

The Great EU Sugar Scam

How Europe's sugar regime is devastating livelihoods in the developing world.

European consumers and taxpayers are paying to destroy livelihoods in developing countries. Under the Common Agricultural Policy (CAP), the EU has emerged as the world's largest exporter of white sugar. Subsidies and tariffs generate vast profits for big sugar processors and large farmers - and vast surpluses that are dumped on world markets. Smallholder farmers and agricultural labourers in poor countries suffer the consequences. Oxfam is calling for an immediate end to EU sugar exports and improved market access for the poorest countries.



Executive summary

Europe's sugar regime "preserves the interests of all the parties concerned. It was deliberately designed to this effect. It must be maintained" – The European Sugar Manufacturers' Association (CEFS)

"Europe's policies...are putting us at a disadvantage. They are rich and could give us a chance to live". – Sugar cane harvester, Mozambique

European consumers and taxpayers are paying to destroy livelihoods in some of the world's poorest countries. Through the sugar regime of the Common Agricultural Policy (CAP), they are paying for a system that rewards a handful of sugar producers in Europe, while undermining markets and opportunities for farmers and agricultural labourers in the developing world. No agricultural sector is in more urgent need of radical reform. Yet sugar is not even included in the European Commission's latest reform proposals.

This briefing paper highlights the EU's sugar regime as one illustration in Oxfam's campaign against the rigged rules and double standards of international trade. Changing these rules and practices is essential to make trade fair and to make globalisation work for poor people.

Nothing more powerfully demonstrates the insanity of the CAP than sugar, or the blatant hypocrisy of Europe in its dealing with developing countries. Under the sugar regime, quotas and high tariffs set Europe's sugar prices at almost three times world market levels. High guaranteed prices result in huge surpluses that are dumped overseas with hefty subsidies. Each year, consumers and taxpayers foot a bill of €1.6bn (\$1.57bn). And each year developing countries - many of whom the EU is encouraging to liberalise under IMF-World Bank auspices - suffer the consequences of the resulting unfair trade practices.

Allegations of export dumping are strongly denied by EU policymakers and the sugar industry lobby: they claim that the regime is self-financing. Yet the facts speak for themselves. According to the World Trade Organisation, dumping is said to occur when a company exports a product at a price lower than the price normally charged in its home market. Europe exports sugar at prices around 50 to 65 per cent less than the high prices guaranteed under the CAP – far below European costs of production. This is only made possible by hidden export subsidies, raised through levies on farmers and processors – levies which they can afford because of the high price they receive for their sugar. Rather than being "self-financing", the regime is ultimately paid for by Europe's consumers. These subsidies slip through the net of the World Trade Organisation's rules. During the Uruguay Round agreement, the EU and the US succeeded in writing in the loopholes they needed to allow the continued use of hidden export subsidies to dispose of domestic surpluses on world markets.

The EU likes to justify the sugar regime as an investment in rural development and as an environmental benefit. Such arguments hide the real impacts. As in other areas of the CAP, sugar subsidies are reinforcing the gap between rich and poor farmers, encouraging inefficient resource use, and supporting environmental degradation. Less visible is the social and economic havoc inflicted on farmers in some poor countries, who have not

only seen their exports shut out by EU tariffs but also face EU competition in third markets.

So who are the big winners from the EU sugar regime? Top of the league is the sugar processing industry – one of the most monopolistic sectors in Europe. In each of eight EU countries, just one company controls the entire sugar quota. British Sugar, one of those monopolies, effectively receives an annual golden handshake which, according to Oxfam's calculations, is worth around €123 m (£77m) – accounting for over half of the company's profits and equivalent to winning the UK National Lottery's jackpot seven times over.¹ These hefty transfers from the public help British Sugar to maintain a profit margin exceeding 20 per cent, high above the average for the food sector. Europe's sugar farmers – just 4 per cent of all its farmers - also win. Especially large farmers in areas such as East Anglia, the Paris Basin and Lower-Saxony who reap the biggest gains. In the UK the largest sugar beet farms each receive an estimated € 96,000 (£60,000) subsidy each year – ten times the amount of smaller farms.

