
Lessons in Liberalization: The European Union's Sugar Industry at World Market Prices

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Europe and the USA – Beyond Sugar



Why Liberalize the EU Sugar Regime?

**A Common Agricultural Policy designed
to supply all commodities at lowest price
(and to enhance the value of specialties with “brands”)**

... promotes competitiveness

(The value of EU agri-food exports has doubled in the last 10 years)

“Liberalize” EU Sugar Means ...

No Quotas:

**Domestic supply determined by growers
(Processing capacity = 120% of domestic demand)**

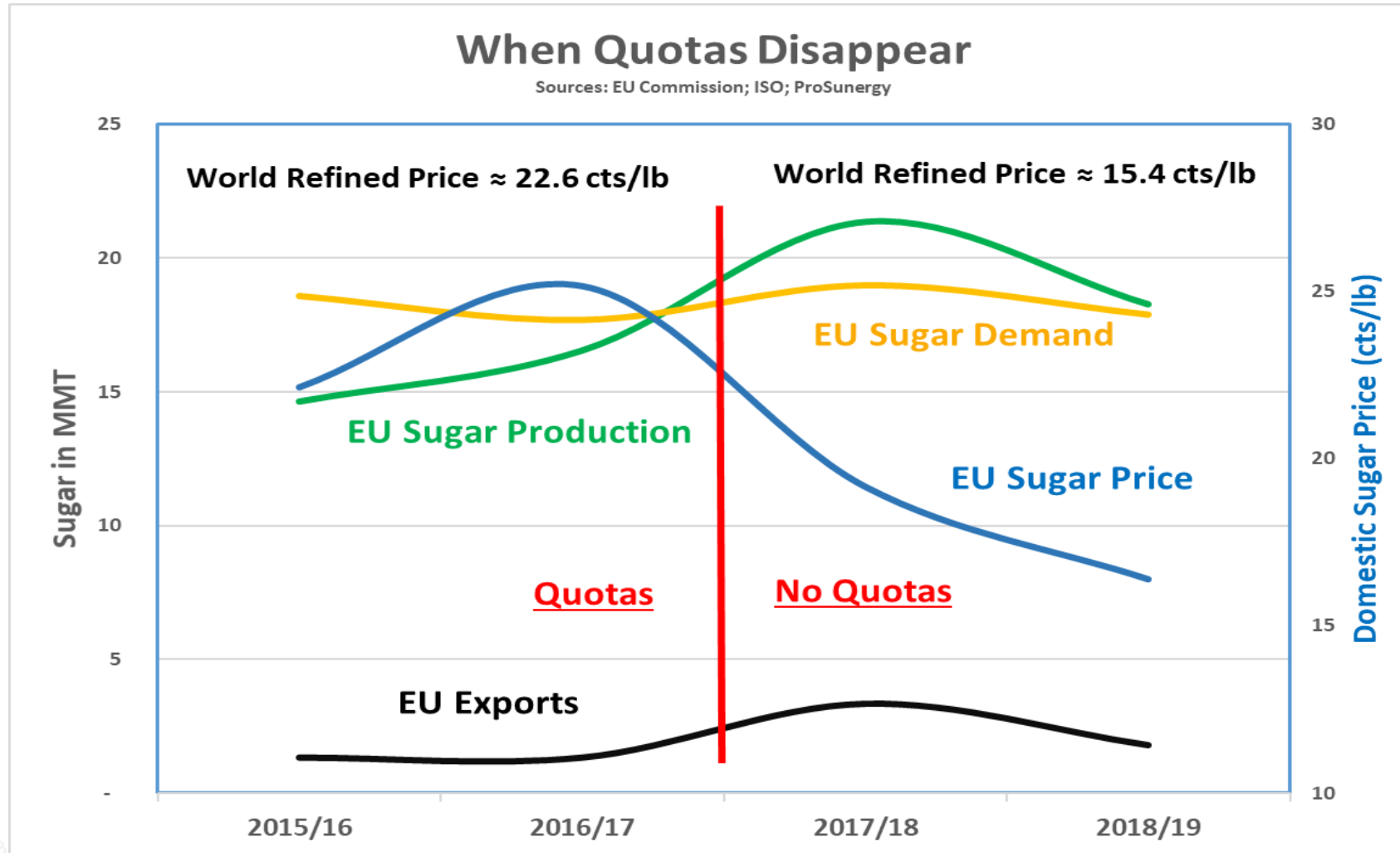
No Minimum Beet Price:

