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# Report Name: Sugar Semi-annual

**Country:** European Union

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**Report Highlights:**

EU27 beet sugar production forecast for market year (MY) 2023/24 is projected at 15.4 million metric tons (MMT), resulting from reduced beet acreage in France and increased plantings in other member states. This results in a 3 percent sugar beet production increase compared to the drought affected MY 2022/23 but also 7 percent below MY 2021/22. EU27 sugar consumption is forecast stable at 17.0 MMT after a slight recovery from the COVID-19 induced decrease but the influx of several million refugees from Ukraine may lead to an overall increase. Extraordinary high EU sugar prices may lead to a substitution for other sweeteners, like isoglucose, but prices for wheat and corn, the two main raw materials for isoglucose, have risen as well. EU27 sugar imports in MY 2023/24 are forecast down to 2.7 MMT, compared to 3.0 MMT in MY 2022/23. Sugar imports in MY 2021/22 ended at 2.0 MMT. The EU27 sugar export forecast for MY 2023/24 is also stable compared to MY 2022/23 but below the level of previous MYs.

*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**

The EU27 beet sugar production for MY 2023/24 is forecast at 15.4 MMT from around 1,374 thousand hectares (ha) of sugar beet. This would be a 3 percent increase compared to the production year 2022/2023, resulting from reduction of beet acreage in France but also by increased plantings mainly in Poland, Spain, Romania, Slovakia, and Hungary. The ruling by the European Court of Justice (ECJ) to not allow Member States to grant temporary emergency authorizations for the use of banned neonicotinoids[1] on sugar beet is forcing many French farmers to opt for alternative crop plantings for next season. On the other hand, sugar beet remains a valid cropping opportunity for Polish farmers facing the abundancy of corn flowing freely from Ukraine and the low profitability of wheat.

Total EU27 beet sugar production for MY 2023/24, including for industrial use, is forecast at 16.7 MMT. This is an 800,000 MT increase compared to drought affected MY 2022/23, but below MY 2021/22. The industrial use of raw sugar juice for fermentation and bio-ethanol production is forecast to remain stable in MY2023/24, with no significant changes expected after a drop in MY2022/23. The decrease in bioethanol production results from plants preferring to use grains as feedstock instead of sugar given the sky-high sugar prices.

EU27 sugar consumption is forecast to remain stable after a slight recovery from the COVID-19 outbreak, during which the fall in sugar consumption in the hospitality industry was not fully compensated by increased sugar consumption in home cooking. As a result, the consumption forecast for MY 2023/24 is unchanged at 17.0 MMT, but per capita consumption remains below pre-COVID-19 levels, as the EU food industry is embarking on a program to reduce sugar contents in food products by 10 percent by 2025. The influx of several million refugees from Ukraine may lead to an increase in EU sugar consumption.

EU27 sugar imports in MY 2023/24 are forecast to decrease to 2.5 MMT compared to MY 2022/23, for which imports are expected to reach 3.0 million MT, 50 percent more than previously estimated, to supplement the decreased production forecast. Due to EU's solidarity lanes initiative, there has been an influx of Ukrainian sugar on the EU market starting from June 2022 onward. The export for MY 2023/24 is forecast stable from MY 2022/23 at 900,000 MT, but significantly down from MY 2021/22 (26 percent). These export levels reflect the continued limited supplies in the EU sugar market, constrained by the summer drought and the high prices.

EU27 sugar stocks at the end of MY 2023/24 are forecast at 1.4 MMT, 10 percent more than 2022/2023. The MY 2021/22 ending stock number was revised to 1.4 MMT as a result of decreased revised export

[1] Neonicotinoids are used to contain the attacks of aphids that can spread the beet yellow virus (BYV) which can cause dramatic yield losses.

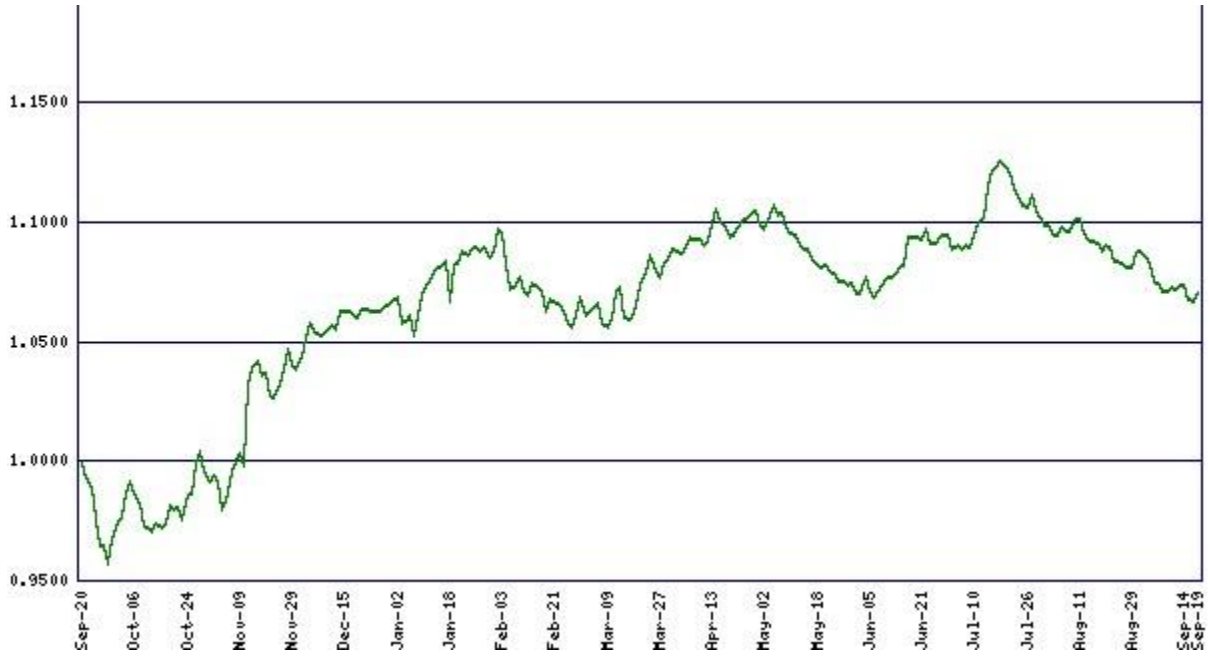
quantities. Isoglucose production in the EU27 continues to decrease in MY 2022/23 after it briefly recovered in 2020/2021.

On the policy side, on December 2, 2021, the European institutions finalized the reform of the Common Agricultural Policy (CAP). By December 2022, all national strategic plans were approved by the European Commission and the new CAP started to be implemented on January 1, 2023. As of December 2013, the EU has prohibited the use of neonicotinoids on crops attractive to honeybees. In May 2018, the Commission further restricted the use of neonicotinoids except for their application in permanent greenhouses. 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). The regulation was adopted in February 2023 and comes into force on March 7, 2026. On January 19, 2023, the European Court of Justice ruled against the possibility by Member States to grant temporary emergency authorizations for the use of banned neonicotinoids.

The war in Ukraine is pushing up the prices of all farm and processing inputs. The energy-intensive sugar processing sector has been particularly affected by the high costs of natural gas resulting in more than doubling the sugar cost of production. On trade, the EU continues negotiations on free trade agreements (FTA) with Australia, Mexico, and the Mercosur. The FTAs with New Zealand and Chile were concluded in 2022.

**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 is listed for September 2022 – September 2023.




*Source: ExchangeRate.com*

**Acknowledgements**

The numbers in this report are not official USDA numbers, but were derived from official European Commission numbers and contributions from the following Foreign Agricultural Service (FAS) analysts in the EU:

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Roswitha Krautgartner, FAS/Vienna covering Austria.
Andreja Misir, FAS/Zagreb covering Croatia.
Antonia Rudolf and Sabine Lieberz, FAS/Berlin covering Germany.
Luigi Castaldi, FAS/USEU/Brussels covering Belgium and EU policy.