In a sane world, Europe would be importing its sugar. But thanks to a bewildering array of open and disguised subsidies, the EU, one of the world's highest cost producers of sugar, is the world's biggest exporter of white sugar, accounting for 40 per cent of world exports last year. Britain and France are the ugly sisters of the show: almost one quarter of their production is surplus dumped overseas.

Developing countries are hit by Europe's sugar policies through four channels:

- **Restricting market access.** High tariffs and import quotas prevent some of the world's poorest countries from gaining access to EU markets, with attendant losses for rural incomes, employment and foreign exchange earning. Companies such as British Sugar have lobbied intensively to prevent the least developed countries being granted unrestricted market access. As a result, Mozambique – a country with almost three-quarters of the rural population living in poverty – has lost the chance to earn an estimated €108m (\$106m) by 2004. That's almost three quarters of the EU's annual development aid to Mozambique of €150 m (\$136m).
- **Undercutting export opportunities.** Because Europe dumps its excess production overseas, it pushes other exporters out of third markets. In 2001 Europe exported 770,000 tonnes of white sugar to Algeria and 150,000 to Nigera – these are lost export opportunities for more efficient producers in southern Africa.
- **Undermining value-added processing.** A handful of African, Caribbean and Pacific (ACP) developing countries receive valuable quota access to export their cane sugar to the EU at its high price. But even they can only export raw sugar, to be processed in the EU – so inhibiting the development of their own refining industries. In addition, the subsidised sugar content of EU exports of sweets and chocolates undermines confectionary producers in developing countries. Swaziland's sweets industry is currently being crippled by direct competition from subsidised European imports.

- **Depressing and destabilising world prices.** Europe subsidises its sugar exports to bridge the gap between its own high price and low world prices. Even if world prices fall unsustainably low, Europe matches the difference. The effect is that the EU depresses world prices - often to levels below the costs of production of even the lowest cost producers such as Malawi, Mozambique and Zambia. This damages their investment prospects by shrinking expected foreign exchange earnings. In addition, the EU claims that its fixed export quotas are predictable, so helping to stabilise the world market. But this ignores the impact of its highly variable non-quota exports that actually exacerbate world market price fluctuations.

This briefing paper attempts to reveal the insanity of the CAP sugar regime. It shows that EU Commission and sugar industry claims that the regime is 'self-financing' amount to a misinterpretation at best, and a deliberate act of public deception at worst.

Oxfam supports the full reform of the sugar sector but recognises that this is not likely to take place at least until 2006. Therefore, Oxfam is calling for some immediate reforms:

A 25 per cent cut in EU quota production – in order to make possible the following three measures:

- **End EU sugar dumping. This would mean ending quota exports and storing all non-quota production for use in the following year**
- **Full and immediate access for imports from the least developed countries through the 'Everything But Arms' (EBA) Initiative, as originally intended under the European Commission proposals**
- **Maintain quotas for ACP preferential imports and reverse their quota cuts that have already been made for imports under the EBA**

In addition, use farmer and processor levies (currently paid on all quota production to subsidise exports) to help fund the costs of eventual full reform facing small-scale EU farmers and the ACP exporters.

Reforms on this scale will inevitably generate adjustment costs in Europe. However, these costs pale into insignificance against the costs currently inflicted by the EU on developing countries. Policy makers in Europe have public policy responsibilities for rural development and the environment. As representatives of one of the world's richest and most powerful trading blocs, they also have responsibilities to developing countries. That includes a responsibility to make globalisation work for the poor - to make trade fair. Maintaining the current sugar regime is a lose-lose scenario that is bad for both Europe and the developing world.

1. Introduction

Sugar trade conjures up images of the colonial era when the West Indies exported cane sugar to meet European demand. That image has, bizarrely, been reversed: Europe is now the biggest exporter of white sugar to the rest of the world, despite having among the world's highest costs of production. Such absurdity is made possible only by fixed high prices and hefty subsidies to Europe's large-scale farmers and agribusinesses.

