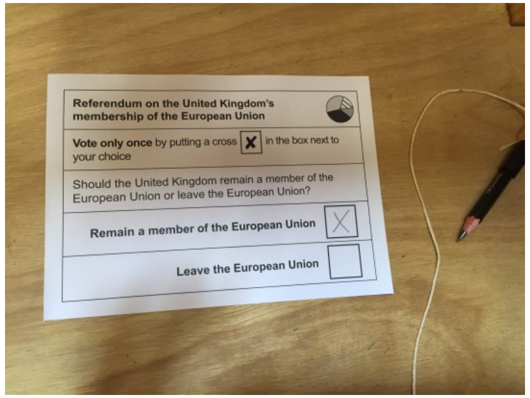
Brexit – what does it mean for the UK sugar market?

9th Annual Kingsman Geneva Sugar Conference

April 2-3, 2019

Then



Julian's ballot paper, Royal Borough of Kensington & Chelsea, 23 June 2016

Now

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Will we actually have Brexit … or will the UK (essentially) remain in the EU?

Option	Option description	Independent UK (sugar) trade policy	Indicative votes selected by Mr Speaker on 1st April for possible confirmation in UK legislation on 3rd April	Result on Monday 1st April
A	Unilateral right of exit from the backstop (date of exit: 22 May 2019)	Yes	No	
B	No deal in the absence of a Withdrawal Agreement (date of exit 12 April 2019)	Yes	No	
C	Permanent and comprehensive UK-wide Customs Union	No	Yes	
D	Common Market 2.0 - "Norway +" - EFTA + EEA + CU (CET and UCC) + SM + frictionless agri-food trade so no backstop	Out of CAP and CFP, but no right to sign trade deals	Yes	
E	Confirmatory public vote ("people's vote")	n/a	Yes	
F	Public vote to prevent no deal	n/a	No	
G	Parliamentary Supremacy - possibly revoke Article 50 + "people's vote"	Probably not	Yes	
H	EFTA + EEA - negotiate additional protocols on IRL/NI border and agri-food trade	Maybe	No	
Mrs May's deal	Withdrawal Agreement + Political Declaration + Strasbourg papers	Yes	Rejected 3 times	
Failing which …	No deal?	Yes	Who knows!	