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

| EU-27 Sugar, Centrifugal (1,000 MT RSE) | | | | | | |
|---|---|---|---|---|---|---|
| | 2021/2022 | | 2022/2023 | | 2023/2024 | |
| Market Year begin | October 2021 | | October 2022 | | October 2023 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks | 1,106 | 1,106 | 1,384 | 1,464 | 1370 | 1269 |
| Beet Sugar Production | 16,288 | 16,368 | 14,682 | 14,545 | 15,250 | 15,367 |
| Cane Sugar Production | 209 | 209 | 217 | 165 | 225 | 165 |
| Total Sugar Production | 16,497 | 16,577 | 14,899 | 14,710 | 15,475 | 15,532 |
| Raw Imports | 1,307 | 1,306 | 2,000 | 1,800 | 1,500 | 1,500 |
| Refined Imports (Raw Val) | 692 | 692 | 1,000 | 1,200 | 1,000 | 1,000 |
| Total Imports | 1,999 | 1,998 | 3,000 | 3,000 | 2,500 | 2,500 |
| **Total Supply** | **19,602** | **19,681** | **19,283** | **19,174** | **19,345** | **19,301** |
| Raw Exports | 7 | 6 | 5 | 5 | 5 | 5 |
| Refined Exports (Raw Val) | 1,211 | 1,211 | 908 | 900 | 900 | 900 |
| Total Exports | 1,218 | 1,217 | 913 | 905 | 905 | 905 |
| Human Dom. Consumption | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 |
| Total Use | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 |
| Ending Stocks | 1,384 | 1,464 | 1,370 | 1,269 | 1,440 | 1,396 |
| **Total Distribution** | **19,602** | **19,681** | **19,283** | **19,174** | **19,345** | **19,301** |

The EU27 beet sugar production for MY 2023/24 is forecast at 15.4 MMT from around 1,374 thousand hectares of sugar beet. This would be a 3 percent increase compared to the MY 2022/2023, resulting from a possible 6 percent reduction of beet acreage in France. In the last 5 years, France accounted on average for 28 percent of total EU27 sugar beet area harvested. However, the reduced beet acreage in France is forecast to be balanced by increased plantings mainly in Poland (19 percent more), Spain, Romania, Slovakia and Hungary. The ruling by The European Court of Justice (ECJ) against the possibility by Member States to grant temporary emergency authorizations for the use of banned neonicotinoids on sugar beet is forcing many French farmers to opt for other crops for the next season. Belgian beet producers might also be attracted by competitive potato prices. Neonicotinoids are used with no reliable alternatives to contain the attacks of aphids that can spread the beet yellow virus (BYV) a disease that can cause dramatic yield losses. In 2022, some 14 MS were reported to have granted conditional derogation from the neonicotinoid ban for sugar beet seed.

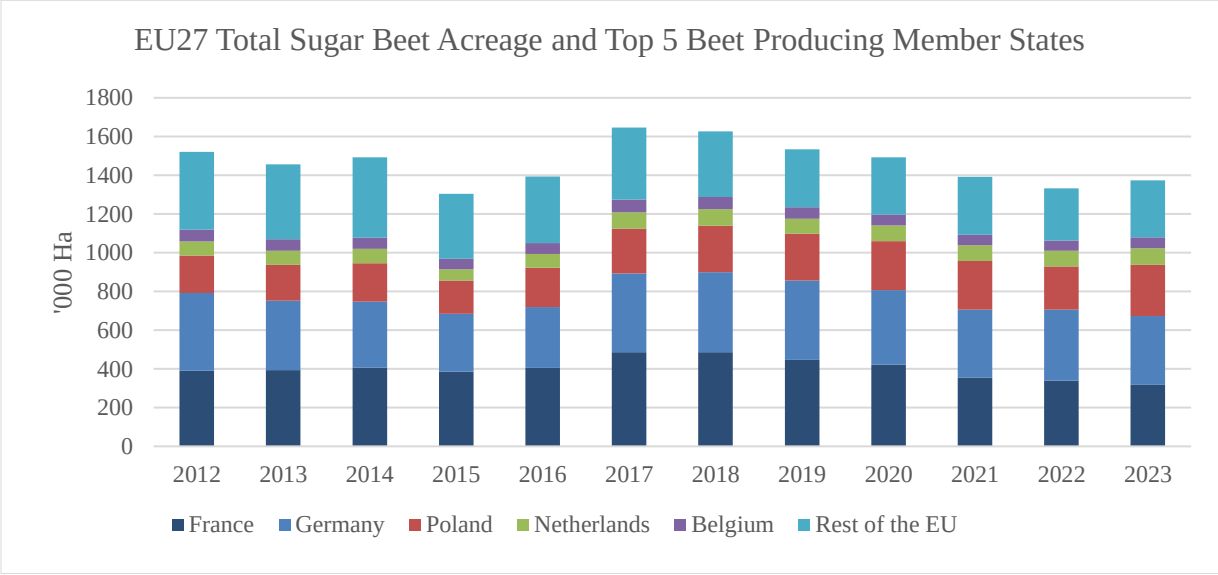
On the other hand, despite the lack of crop protection products, sugar beet remains a valid cropping opportunity for Polish farmers facing the abundancy of corn flowing freely from Ukraine and the low profitability of wheat. Two sugar processing plants are expected to resume operations in Romania and a potentially increased coupled support from the government could also boost beet plantings. Expected favorable prices will also encourage more farmers in Hungary and Spain to plant.

For MY 2022/23, EU beet sugar production was 12 percent below than the 2021/2022 production due to severe summer drought in many producing EU regions. French, Italian and Hungarian farmers were particularly impacted by the lack of precipitation resulting in contracted yields and low sugar contents in

the beets. The unfavorable weather conditions improved at the end of the season in the Netherlands, resulting in a more productive harvest year on year and also in Sweden and Poland where production has been in line with the 5-year average.

Following the unprecedented surge in energy costs, French and Slovakian sugar plants shortened their operating seasons starting processing beets earlier in September in a bid to avoid the worst of the winter energy crisis, but at the risk of smaller output. By late December, most of the plants stopped processing the beets. Small and medium-sized enterprises have faced the choice of whether or not to temporarily halt or reduce production. Cane sugar production in French Overseas regions of Martinique, Guadeloupe, French Guyana, and Reunion Island is forecasted to decrease.

**Graph 1 – EU Sugar Beet Acreage**




*Source: FAS EU Posts based on Eurostat data.*

As can be seen from the declining sugar beet area in Graph 1, the end of the EU sugar quota system (2017), pushed the European sugar sector into crisis. The EU beet area has decreased by almost 300,000 ha, 15 percent, and 15 processing plants have closed. The number of farmers who grow sugar beets also continues to decline. The lack of profitability induces farmers to reduce sugar beet acreage for more profitable crops, which in turn induces consolidation with processors and when a processing plant closes, this forces more farmers out of beet growing. According to the European Association of Sugar Manufacturers (CEFS), EU sugar industry employment has fallen 16 percent since the quota ended in 2017. A reduction in available plant protection products, resulting from the EU not renewing product approvals, has stifled productivity growth and induced increased yield volatility, discouraging farmers even further.