EU consumers and taxpayers pay a high price for the excessive production, but the real burden falls far beyond Europe's borders. Not only is Europe depressing the world price and keeping out efficient suppliers like Brazil and Thailand, but it is also destroying prospects for some of the least developed countries (LDCs), such as Mozambique. Several of the LDCs are among the lowest-cost sugar producers in the world, but their sugar industries are struggling to survive in the face of rich-country protectionism and subsidised exports.

The EU's sugar regime is a sharp illustration of the pervasive problem of rigged rules and double standards in world trade. Rich countries preach free trade to poor countries, and they use their influence over the IMF and World Bank to impose it on them. But when it comes to their own policies, rich countries are unashamed protectionists. Nowhere is this more apparent than in agriculture. The devastating impacts of low commodity prices in developing countries - partly exacerbated by this EU and US protectionism - still get scant attention.

2. Europe in the global sugar market

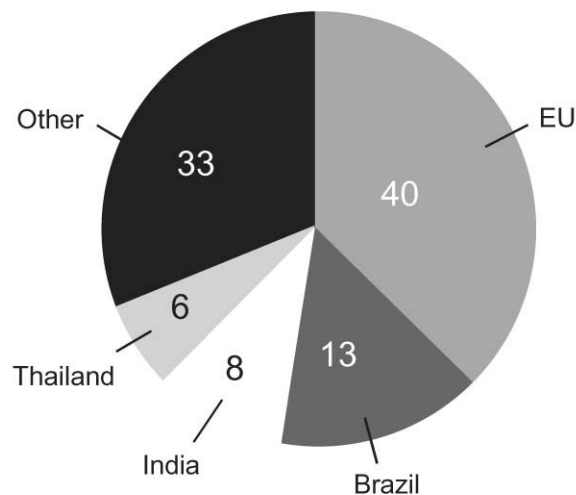
Worldwide, 121 countries produce sugar, but from two different crops. Sugar cane - a giant tropical grass - is the source of over two-thirds of global production and is grown throughout the developing world and in the US and Australia. The rest comes from sugar beet - a temperate root crop - grown mainly in Europe and also in the US.²

Sugar is among the most traded of commodities with exports accounting for over one quarter of global production³ - but it also has one of the most distorted global markets. It costs well over 50 per cent more to produce sugar from beet than from cane but heavy subsidies lead to excessive production in the EU and the US, giving beet sugar a damaging impact on international markets.

EU sugar: high costs but big exports...

The EU has among the world's highest sugar production costs – well over double internationally competitive rates – and yet it is the world's biggest exporter of white sugar. It costs Europe around € 673 (\$660) to produce one tonne of white sugar, compared to just € 286 (\$280) for competitive countries like Brazil, Colombia, Malawi, Guatemala and Zambia.⁴ Yet Europe exports more white sugar than any other country, reaching almost 7m tonnes in 2000-01: a staggering 40 per cent of world exports.⁵ (Figure 1)

Fig 1. World white sugar exports: percentage share of the market, 2000-01.