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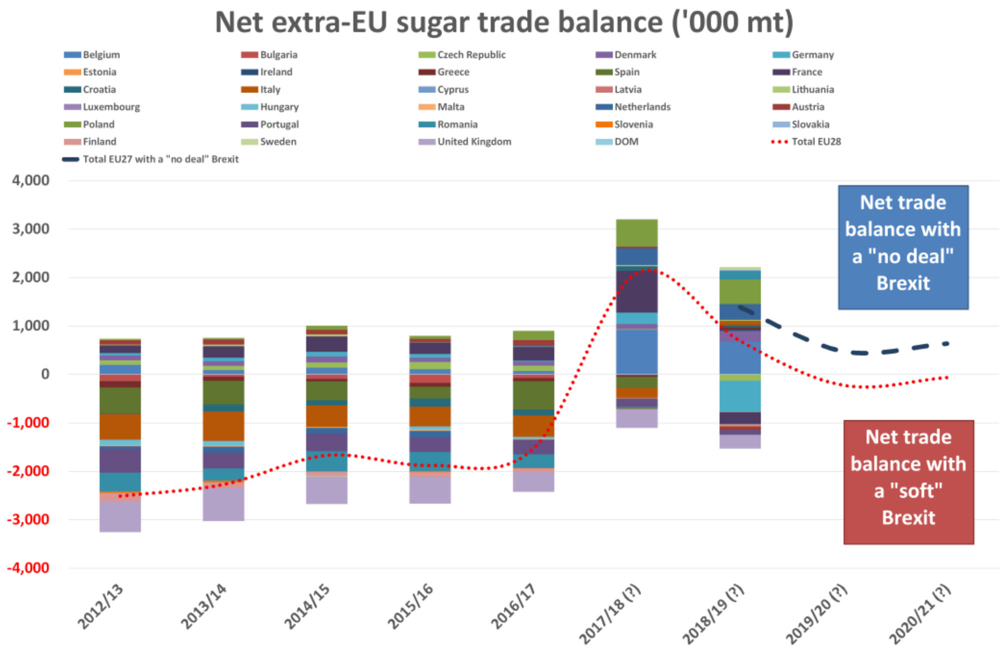
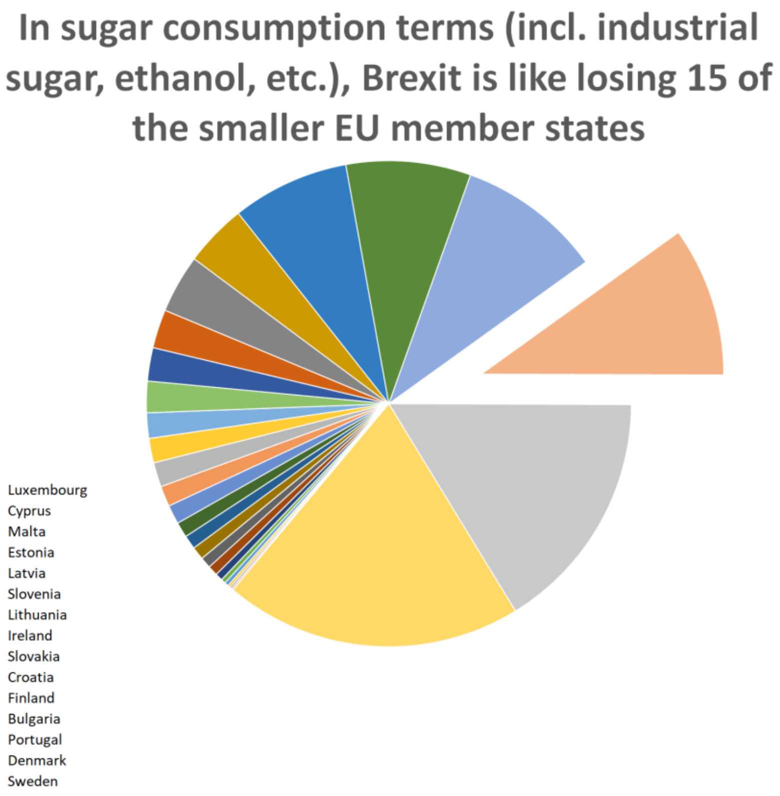
Brexit could be quite a big deal for the EU sugar economy