**Table 2 – Production Forecasts for MY 2023/24 and Updates for MY 2021/22 and MY 2022/23**

| EU sugar beet production | | | | | | |
|---|---|---|---|---|---|---|
| | Area harvested, thousands of Hectares | | | Sugar beet yield in MT per Hectare | | |
| | **21/22** | **22/23e** | **23/24f** | **21/22** | **22/23e** | **23/24f** |
| Austria | 37.9 | 34.0 | 35.0 | 79.7 | 79.7 | 75.0 |
| Belgium | 55.3 | 52.7 | 56.0 | 83.2 | 90.9 | 85.0 |
| Croatia | 10.0 | 9.0 | 8.0 | 70.0 | 60.0 | 70.0 |
| Czech Republic | 58.0 | 57.0 | 57.0 | 68.2 | 72.0 | 71.0 |
| Denmark | 33.2 | 31.7 | 33.2 | 77.5 | 72.3 | 73.2 |
| Finland | 11.3 | 8.8 | 11.4 | 35.6 | 43.1 | 40.3 |
| France | 356.0 | 339.0 | 317.0 | 85.6 | 78.4 | 80.0 |
| Germany | 350.0 | 367.0 | 356.0 | 82.4 | 70.3 | 72.5 |
| Hungary | 12.0 | 9.7 | 13.1 | 56.4 | 47.3 | 59.9 |
| Italy | 27.9 | 25.8 | 24.0 | 54.1 | 43.1 | 64.0 |
| Lithuania | 14.7 | 11.8 | 16.0 | 58.3 | 50.0 | 60.0 |
| Netherlands | 80.7 | 81.8 | 85.0 | 82.2 | 88.8 | 82.0 |
| Poland | 251.0 | 223.0 | 265.0 | 61.1 | 63.5 | 60.0 |
| Romania | 19.6 | 9.0 | 15.0 | 40.0 | 31.2 | 37.3 |
| Slovakia | 22.1 | 19.5 | 21.9 | 62.6 | 56.3 | 62.0 |
| Spain | 23.9 | 24.5 | 32.0 | 87.3 | 76.5 | 72.0 |
| Sweden | 28.6 | 28.9 | 28.8 | 71.6 | 64.7 | 65.8 |
| **Total EU27** | **1,392.1** | **1,333.2** | **1,374.4** | | | |

*Source: FAS/USEU based on data from FAS analysts in EU MS (e=estimated, f=forecast).*

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

| **EU Beet Sugar Production** (raw value) | | | |
|---|---|---|---|
| in 1,000 MT | 2021/2022 | 2022/23 | 2023/24 |
| EU Sugar Production | 16,368 | 14,545 | 15,367 |
| Industrial Use | 1,522 | 1,304 | 1,304 |
| **Total EU Beet Sugar Production** | **17,890** | **15,849** | **16,671** |

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

Total EU27 beet sugar production for MY 2023/24, including thick juice for industrial use that falls beyond the scope of our reporting, is forecast at 16.7 MMT. This is an 800,000 MT increase compared to drought affected MY 2022/23, but below MY 2021/22. The industrial use of raw sugar juice for fermentation and bio-ethanol production is forecast to remain stable in MY2023/24 after a drop in MY 2022/23. The decrease in bioethanol production results from plants preferring to use grains as feedstock instead of sugar in the wake of sky-high 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 2023.

Total EU27 beet sugar production for MY 2023/24, including thick juice for industrial use that falls beyond the scope of our reporting, is forecast at 16.7 MMT. This is an 800,000 MT increase compared to drought affected MY 2022/23, but below MY 2021/22. The industrial use of raw sugar juice for fermentation and bio-ethanol production is forecast to remain stable in MY2023/24 after a drop in MY 2022/23. The decrease in bioethanol production results from plants preferring to use grains as feedstock instead of sugar in the wake of sky-high 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**

| **Sugar Beets** | **2021/2022** | **2022/2023** | **2023/2024** |
|---|---|---|---|
| Market Year Begins | **Oct-21** | **Oct-22** | **Oct-23** |
| European Union | **New Post** | **New Post** | **New Post** |
| Area Planted (1000 HA) | 1,392.1 | 1,350.3 | 1,374.4 |
| Area Harvested (1000 HA) | 1,392.1 | 1,333.2 | 1,374.4 |
| Production (in MMT) | 113.5 | 103.2 | 106.1 |
| Total Supply (in MMT) | 113.5 | 103.2 | 106.1 |
| Utilization for Sugar (in MMT) | 103.3 | 93.9 | 96.9 |
| Utilization for Industrial Fermentation (in MMT) | 10.2 | 9.3 | 9.3 |
| Total Distribution (in MMT) | 113.5 | 103.2 | 106.1 |
| (1000 HA), (1 million MT) | | | |

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

**EU27 Sugar Consumption**

EU27 sugar consumption is forecast to remain stable in MY 2023/24 after suffering some 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. Increased snacking as people worked from home in response to COVID-19 related lockdowns was unable to fully compensate for the loss of sugar consumption away from home. However, heightened health awareness for food seems to have led to lower levels of sugar consumption.

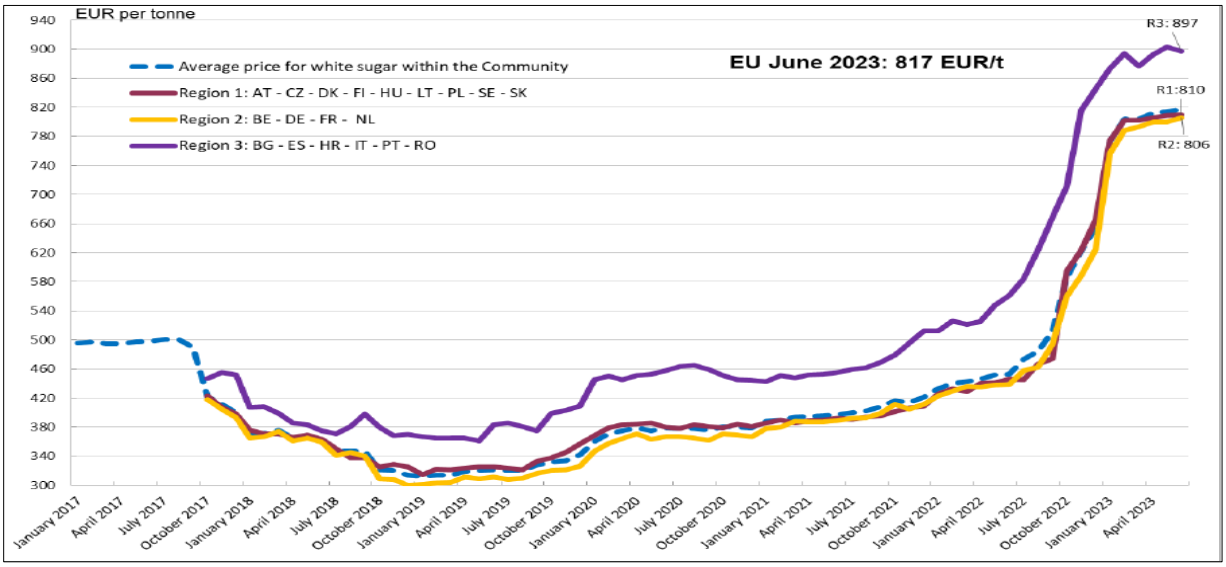
EU27 total sugar consumption in MY 2023/24 per capita is forecast to remain below COVID-19 levels after it had been stable in recent years, when the strengthening trend for lower sugar intakes was offset by the increase in population. The influx of several million Ukrainian refugees may lead to an increase in consumption if the war lingers and refugees cannot return to their homes. 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. Member States (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, the energy crisis and the unavailability of raw materials resulted in exceptionally high prices on the spot market. Availability of raw sugar but also dextrose, glucose or isoglucose has put many food processors at risk but at the same time generated high profits for sugar producers. This led the Association of Chocolate, Biscuit and Confectionery Industries of Europe (CAOBISCO), together with the National Confectioners Association (NCA), to release a 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.