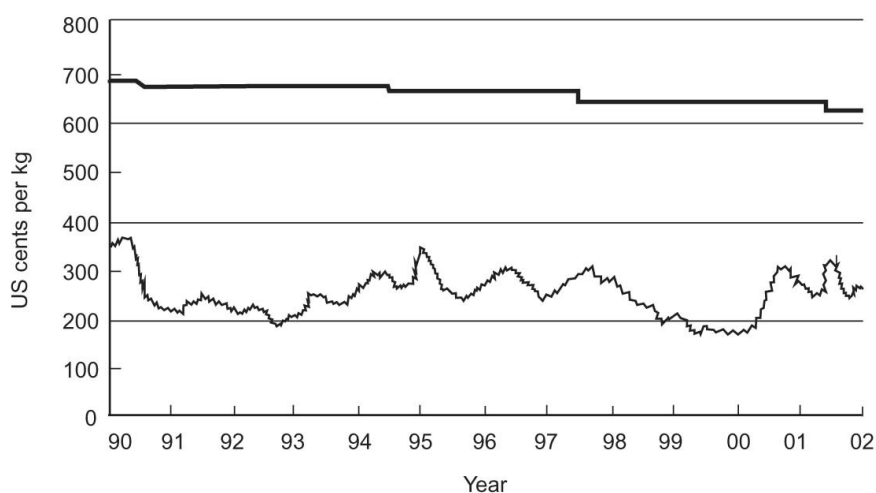
Source: FO Licht

...thanks to subsidies.

How can the EU be the world's biggest white sugar exporter, given its cost disadvantages? The sugar regime, launched in 1967 under the CAP, keeps the EU sugar industry in business by first guaranteeing farmers high prices for selling their sugar beet to processors and then guaranteeing sugar processors a high price for selling their refined sugar. The result is that in Europe sugar costs more than three times

the world market price (Figure 2) and Europe's farmers and processors are the world's biggest recipients of sugar subsidies.⁶

Fig 2. EU and world white sugar prices, 1990-2002 (current prices)



Source: FO Licht

Quotas limit production...

To prevent these high prices leading to a flood of sugar supply, quotas are allocated in an (unsuccessful) attempt to limit production.

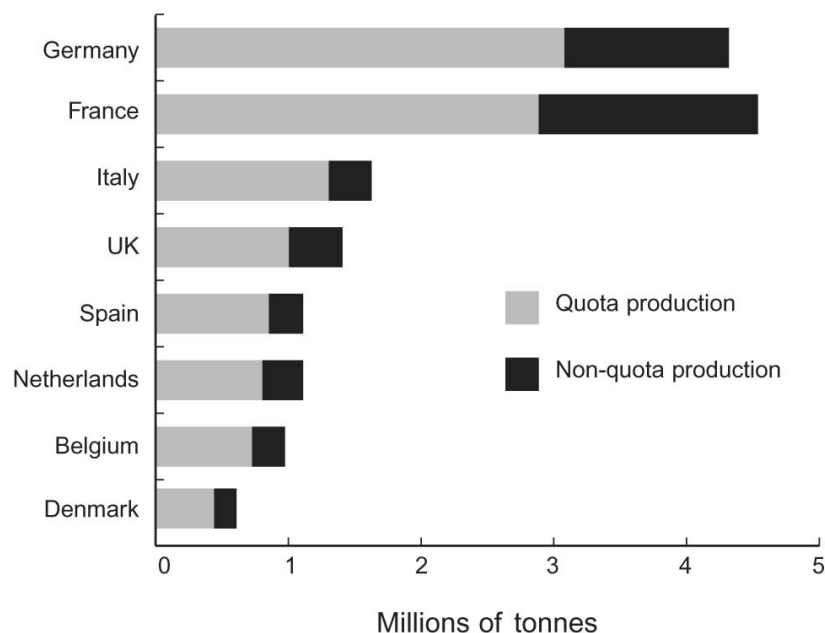
- *Sugar quotas*⁷ are allocated, country by country, to sugar processors and then on, as contracts, to farmers who receive a high price for their quota sugar beet. Some quota sugar is exported and receives an export subsidy.
- *Non-quota sugar*⁸ is also produced because many farmers grow excess sugar beet. The resulting non-quota sugar, however, must either be stored to be used as part of next year's quota or exported onto the world market without export subsidy.

Despite quota limits, non-quota production is high, taking total production far higher than officially planned levels (Figure 3).

...tariffs block imports...

In the absence of border controls, high prices in Europe would attract large volumes of imports. This does not happen because of tariffs reaching 140 per cent⁹ – compared with most EU tariffs of less than 5 per cent¹⁰. This makes sugar one of the most protected of Europe's

Fig 3. Quota and non-quota production of the EU's eight largest producers, 2000-01



Source: European Commission 2002

products. At the same time, however, some raw cane sugar (1.5m tonnes of so-called preferential sugar) is imported at the high EU price from a handful of African, Caribbean and Pacific (ACP) developing countries that historically supplied raw sugar to European countries during the colonial era.