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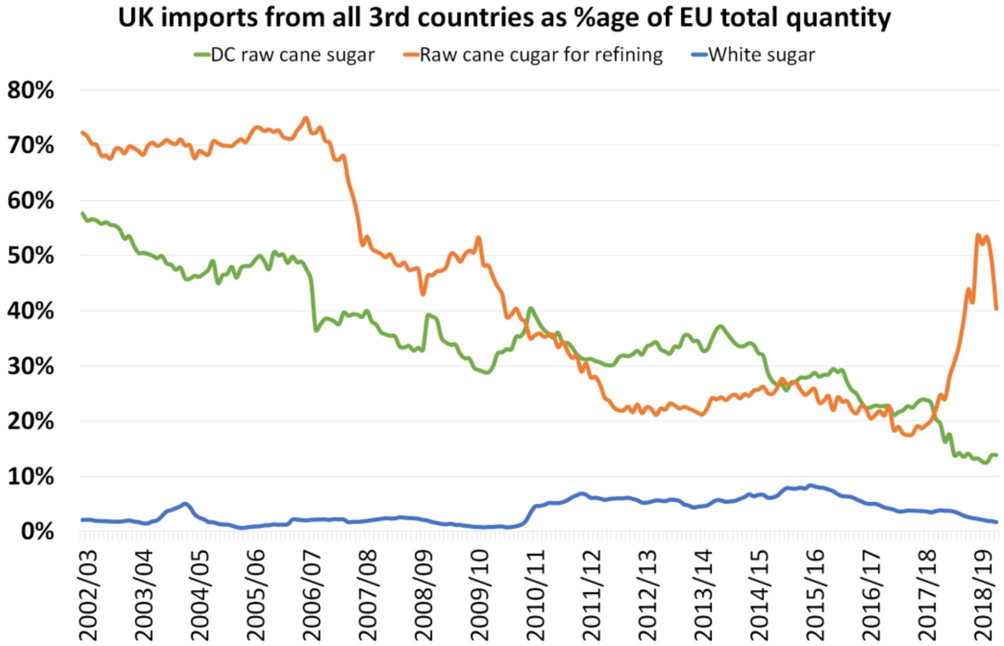
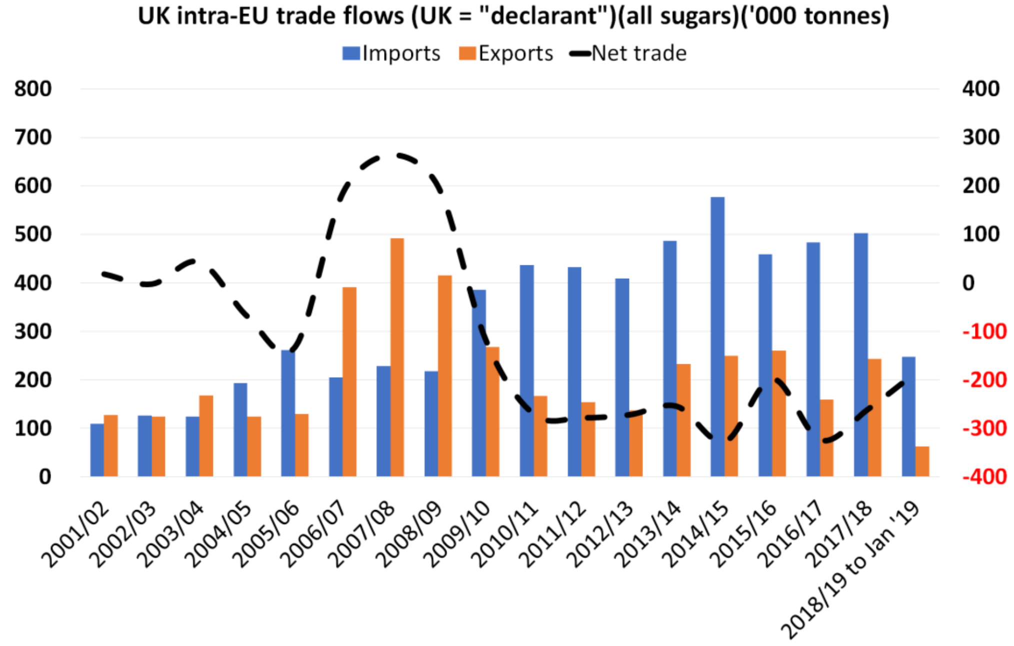
The importance of the UK in EU sugar trade flows