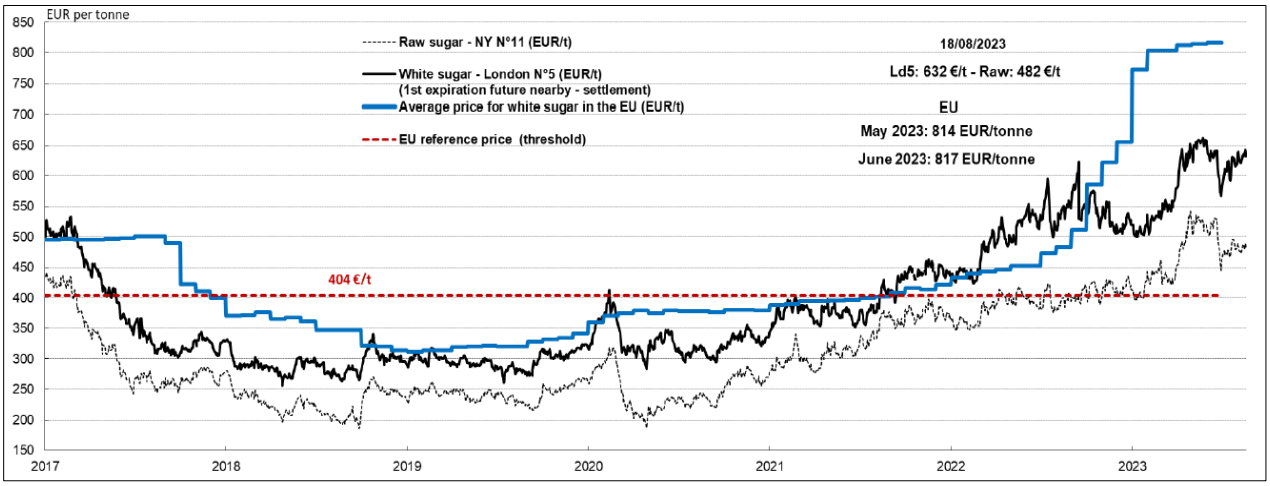
The price differentiation in the EU sugar market, as depicted in Graph 2 below, between the core producing MS (Region 2: Belgium, France, Germany, the Netherlands, and formerly the UK) and EU MS in the periphery (Region 3: Bulgaria, Romania, Greece, Croatia, Italy, Spain, and Portugal) remained stable at exceptionally high levels, peaking during the first part of 2023 but maintaining relative stability thereafter.

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




*Source: European Commission*

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




*Source: European Commission*

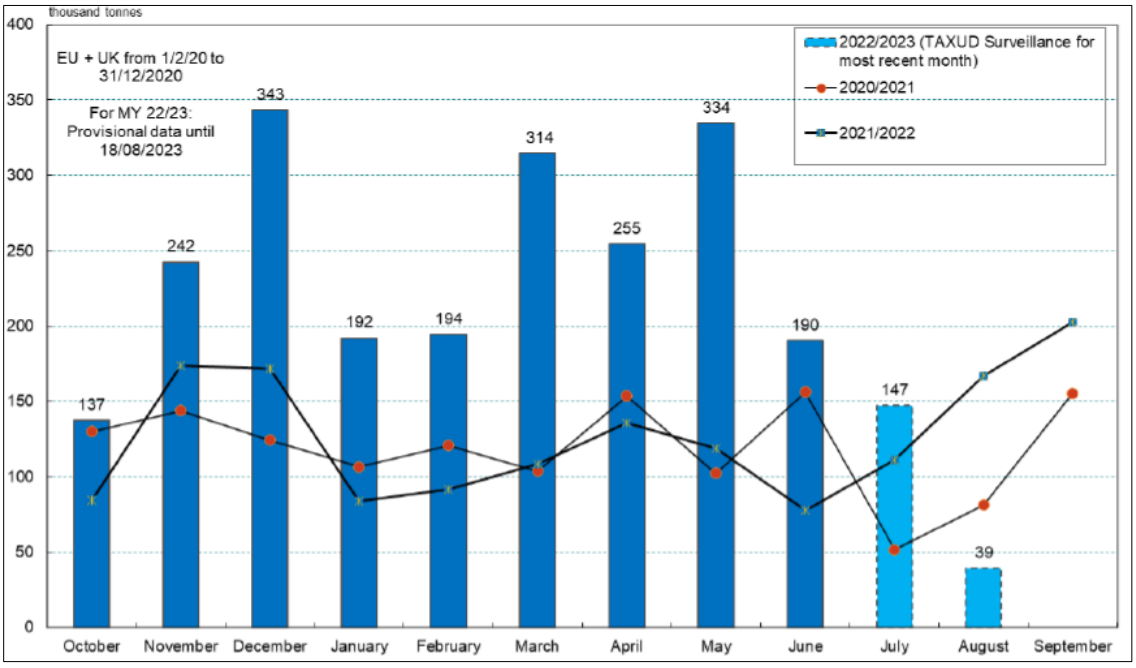
**EU27 Sugar Trade**

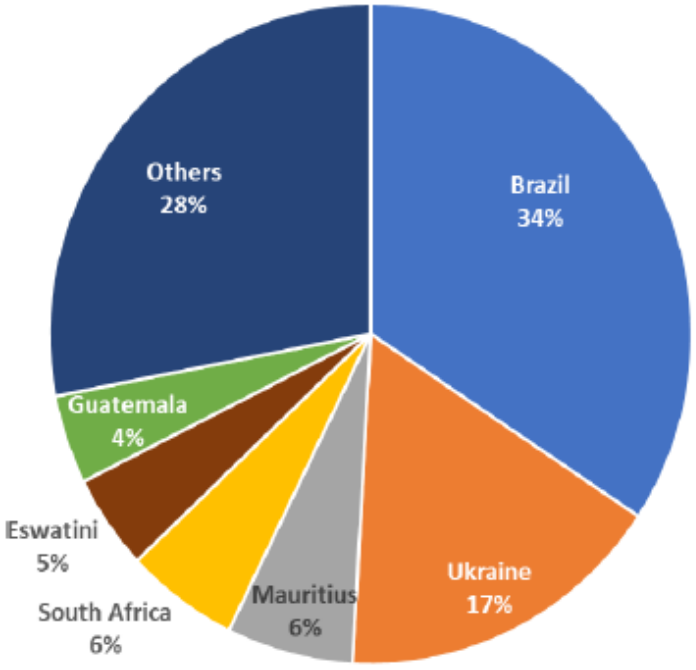
*Imports*

EU27 sugar imports in MY 2023/24 are forecast to decrease to 2.5 MMT compared to MY 2022/23, for which imports are expected to reach 3.0 million MT, 50 percent more than MY 2021/22, to supplement the decreased drought-affected production.

Imports in MY 2022/23 started at levels higher than the previous year's and continued to increase towards the end of 2022 when global prices significantly rose. Monthly imports reached levels more than double in December compared to the same period of the previous year and remained above the previous year's monthly levels through July 2023 (See graph 4).