...excess production is exported...

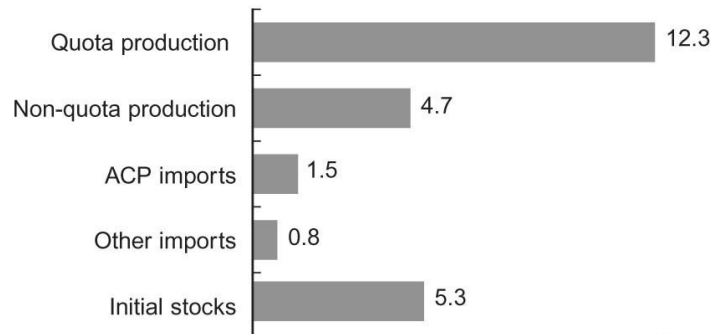
Whatever its intention, the quota system has failed to prevent high support prices from generating production far in excess of domestic demand. Production in 2001 was over 17m tonnes and almost 7m of that had to be exported.¹¹ Every year most of Europe's excess sugar is disposed of in international markets – either as exports from the quota or as exports of non-quota production – and the rest is held as stocks (Figure 4).

France and Germany are the biggest producers of non-quota sugar. But relative to production, it is France and the UK who top the ranks as the biggest dumpers of non-quota sugar: over the last five years

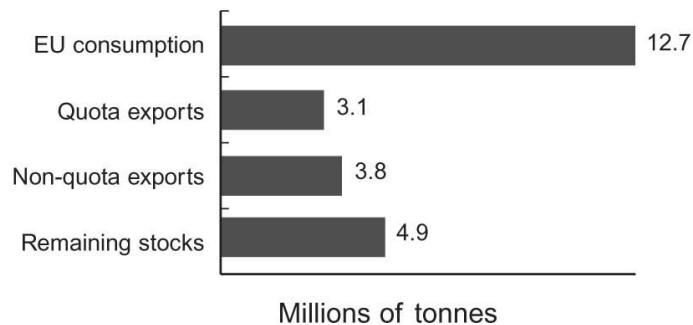
almost one quarter of both French and UK sugar production was non-quota that was dumped on world markets.¹²

Fig 4. The EU sugar balance, 2000-01

Where it comes from...



... and where it goes



Source: European Commission 2002.

...and those exports are merely dumping in disguise...

The EU and its sugar industry like to hold up the CAP sugar regime as a model of good practice. First, they claim that the regime is not export dumping, insisting that it is operating within the spirit of WTO rules. Second, they claim that, far from draining public funds, the regime is self-financing. This is double nonsense.

The simple truth is that, without subsidies, the current regime would crumble - and it would crumble because the EU has to sell its exports

at prices far below its production costs. This simple fact makes a mockery of the claim that the CAP sugar regime does not involve subsidised dumping.

The gap between the spirit of WTO rules on dumping and EU policies is evident even from a cursory reading of those rules. According to the WTO, "if a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be 'dumping' the product." The 'normal' price is usually based on the price in the exporter's domestic market. When this cannot be used, it is based on the price charged by the exporter in another country, or on the exporter's production costs and normal profit margins.¹³ These definitions lead to a simple conclusion: all EU sugar exports – whether quota or non-quota – amount to dumping.

Taking guaranteed internal prices as a reference point, the EU typically exports sugar at around one-third to one-half of the domestic 'normal price'. For example, in mid 2002, EU processors were guaranteed a price of at least €632 (\$620) per tonne for white sugar¹⁴ (and almost always get a price well above that); at the same time the world market white sugar price was just €184 (\$180) per tonne.¹⁵ Stated differently, dumping margins on EU sugar can exceed 200 per cent.¹⁶ If Europe found its manufacturing sectors facing equivalent dumping, a rush of anti-dumping actions would be guaranteed.