Source: Eurostat

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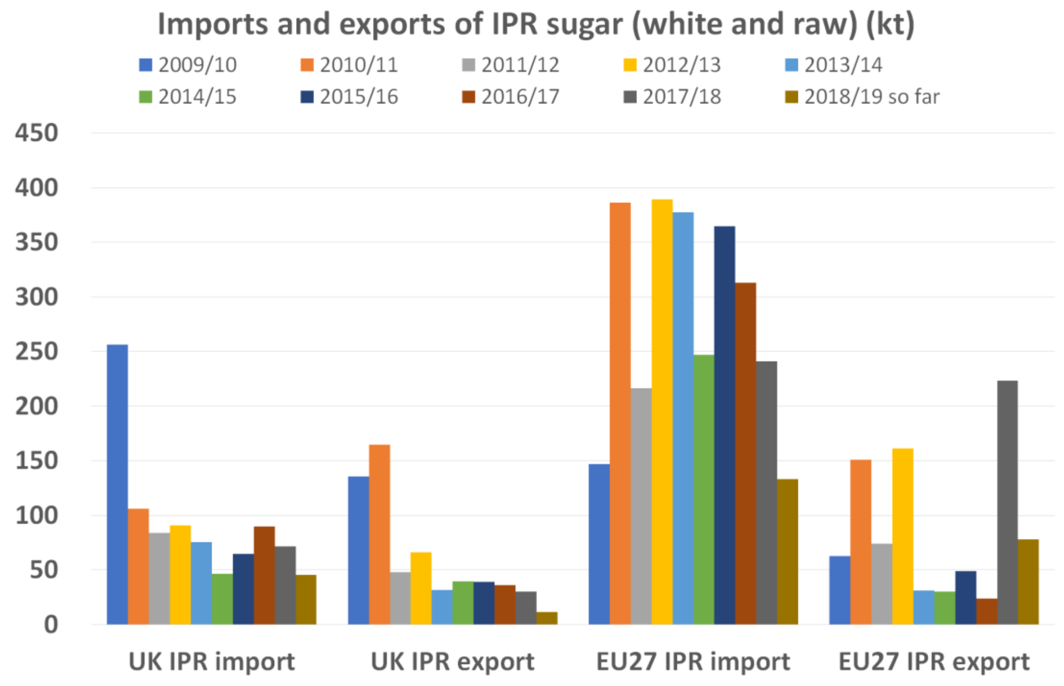
UK deficit in Caobisco products = €2.5 billion. Figures show a highly integrated and inter-dependent EU-UK trade in sweet food products. UK is a big IPR player too.

EU27-UK Trade in CAOBISCO products 2016 in volumes (metric Tonnes)		
PRODUCTS	**EU EXPORTS**	**EU IMPORTS**
Sugar confectionery	148.479	45.031
Chocolate	418.350	124.748
Fine Bakery Wares	809.360	265.476
Total	**1.376.189**	**435.255**

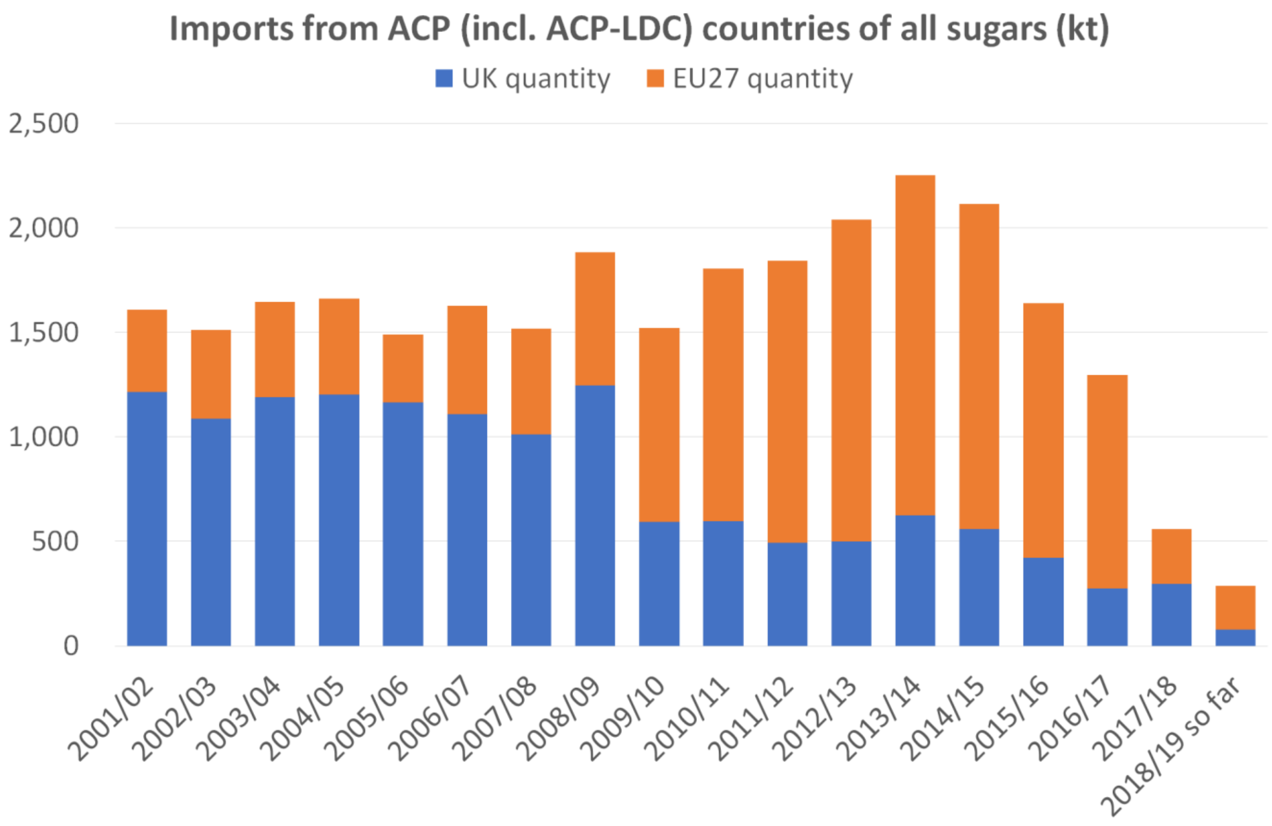
EU27-UK Trade in CAOBISCO products 2016 in value (€ million)		
PRODUCTS	**EU EXPORTS**	**EU IMPORTS**
Sugar confectionery	383	157
Chocolate	1.619	559
Fine Bakery Wares	1.876	665
Total	**3.878**	**1.381**