**Graph 4 – EU Monthly Sugar Imports in MY 2022/23 and Origins**



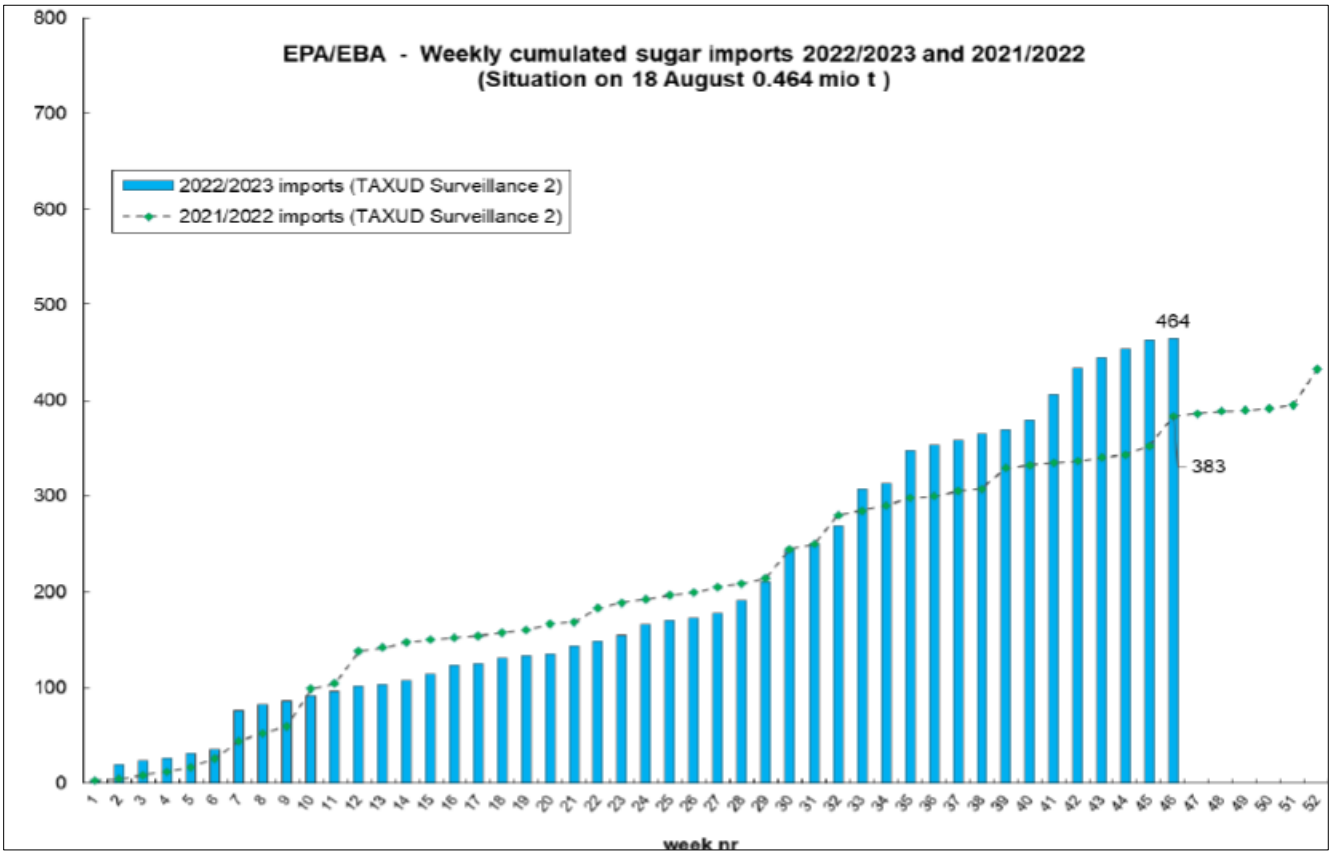

*Source: European Commission*

Due to the EU's solidarity lanes initiative, measures taken to help export Ukrainian agricultural goods via all possible routes, and the current one-year temporary trade liberalization scheme that suspended tariffs and quotas on agri-food imports from Ukraine, there has been an influx of Ukrainian sugar on the

EU market. As it can be seen in Graph 8, in light blue from June 2022 onward and with no import duties, the import of sugar increased significantly.

For MY 2022/23, 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[2] raw sugar to the EU duty-free (and vice versa). Further, UK sugar prices are trending higher compared to EU prices, making exports to the continental EU unviable. 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 quotas available for both the EU and UK market. 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, Belize, South-Africa, Serbia and Algeria. Graph 5 below shows the evolution of EU sugar imports from EBA countries.

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

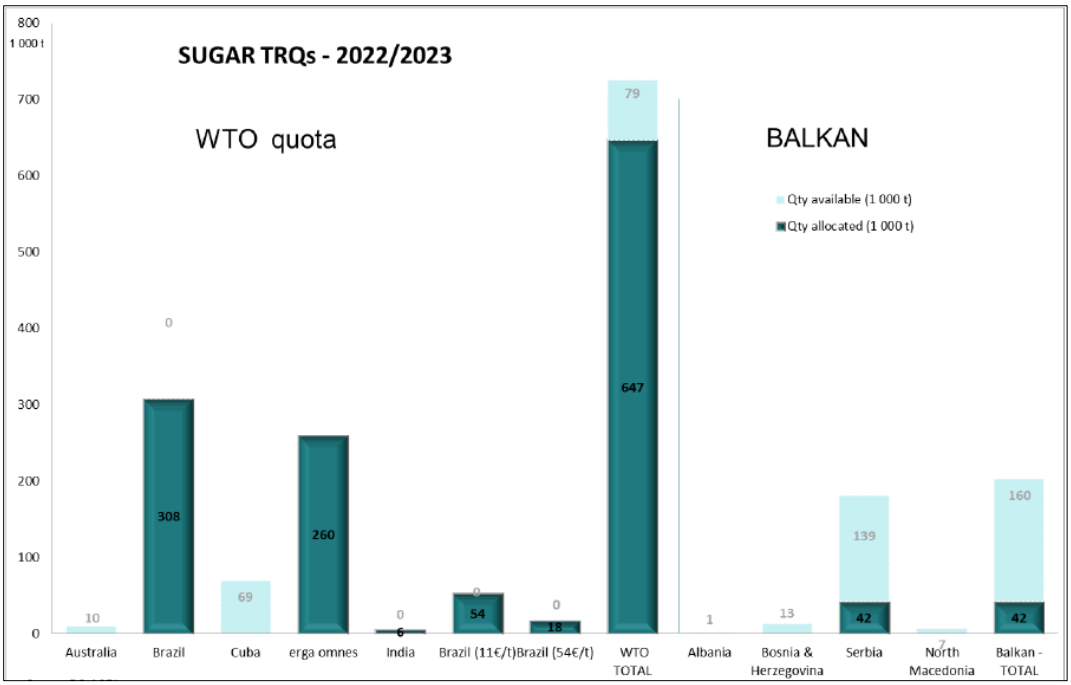


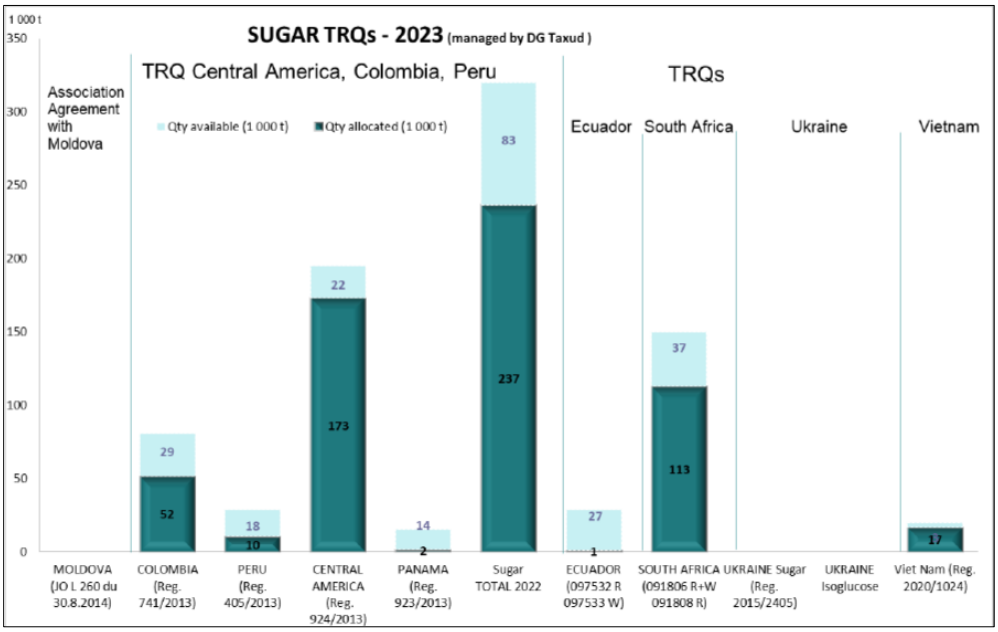

*Source: European Commission*

[2] 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.