What of the self-financing claim? The gap between (high) EU guaranteed prices and (low) world market prices is bridged by subsidies for quota exports. These subsidies are funded by levies collected from farmers and processors on all quota production¹⁷ – hence the industry's claim that the system is self-financing. However, the cost of these levies – €800m (\$784 m) each year – is ultimately paid for by the captive market of EU consumers in the form of premium prices for the sugar, and sugar products, that they buy.¹⁸

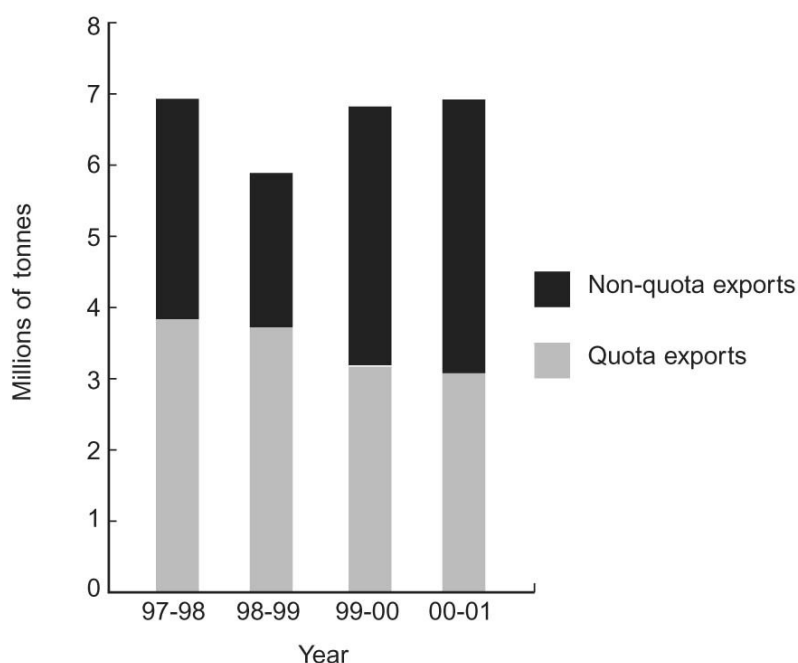
Additional export subsidies are also given for exports equivalent in volume to the white sugar made from the 1.5 m tonnes of cane sugar imported from the ACP countries.¹⁹ These subsidies – a further €800m (\$784m) – are paid for directly out of the CAP budget, which is ultimately paid for by EU taxpayers.²⁰ The result? European consumers and taxpayers end up footing an annual bill of €1.6bn (\$1.57bn) to dump Europe's excesses overseas.

Technically, exports of non-quota sugar are not subsidised in the sense that they have to be sold at world market prices. The EU Commission and sugar industry claim that the high volume of non-quota production demonstrates just how competitive Europe's

farmers are. Once again, this is a specious argument that hides a thinly disguised subsidy system.

Since the overhead costs of growing sugar beet are covered by the high price paid for quota sugar beet, farmers only need to cover their additional direct - or marginal - costs to make it worthwhile to produce extra beet beyond their quota. And it clearly pays well for some: in the late 1990s, even as Europe's quota exports fell gradually, non-quota exports grew significantly (Figure 5). In 2001 exports of non-quota sugar amounted to nearly 4m tonnes - well over half of all EU exports.

Fig 5. EU quota exports are falling but non-quota exports are rising faster



Source: European Commission 2002.

...because WTO rules miss the point.

WTO rules have historically provided weak discipline on agricultural trade. This practice continues for two reasons, both related to the Uruguay Round agricultural agreement. First, the agreement institutionalised a new definition of subsidies tailored to the interests

of the United States and the EU, the strongest negotiating parties. While overall subsidies must be reduced under that agreement, many financial transfers to farmers are no longer counted as subsidies. There are specific problems with the definition of export subsidies: under the Uruguay Agreement, they have to be reduced – but only *direct* export subsidies. The EU's indirect export subsidies (through levies and indirect subsidy of non-quota production) do not fall into that category.