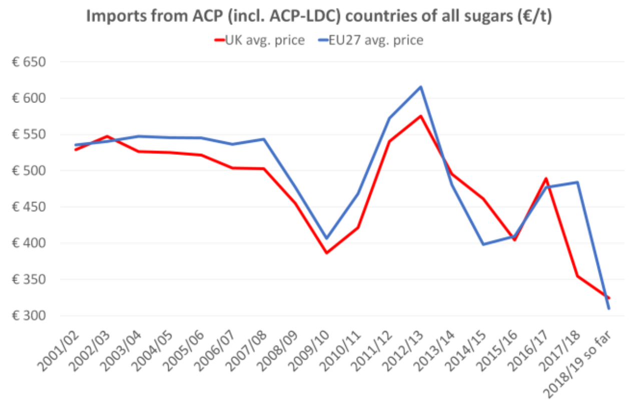
Source: http://caobisco.eu/

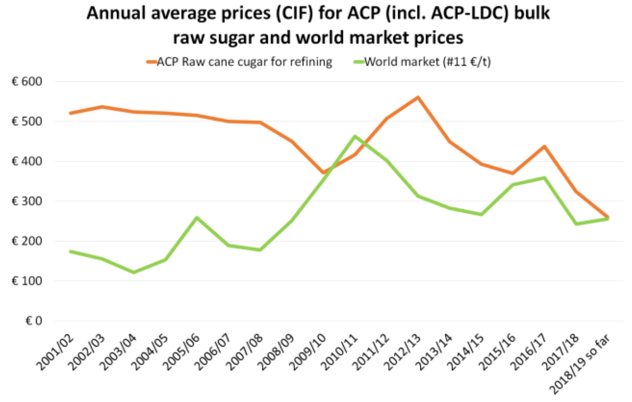


Source: Eurostat

The importance of the UK for the ACP (incl. ACP-LDC) countries







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Source: Eurostat

UK agricultural reform proposals 2021 - 2027

There will be an agricultural transition period in England between 2021 and 2027 as payments are gradually phased out.

Direct Payments during the agricultural transition period up until 2027 will be "delinked" from the requirement to farm the land.

https://www.gov.uk/government/news/landmark-agriculture-bill-to-deliver-a-green-brexit

EU27 CAP reform proposals 2021 - 2027

To ensure stability and predictability, income support will remain an essential part of the CAP.