Imports into tariff rate quotas (TRQs) under FTAs are expected to remain stable. The EU-Vietnam FTA entered into force on August 1, 2020 and provides for a sugar TRQ of 20,000 MT RSE. See the MY 2022/23 quota fill in Graph 6. Despite a recent spike in the refining premium, it remains unlikely that significantly higher sugar imports into the EU WTO CXL quota will occur in MY 2022/23 or MY 2023/24 because of a prohibitive €98/MT duty.

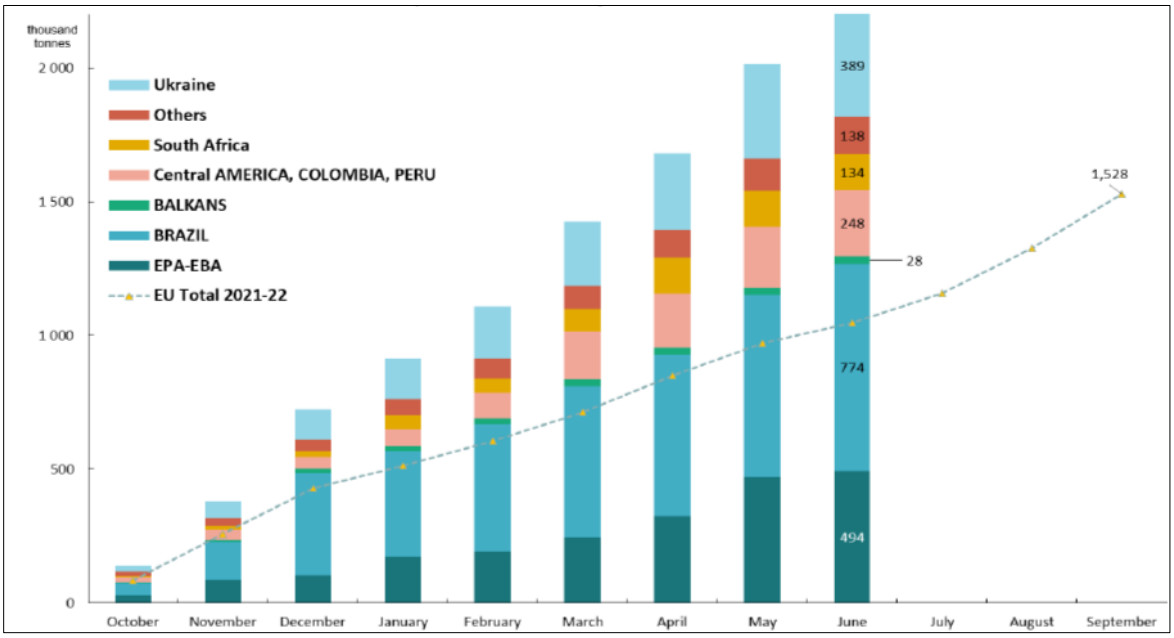
**Graph 6 – EU Sugar TRQs (2022-2023; 2023) and Use**



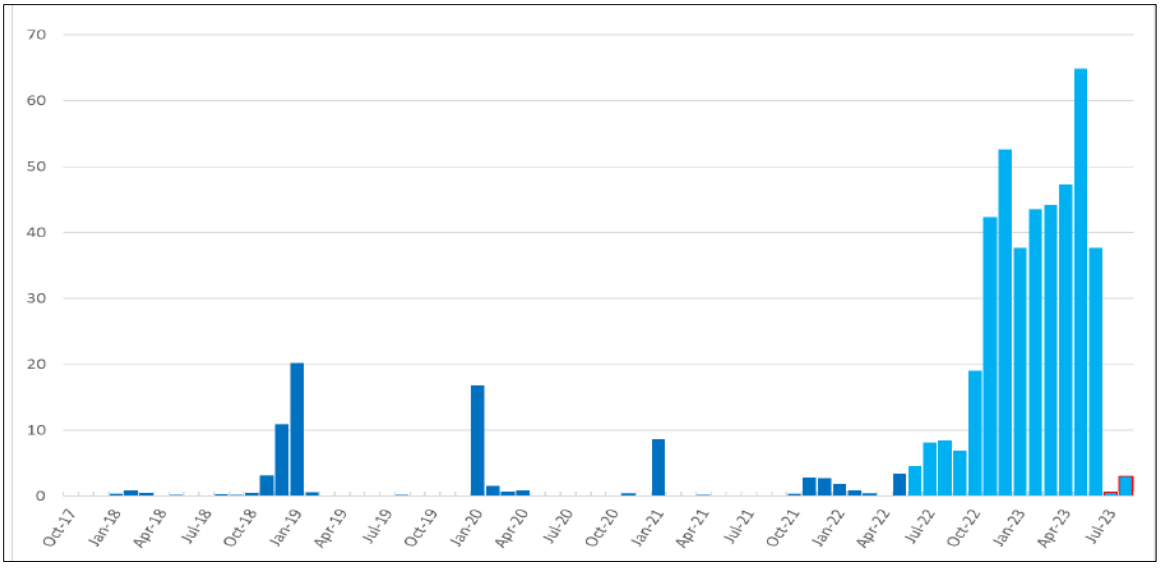

*Source: European Commission*

## Graph 7 – Total EU 27 Sugar Imports in MY 2022/23




*Source: European Commission*

## Graph 8 – EU 27 Sugar Imports from Ukraine



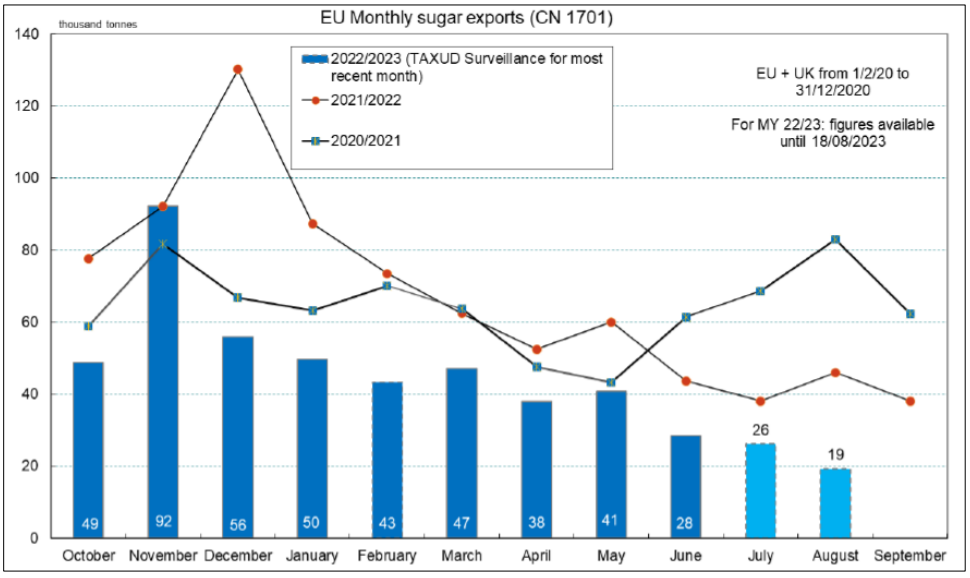

*Source: European Commission*

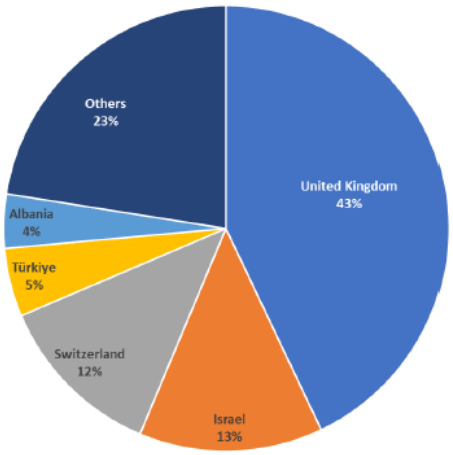
*Exports*

The EU27 sugar export for MY 2023/24 is forecast stable compared to MY 2022/23 at 0.9 million MT, but significantly down from MY 2021/22 (26 percent). These export levels reflect the continued limited supplies in the EU sugar market, constrained by the summer drought and the high prices.