Second, at the insistence of the EU, the Uruguay Round agreement included a 'peace clause', effectively prohibiting any challenges to the CAP regime until the end of 2003. Even after the peace clause expires, any country taking an anti-CAP complaint to the WTO would be seen by European policymakers to be precipitating a crisis that would make further negotiated reductions in export subsidies near impossible. This amounts to the old playground threat of *if you tell on us, we won't play with you anymore*. Meanwhile, the EU is keen to have the peace clause extended so that its dumping impunity lasts even longer.

The EU sugar regime graphically illustrates the wider failure of existing WTO arrangements. Both Europe and North America have geared their subsidised agricultural systems towards the production of vast surpluses that cannot be absorbed in domestic markets. In effect, they have contrived a system of multilateral rules that allows for the subsidised disposal of these surpluses, forcing other countries to adjust to the consequences. What is needed is a new set of WTO disciplines that take the simple step of applying to agriculture the principle that export prices should reflect costs of production.

The EU is matched by US protectionism

The US has long played the opposite number to Europe, with its own protectionist regime using high internal prices, a tariff rate of nearly 150 per cent²¹ and soft loans to prop up domestic production. The US government spends close to €1.7bn (\$1.68bn) each year buying and storing excess sugar to maintain the artificially high domestic prices.²² Only 12 per cent of US sugar consumption is met through imports and so developing countries lose out through much-reduced market access and a lower world price.²³ As a result, they forego an estimated €1.53bn (\$1.5bn) each year that could have been earned had they had access to the US sugar market.²⁴ The 2002 US Farm Bill has increased support to sugar farmers, now subsidising the price to the tune of €1.1bn (\$1.1bn).²⁵

And the World Bank and IMF reinforce the double standard

The World Bank and IMF – whose major members are the EU and the US – have been preaching and pressurising developing countries to cut their sugar import tariffs. At the same time, the EU dumps its excess production overseas and, like the US, defends its own high import tariff rate (Box 1). The World Bank and the IMF often claim, in self-defence, that they give the same tariff-cutting advice to rich and poor countries alike. The crucial difference, however, is that rich countries are not bound under their loans and so can ignore such ‘advice’ at will. Not so for developing countries which often face trade liberalisation as part of loan conditionality.

Box 1. Sweet moments in the history of hypocrisy: double standards on trade liberalisation

While the EU sugar regime sits untouched amidst the ongoing CAP reforms, and whilst the US regime gets even stronger in its opposite corner, countries like Mozambique, one of the lowest cost sugar producers in the world, have been put under pressure from international financial institutions to remove sugar import tariffs - an action which would absurdly result in the Mozambican industry being near wiped out.

The IMF has strongly opposed the protection given to the domestic sugar industry in Mozambique and, in late 1999, tried to force it to be the first country to withdraw protection. Public protest in Mozambique forced the IMF to back down, but still to write in its country report: “*The government remains determined to support the rebuilding of the sugar industry...the (IMF) staff has viewed the increase in protection as troubling evidence of an inward-oriented industrial policy*”.²⁶

The World Bank has been likewise simplistic in its recommendations. As recently as 2001 it was insisting that: “*Reducing import duty rates and eliminating import surcharges for key consumption goods such as sugar should thus continue to be a priority for the government*”²⁷

In contrast to this blinkered advice, the government of Mozambique is clear on the consequences that would follow: “*Unless some degree of protection were granted, as happens in every other sugar producing country of the world, the domestic industry would not be able to compete with imports at the dumping prices prevailing in the international market*”²⁸

3. Who gains from the sugar regime?

There are some big winners from the EU sugar regime. This makes ending it, or simply reforming it, more complex - both in terms of political pressures and in terms of economic adjustment for those

who have relied upon it. The biggest vested interests are EU sugar processors and farmers; others gaining are the seventeen ACP countries, and India, that have preferential access.