Basic payments will continue to be based on the farm's size in hectares.

https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap_en

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Successes of EU sugar reform

- WTO compatibility (2006)
- Restructuring of EU sugar industry (at cost of €6bn) (2009)
- Removal of production quotas/carry-forward for sugar and isoglucose (2017)
- Freedom to export (removal of WTO limit and PAD) (2017)

Could do better …

- Voluntary Coupled Support replaces quota protection for vulnerable beet sugar producers in 12 member states (2013)
- Cane sugar suppliers, especially ACP/LDC suppliers or bulk raws and refined, have been devastated (2017)
- Sugar prices are below costs of production for even the most efficient producers (2017)
- The ban on neonicotinoids in beet will do little to help insect pollinators (2017)
- Health concerns surrounding sugar are not being adequately addressed (ongoing)

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UK Brexit planning (sugar)

- **European Union (Withdrawal) Act 2018**
  - The Bill received Royal Assent on 26 June and is now law.
- **Taxation (Cross-border Trade) Act 2018**
  - Customs, VAT, excise duties, etc.
  - The Bill received Royal Assent on 13 September and is now law.
- **Trade Bill 2017-19**
  - International trade agreements, etc.
  - Final amendments were made to the Bill during the third reading on 20 March. The Bill will now go to the Commons for consideration of Lords amendments.
- **The Agriculture Bill**
  - The Bill is due to have its report stage and third reading on a date to be announced.
- **250 statutory instruments**

EU Brexit planning (sugar)

- **WTO Tariff Rate Quotas**
- Regulation (EU) 2019/216 of the European Parliament and of the Council of 30 January 2019 on the apportionment of tariff rate quotas included in the WTO schedule
- **Commission Contingency Action Plan**
- Confirms that all UK trade will be treated as trade with a "third country" and hence import and export formalities and controls will apply in all bilateral trade in goods and services, and that WTO Most Favoured Nation (MFN) customs duties will be charged.
- **Brexit prepared notices**
- https://ec.europa.eu/info/brexit/brexit-preparedness/legislative-initiatives-and-other-legal-acts_en
- Lists legislative initiatives and other legal acts

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UK “no deal” tariff temporary contingency – may indicate long term thinking?

Summary of UK contingency tariff plan (dated 29 March 2019):

Tariffs:
- Same EU tariffs (or £ equivalent) except: 150 €/t for refined sugar, 0 €/t for products and “loopholes” for syrups and IRL/NI trade.

Import quotas:
- LDC EBA continues.
- “CXL” quotas split as per WTO proposal, except ACP quota, to be opened in tranches.
- “Continuity Agreements” with EPA countries.
- Negotiations with existing FTA partners.
- Autonomous TRQ of 260 kt/annum on a FCFS basis.