The main EU sugar exporting MS are France, Germany, Poland, the Netherlands, and Belgium. The main EU sugar export destinations are United Kingdom, Israel, Albania, Turkey, and Switzerland. EU sugar exports to the UK stopped in January 2021 after Brexit became final on December 31, 2020, but exporters quickly adapted to the new rules and EU sugar exports to the UK fully recovered. While EU sugar exports to the UK face the same rules of origin after January 1, 2021, it is not expected to have the same impact as on imports from the UK as they only affect refiners processing imported raw sugar, which is small compared to EU domestic production.

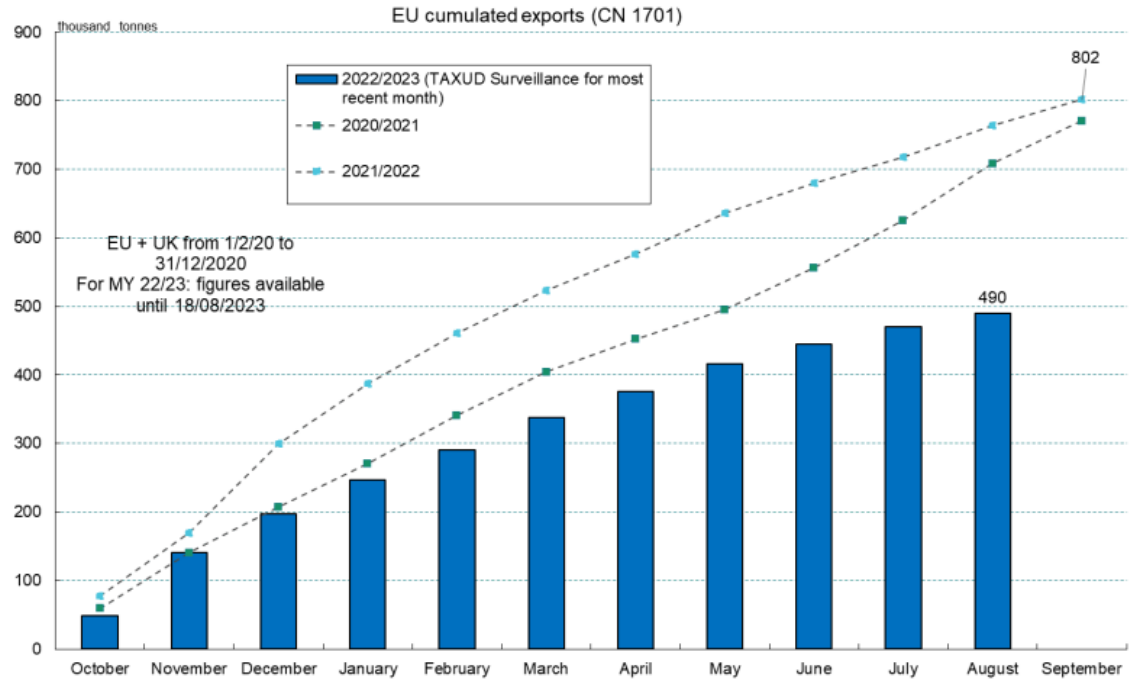
**Graph 9 – EU Monthly Sugar Export in MY 2022/2023 and Destinations**




*Source: European Commission*

**Graph 10 – EU Cumulated Exports for CN 1701**




*Source: European Commission*

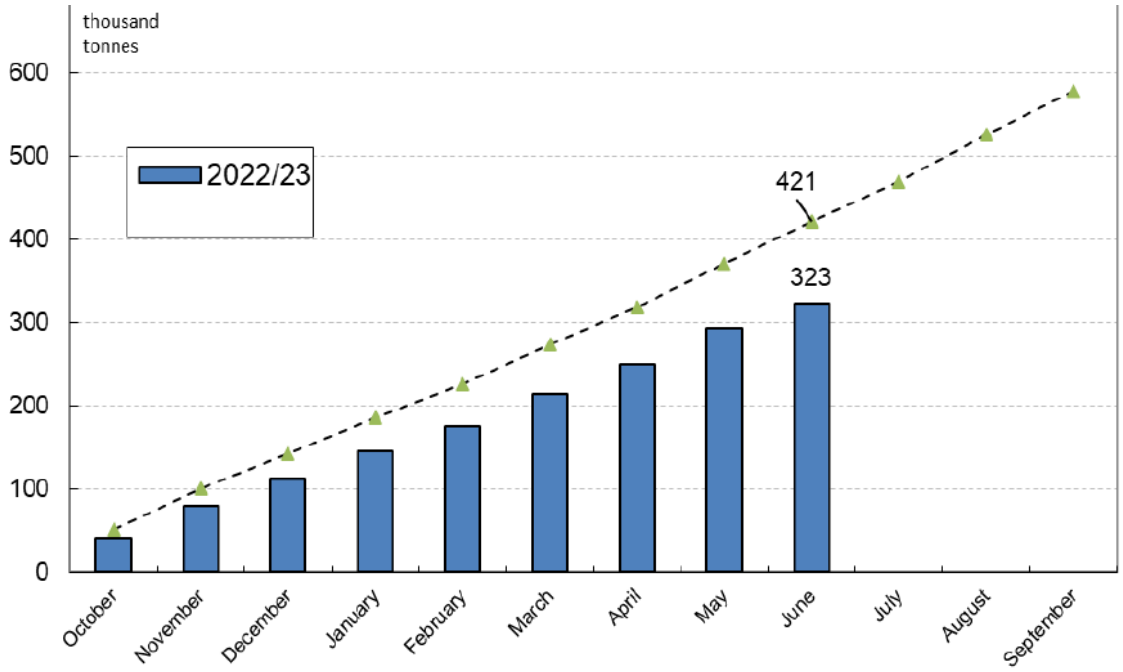
**EU27 Sugar Stocks**

EU27 sugar stocks at the end of MY 2023/24 are forecast at 1.4 MMT, 10 percent more than in 2022/2023. The MY 2021/22 ending stock number was revised to 1.5 MMT as a result of increased revised production quantities.

**EU27 Isoglucose Production**

According to data from the European Commission, isoglucose production in the EU27 continues to decrease in MY 2022/23 (Graph 11 below) after it briefly recovered in 2020/2021. 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 the recent past years. Increasing EU sugar prices this year would be beneficial for isoglucose producers, but prices for wheat and corn, the two main raw materials for isoglucose, have soared as well because of tight global supplies and the European drought which heavily affected the bloc's corn production. Hungarian corn processing plants are therefore looking at crucial imports from Ukraine this year to maintain a stable supply. Solid demand for starch, isoglucose, and dextrose helps to sustain the level of processing but overall, isoglucose production is expected to decline and the comparison with last year's monthly production seems to confirm that.

**Graph 11 – Isoglucose – EU Monthly Cumulated Production for 2022/2023**




*Source: European Commission*

**EU27 Sugar Policy**

In 2022, the European Union finalized the reform of the Common Agricultural Policy (CAP) reform while continuing to propose new legislation to the implement of the Farm to Fork Strategy (F2F). Sustainability is at the heart of debates surrounding agriculture and food policies in the European Union. In February 2022, Russia launched an invasion in Ukraine. The war is putting pressure on global food security mainly due to the high level of exports of feed and grains products from the two countries. The European Union adopted several measures to enhance global food security and to mitigate the impact of the war for EU farmers given rising commodity and inputs prices.