Beet grower revenue linked to sugar market price

World Market Price Influence:

Available duty-free imports \approx 15% of demand

2017/18: No Quotas & The Perfect Storm



Subsidies: Still Material / Still Distortive

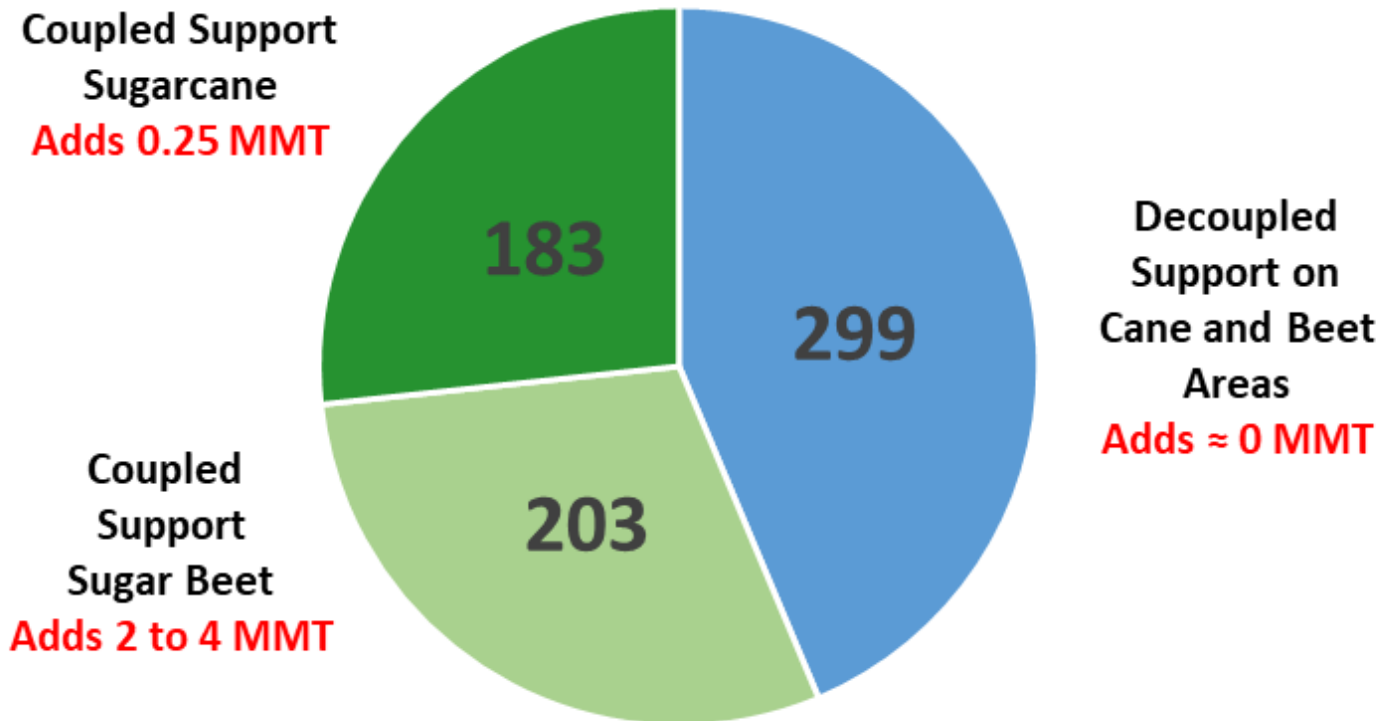
Decoupled Subsidies

Impact resilience
more than volume

Coupled Subsidies

Impact volume,
competitiveness and
foreign suppliers

EU Sugar Subsidies in 2019: Estimated \$685 Million per Year

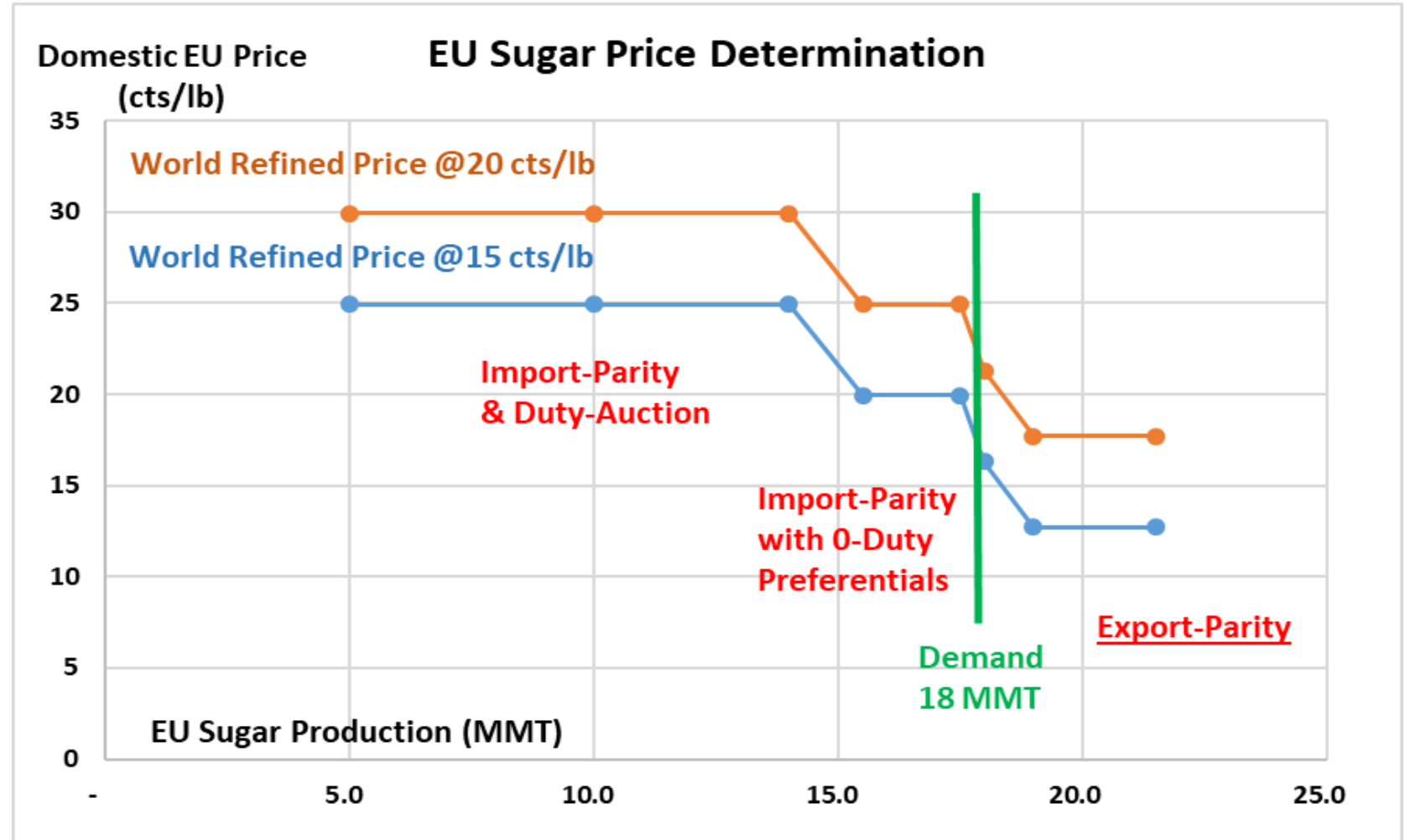


How Much Supply is Too Much Supply?

**Factory Closures
are needed to
optimize returns**

**Imports &
Exports
determine prices**

**Export-Parity
or
Import-Parity**



Structural Challenges for EU Sugar

- **EU GROWERS invited NOT TO USE:**
 - ✓ **Pest Control: Neonicotinoids**
 - ✓ **Weed Control: Glyphosate**
 - ✓ **Fungicides : Epoxiconazole**
 - ✓ **Genetically Modified Organisms**
- **“Common” market?**
 - ✓ **Are rules and subsidies truly common?**
- **Can external trade be fair?**
 - ✓ **Non-Trade Barriers must be enforced**

Lessons from the EU's Sugar Liberalization

Liberalization in Imperfect Markets Distorts Economics

- **Domestic and foreign subsidies destroy competitive industries**
- **Fair competition is impossible if health, safety and environmental standards vary between suppliers**
- **Wealth transfer:**
 - ✓ **US\$ 2.5 billion per year from farms and developing country suppliers to food processing industries**
 - ✓ **No discernable benefit to final consumer**
 - ✓ **The taxpayer compensates in part**