	EU27	UK	Notes
MFN import tariffs			
White sugar (CN 1701 90/99)	€ 419	€ 150	
Raw sugar for refining (CN 1701 13/14 10)	€ 339	€ 339	
Direct consumption cane sugar (CN 1701 13/14 90)	€ 419	€ 419	
Isoglucose and other syrups (CN 1702)	€ 419 (equiv.)	€ 0	
Other food preparations, e.g. other syrups (CN 2106 90)	€ 419 (equiv.)	€ 0	
Goods entering NI from Éire (IRL)	n/a	€ 0	
Preferential quotas			
CXL quotas			
Australia	4,961	4,964	
Brazil	358,454	29,670	
Cuba	68,969	0	
Erga Omnes	341,460	31,416	
India	5,841	4,159	
ACP (for information)	921,707	372,993	proposed to WTO
Balkan quotas			
Albania	1,000	0	
Bosnia And Herzegovina	13,210	0	
Serbia	181,000	0	
North Macedonia	7,000	0	
Free trade agreements			
Moldova	37,400	0	
South Africa (refined)	50,000	25,000	guesstimate
South Africa (raws for refining)	100,000	50,000	guesstimate
Peru	25,960	0	
Colombia	73,160	2,054	3 year average
Central America	177,000	47,643	3 year average
Panama	14,160	0	
Ukraine	20,070	0	
Ukraine (isoglucose)	16,000	0	
EPA/EBA (excl. South Africa)			
Barbados	426	426	Continuity Agreement close to agreement
Belize	127,235	74,597	Continuity Agreement close to agreement
Cambodia	9,756	0	LDC
Fiji	145,394	55,045	Continuity Agreement agreed
Guyana	104,838	81,959	Continuity Agreement close to agreement
Jamaica	21,481	21,481	Continuity Agreement close to agreement
Laos	42,589	10,250	LDC
Madagascar	58	0	LDC
Malawi	40,036	6,782	LDC
Mauritius	303,556	38,822	ESA Continuity Agreement agreed
Mozambique	93,316	12,947	LDC
Papua New Guinea	37	0	Continuity Agreement agreed
Sudan	61,707	0	LDC
Swaziland	134,555	27,987	SADC+Moz CA agreement still to be agreed
Zambia	19,864	0	LDC
Zimbabwe	60,499	0	ESA Continuity Agreement agreed
Total EPA/EBA	**1,165,345**	**330,295**	
Autonomous Tariff Quota		260,000	
Total	**2,660,990**	**785,202**	

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Towards a coherent UK sugar trade policy – if possible?!

- **Rationale for a UK sugar trade policy:**
  a) Health concerns (obesity, diabetes, poor diets especially amongst the disadvantaged, etc.).
  b) Environmental concerns (net CO_2 balance, soil degradation, etc.).
  c) Global and EU subsidies and market distortions and subsidies (e.g. VCS and the direct payments which will be phased out in the UK by 2027)
  d) The UK "no deal" contingency (of 29 March 2019) would allow >700k of imports to chase a potential market of < ⅔ that quantity (see statistics attached), leading to undesirably low prices in the UK domestic market.
  e) Need to ensure a balance between beet and cane in the UK market.
  f) ACP/LDC continuing socio-economic dependency on sugar cane (NB: the WTO "Lomé quota" commitment of 372,993 tonnes per annum).

- **Objectives of a UK sugar trade policy**
  1) A tariff and excise duty structure that can be managed by HMG with a light touch and is WTO compatible.
  2) Protection for the UK domestic market and ACP/LDC preference by means of suitable administration of preferential imports and import tariffs on all MFN sugars, syrups and calorific sweeteners.
  3) A new all-sugars industry levy on all "caloric sweeteners" as defined in the UK Soft Drinks Industry Levy legislation, to fund consumer education and projects in ACP/LDC countries.
  4) Implement an E10+ mandate.
  5) A target price for sugar of, say, 50p/kg EXW excluding VAT but including a new all-sugars industry levy (or higher if world market prices are unusually high), analogous to the existing EU "reference threshold" of 404.4 €/t EXW in bulk.
  6) Set up a UK sugar advisory committee comprising all stakeholders.

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thank you!