**Common Agricultural Policy (CAP)**

The new CAP for 2023-2027 was adopted on December 2, 2021, and published in the Official Journal on December 6, 2021:

- EU Regulation 2021/2116, repealing EU Regulation 1306/2013 on the financing, management and monitoring of the CAP.
- EU Regulation 2021/2115, establishing rules on support for national CAP strategic plans, and repealing EU Regulations 1305/2013 and 1307/2013.

- EU Regulation 2021/2117, amending EU Regulations 1308/2013 on the common organization of the agricultural markets; 1151/2012 on quality schemes for agricultural products; 251/2014 on geographical indications for aromatized wine products; and 228/2013 laying down measures for agriculture in the outermost regions of the EU.

EU Member States (MS) were requested to submit Strategic Plans, incorporating MS specific goals and initiatives, by the end of 2021. By December 2022, all national strategic plans were approved by the European Commission. The new CAP started implementation on January 1, 2023. For more information, please see GAIN Report: EU Common Agricultural Policy Reform.

**Private Storage Aid**

EU delegated regulation 2016/1238 lays down common eligibility rules for private storage aid for certain agricultural products including sugar. Only white sugar in crystal form in bulk, or in big bags of 800 kg or more showing the net weight and with a moisture content not exceeding 0,06 percent is eligible.

**Marketing Standards for Sugar**

Directive 2001/111/EC defines common rules for certain sugars intended for human consumption, in compliance with the general legislation applicable to foodstuffs. These rules concern the composition, sales name, labelling and presentation of foodstuffs.

**European Green Deal**

On December 11, 2019, the EC announced the European Green Deal. The EC sees the Green Deal and accompanying strategies as a way of achieving the Paris Climate Agreement and UN Sustainable Development Goal commitments. For the food and agriculture sector, in 2020, the Commission adopted the Farm to Fork (F2F) Strategy and the Biodiversity Strategy for 2030. The F2F strategy targets a 50 percent reduction in pesticide use, a 20 percent reduction in fertilizer use, a 50 percent reduction in nutrient leakage in groundwater, 25 percent of agricultural land being used for organic farming, 10 percent of land being set aside for environmental areas, and an increase in nature conservation areas by 30 percent. The Commission is now entering the last year of its administration to publish policies proposed under the European Green Deal and the Farm to Fork and Biodiversity Strategies.

**Trade Policy**

In 2022, the EU finalized the update of its FTAs with New Zealand and Chile. The agreement with Australia should be finalized in 2023. In the meantime, no progress was made, nor is expected on the EU's troubled Mercosur deal.

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 still need to be

elaborated and its implementation, on a provisional basis, is still under discussion. Nevertheless, as the EU puts forward its Green Deal and F2F proposals, there are intensifying discussions on climate change mitigations and further environmental restrictions, as well as criticism from EU farmers, MS, and EU Parliament, that are questioning the future of this FTA.

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

In February 2022, Russia launched an invasion in Ukraine. The war is threatening global food security mainly due to the high level of exports of feed and grains products from the two countries. The EU sugar sector will be impacted for the MY 2022/23 by the 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 were distributed in national allocations to directly support EU farmers most affected by higher input costs and the closure of export markets. Member States were able to supplement this support by up to 200 percent using national funds.

Additionally, the Commission granted an exceptional and temporary derogation from certain greening obligations. For 2022, Member States could allow production of any food and feed crops on fallow lands that are part of Ecological Focus Areas (EFA) while still providing the full level of greening payment that would be given if the land was kept fallow. This temporary flexibility aimed to allow EU farmers to adjust and expand their cropping plans in response to the new market dynamics. On land use, the Commission also supported 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 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 were a limited duration and based on the specific situation in each respective Member State.

**EU Fertilizers Plan**

On November 9, 2022, the European Commission published a Communication on the availability and affordability of fertilizers in the EU. The aim of this long-awaited document is to propose solutions to address the significant price increases EU farmers are facing, which grew by 149 percent from September 2021 to September 2022 for nitrogen fertilizers. The Communication proposes using

emergency funds from the CAP 2023 agricultural reserve to stabilize agricultural markets and to create a market observatory system for fertilizer prices.

**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 only concluded on December 24, avoiding a no deal outcome (hard Brexit). The EU and the UK agreed on duty-free trade for sugar for originating sugar. 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 was further postponed.

**Pesticides Policy**

As part of the Farm to Fork Strategy, the Commission announced a reduction of the overall use and risk of chemical pesticides by 50 percent and the use of high-risk pesticides by 50 percent by 2030. The suggested actions to achieve these targets include putting forward proposals to revise the Sustainable Use of Pesticides Directive (SUD), enhancing provisions on integrated pest management (IPM), and promoting the use of alternative ways to protect harvests from pests and diseases. These developments would change the availability of crop protection products permitted for EU farmers, and by extension, agricultural exporters to the EU.

*EU Restrictions on the Use of Neonicotinoids*

As of December 2013, the EU has prohibited the use of three neonicotinoids (clothianidin, imidacloprid, and thiamethoxam) on crops attractive to honeybees. In May 2018, the Commission further restricted the use of neonicotinoids except for their application in permanent greenhouses in the EU and banned a fourth one (thiacloprid) in January 2020.[3]

Due to the EU's restrictions on outdoor uses, the chemical companies (registrants) withdrew their applications for the renewal of approval of clothianidin and thiamethoxam and the EU approval expired

[3] For additional information see GAIN Report on the Implications of Restricted Use of Neonics in the EU.

in 2019. 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 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 sugar beets. 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 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 was adopted in February 2023 and will go into effect in March 2026 to give food operators and third countries time to adapt to the new rules. Once the rules will be in place, imported products will no longer be able to contain residues of these two neonicotinoids.[4] On January 19, 2023, the European Court of Justice ruled against the possibility by Member States to grant temporary emergency authorizations for the use of banned neonicotinoids.

**Agricultural Biotechnology – Innovative Technologies**

On July 5, 2023, the European Commission adopted a proposal to regulate plants derived from new genomic techniques (NGTs) and their associated food and feed products.[5]

Regulating genetically engineered (GE) organisms falls under Regulation (EC) No 1829/2003 and Directive 2001/18/EC in the EU. The rise of genome editing, and other scientific advances has prompted discussions about adapting regulations. The European Court of Justice ruled in July 2018 that newer genome-edited plants should be considered GMOs, spurring the need for revised regulations.

In response, the European Commission conducted a study emphasizing the inadequacy of the current GMO Directive for these emerging technologies. A legislative initiative was started on September 24, 2021 and after consultations and evaluations, the Commission unveiled its proposal on July 5, 2023.

[4] For additional information, see GAIN Report on Regulation Published Lowering MRLs Due to Environmental Concerns.
[5] For more information, see GAIN Report European Commission Adopts New Regulation for Plants Obtained by Certain New Genomic Techniques

CIBE (International Confederation of European Beet Growers) and CEFS (European Sugar Manufacturers Association) have expressed their support for the European Commission's proposal. They emphasize the growing demand for NGT-derived plants in the EU due to their potential to address challenges in the agri-food system. They argue that the current GMO regulatory framework is inadequate and advocate for EU agriculture, particularly sugar beet growers, to gain access to NGT-derived plants. These technologies could rapidly contribute to the development of more sustainable crop varieties.

The publication of the proposal initiates the beginning of a lengthy legislative process. The adopted act has to be evaluated by the European Parliament and Council of the EU. Amendments to the legislative proposal are done separately by the Parliament and Council; however, negotiations will eventually occur to find institutional agreement before the proposals are adopted as official EU law. This process can take between 18 months to two years.

For more information on agricultural biotechnology in the EU, see the 2022 annual report.

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| Country | Title | Date |
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| European Union | EU Common Agricultural Policy Reform | 02/16/2022 |
| European Union | Sugar Annual 2023 | 4/21/2023 |

**Attachments:**

No Attachments