the nine countries of the EEC countries amounted to 1 814 and 1 815 million metric tons of white sugar respectively. A major proportion of these purchases was accounted for by the United Kingdom, which, under the Commonwealth Sugar Agreement, imports the following quantities from the developing countries of the Commonwealth (in 1 000 metric tons of white sugar):

West-Indies and Guyana	696
Mauritius	375
Fiji	138
East Africa	7
British Honduras	20
India	25
Swaziland	84
TOTAL	1 345

It must be mentioned that in 1973-74 deliveries from these countries were about 300 000 metric tons less than the quantities contracted for, whilst, as already stated, human consumption showed a particularly steep increase during that sugar year.

Ireland's imports are at a relatively high level, reaching 31 000 metric tons in 1972. Denmark, on the other hand, imports small quantities on average.

Lastly, purchases by the Six from abroad are now running at about 100 000 metric tons of white sugar. Germany is the major importer of the Six. From 1969-70 to 1972-73 these purchases developed as follows (in 1 000 metric tons of white sugar):

	1969/70	1970/71	1971/72	1972/73
Sugar without further processing				
Germany	52	51	40	42
France	–	0	0	–
Italy	11	9	4	3
Netherlands	2	3	2	2
BLEU	–	0	0	0
EUR-6	65	63	46	47
Processed products containing sugar				
Germany	15	15	15	15
France	18	25	25	24
Italy	4	4	4	4
Netherlands	8	8	8	8
BLEU	8	8	8	8
EUR-6	53	60	60	59

D.- THE FIVE INTERVENTION PRICES OF THE COMMUNITY

With the accession of the three new Member States to the EEC five intervention prices now apply to white sugar and raw sugar within the Community. In 1973-74 these prices stood at the following levels (in units of account per 100 kg):

	Intervention price white sugar	Intervention price raw sugar
Europe of the Six + Denmark, excluding Italy and French Overseas Departments	23.57	20.05
Italy	25.53	21.84
French Overseas Departments	23.24	20.21
United Kingdom	19.79	15.69
Ireland	21.65	18.41

There are three further price categories:

(1) the minimum price for "A" beet and the minimum for "B" beet,

(2) the target price for white sugar,

(3) the marketing price for raw sugar (for the United Kingdom, as provided for in Protocol 17).

E.- AREA UNDER BEET IN THE COMMUNITY

From 1973 to 1974 the total area under sugar beet in the nine Member States of the EEC remained the same. During this period there was a reduction of the area under beet in Ireland, Italy, and the Netherlands, by 23.7%, 18.1% and 1.9% respectively.

The largest increase was recorded in France, where it was 5%. From 1972 to 1974 the area under sugar beet in the nine countries of the Community developed as follows (in hectares):

	1972	1973	1974
Germany	332 843	356 467	370 000
France	415 000	478 000	502 000
Belgium - Luxembourg	103 000	104 426	106 000
Netherlands	112 981	117 308	115 000
Italy	239 000	226 000	185 000
Denmark	56 000	64 000	66 000
United Kingdom	179 232	188 698	198 000
Ireland	34 000	30 150	23 000
EEC TOTAL	1 472 106	1 565 049	1 565 000

Yields per hectare within the Community fell considerably from 1971-72 to 1972-73, particularly in France, where they dropped from 7.5 to 6.2 metric tons of white sugar per hectare, and in Belgium (from 8.3 to 6.1 metric tons).

The position did not improve in 1973-74 since production during that sugar year was lower than in the preceding year, the area under beet having remained the same.

From 1970-71 to 1972-73 yields in the EEC were as follows (in 100 kg per hectare):

Sugar year	EUR-9	EUR-6	Germany	France	Italy	Netherlands	Belgium	United Kingdom	Ireland	Denmark
1970/71	56.7	57.5	60.2	67.4	37.8	63.2	61.2	50.9	56.4	58.3
1971/72	65.8	67.1	67.2	75.5	44.4	75.5	60.0	60.0	59.7	59.8
1972/73	58.2	59.9	60.6	66.1	46.5	61.6	49.5	49.5	46.2	56.3
1973/74	60.7	60.4	62.1	62.8	45.8	68.4	63.5	63.5	61.0	56.7

According to the forecasts, production in the Nine could reach 9.2 to 9.7 million metric tons in 1974-75. Consumption, on the other hand, will total 10 million metric tons.