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Statistical appendix

Statistical appendix	EU27 quantity (3 yr avg)	UK quantity? (3 yr avg)	EU28 2015/16	EU28 2016/17	EU28 2017/18	EU28 2018/19 (to Jan 2019)	UK 2015/16	UK 2016/17	UK 2017/18	UK 2018/19 (to Jan 2019)
CXL quotas										
Australia	4,961	4,964	10,104	90	160	60	9,925	0	0	0
Brazil	358,454	29,670	624,473	324,192	254,511	117,130	78,043	27,810	89,850	3,681
Cuba	68,969	0	370,555	428,323	140,269	56,686	0	0	0	0
Erga Omnes	341,460	31,416	0	0	0	0	0	0	0	0
India	5,841	4,159	23,568	20,557	21,946	15,119	344	385	516	205
ACP (for information)	921,707	372,993	1,640,338	1,295,549	560,148	287,526	420,410	274,146	296,329	78,016
Balkan quotas										
Albania	1,000	0	0	440	0	0	0	0	0	0
Bosnia And Herzegovina	13,210	0	10,759	3,623	24	528	0	0	0	0
Serbia	181,000	0	169,193	163,298	29,346	25,407	0	0	0	0
North Macedonia	7,000	0	0	0	0	0	0	0	0	0
Free trade agreements										
Moldova	37,400	0	44,247	55,640	28,214	748	0	0	0	0
South Africa (refined)	50,000	25,000	2,292	13,922	5,030	552	0	0	2,000	0
South Africa (raws for refining)	100,000	50,000	48	569	230,429	117,161	0	0	74,068	52,220
Peru	25,960	0	1,200	46,390	2,324	1,273	0	0	0	0
Colombia	73,160	2,054	63,648	80,213	46,763	19,964	3,007	2,317	839	25
Central America	177,000	47,643	206,155	129,369	164,762	8,545	82,763	38,338	21,829	6,062
Panama	14,160	0	0	0	0	0	0	0	0	0
Ukraine	20,070	0	24,613	22,711	2,667	34,651	0	0	0	0
Ukraine (isoglucose)	16,000	0	0	0	0	0	0	0	0	0
EPA/EBA (excl. South Africa)										
Barbados	426	426	477	450	351	151	477	450	351	151
Belize	127,235	74,597	133,494	106,088	142,122	33,072	89,980	28,830	104,983	32,752
Cambodia	9,756	0	2,586	26,513	168	0	0	0	0	0
Fiji	145,394	55,045	217,068	150,577	68,538	61,000	97,935	33,600	33,600	15,000
Guyana	104,838	81,959	136,129	121,480	56,906	23,483	85,694	103,276	56,906	23,483
Jamaica	21,481	21,481	24,136	19,281	21,025	0	24,136	19,281	21,025	0
Laos	42,589	10,250	69,199	57,987	580	60	30,750	0	0	0
Madagascar	58	0	175	0	0	0	0	0	0	0
Malawi	40,036	6,782	55,557	40,069	24,481	6,465	9,711	6,583	4,051	500
Mauritius	303,556	38,822	378,375	362,086	170,207	42,431	50,469	47,382	18,614	6,131
Mozambique	93,316	12,947	165,862	75,874	38,210	25,120	40	7,200	31,600	0
Papua New Guinea	37	0	66	22	22	0	0	0	0	0
Sudan	61,707	0	155,272	29,848	0	0	0	0	0	0
Swaziland	134,555	27,987	130,632	235,667	37,367	95,745	31,219	27,543	25,200	0
Zambia	19,864	0	44,861	14,559	172	0	0	0	0	0
Zimbabwe	60,499	0	126,449	55,047	0	0	0	0	0	0
Total EPA/EBA	**1,165,345**	**330,295**	**1,640,338**	**1,295,549**	**560,148**	**287,526**	**420,410**	**274,146**	**296,329**	**78,016**
Autonomous Tariff Quota		260,000								
Total	**2,660,990**	**785,202**								

Key United Kingdom estimates	2017/18	2018/19 ?	2019/20???
Beginning stocks	66	222	134
Carry in from previous year	23	0	0
Total fresh production (sugar equivalent)	1,364	1,133	1,100
- of which sugar production (excluding ethanol)	1,262	1,035	1,000
Imports from other EU countries	539	538	538
Imports from non-EU countries (incl IPR)	492	484	484
Industrial consumption (including ethanol but excl jus vert)	101	98	100
Domestic disappearance (incl exports of products)	1,721	1,684	1,658
Domestic disappearance (incl net PP & industry)	1,822	1,783	1,757
Surplus forecast	660	595	498
Exports to other EU countries	323	322	322
Exports to non-EU countries (incl IPR)	115	139	43
Intra-EU balance	-215	-216	-216
Extra-EU balance	-377	-344	-441
Overall trade balance	-592	-561	-657
Carry out to next year	0	0	0
Ending stocks	222	134	134