Europe's sugar processors

Sugar processing companies lead the league table of vested interests benefiting from the CAP regime. These companies allocate contracts to supply sugar beet to farmers, buy the beets from the farmers for a price fixed by the EU, process them into refined white sugar and sell the sugar, while being guaranteed a generous minimum price for it.²⁹ In practice, prices paid are well above this guaranteed level, bringing even higher profits.³⁰

Fixed production quotas and fixed costs for buying sugar beet mean that processors have little incentive to reduce their prices for white sugar: they can already sell all their sugar at current prices and cannot expand their output because they are limited by quotas: lower prices would usually lead to lower profits. Instead, they increase their profits by buying up other processing companies, leading to corporate concentration.³¹

Over the past decade, ownership has become more concentrated among a shrinking number of EU sugar processors: from 1989 to 1999 the number of processing and refining companies fell by a third. By the late 1990s, in 8 of the 14 sugar-producing member states there was just one company controlling the entire sugar beet quota (Table 1).³²

Table 1: Europe's largest sugar processors, by country, 1997-98.

Country	Largest Sugar Processor	Market Share, %
Austria	Agrana	100
Belgium	Tirlemont	71
Denmark	Danisco	100
Finland	Danisco	100
France	Beghin-Say	31
Germany	Südzucker	41
Greece	HIS	100
Ireland	Greencore	100

Italy	Eridania	31
Netherlands	Cosun	62
Portugal	DAI	100
Spain	Az. Ebro Agrícolas	80
Sweden	Danisco	100
UK	British Sugar	100

Source: NEI 2000

Across the EU, four corporate groups now control almost half of all Europe's beet sugar production:

- **Südzucker**, based in Germany, is the biggest white sugar processor in Europe and in the world, controlling almost one quarter of Europe's quota. It has doubled its sugar production since 1992 and now owns companies in Austria, Belgium, the Czech Republic, France, Germany, Spain, Hungary, Moldova, the Netherlands, Poland, Romania and Slovakia.³³
- **Danisco**, based in Denmark, controls major sugar processors in Germany, Sweden, Lithuania and Finland and has significant market presence in many Baltic states. In three countries – Denmark, Sweden and Finland – it has a monopoly on sugar processing.³⁴
- **Eridania Beghin-Say**, based in France and Italy, has major market shares in those countries and Hungary. It is a self declared “*key player at the heart of the sector's consolidation and globalisation in Europe*”³⁵
- **British Sugar**, based in the UK, has a monopoly on sugar beet processing and so is in control of allocating the entire quota to British farmers. Its profit margins exceeding 20 per cent are among the highest of all EU processors.³⁶ (Box 2)

Box 2. Jackpot winners: British Sugar

British Sugar is a monopoly in an enviable position. It is the sole processor of sugar beet grown in the UK, enjoying a captive market, fixed purchasing costs and guaranteed sales prices for its Silver Spoon brand.

The British Sugar Corporation was created as a government monopoly in 1936, as sole purchaser and processor of the UK's sugar beet crop. The company was privatised in 1981 and became British Sugar. It was purchased by Associated British Foods (ABF) in 1991.³⁷

Almost 70 years ago, at the creation of the British Sugar Corporation, some government officials objected to supporting "*an industry which has no reasonable prospect of ever becoming self-supporting*".³⁸ They were right in their forecast but hefty support has been given for decades – no doubt encouraged by generous contributions from ABF's parent company to the British Conservative Party: £650,000 (€1m) from 1994 to 1998.³⁹

Tate and Lyle also sell sugar in the UK, refining the ACP raw sugar cane imports, but competition with British Sugar is limited. Since production is limited by quotas for both companies (sugar beet quotas for British Sugar and raw cane import quotas for Tate & Lyle), neither company has much incentive to cut prices because there can be no resulting increase in production. Instead, as British Sugar admitted to the Monopoly and Mergers Commission, its pricing strategy has been to set sugar prices as high as it can without inducing imports.⁴⁰

British Sugar has more than once been found guilty of abusing its market power. It was fined €3m (\$2.9m) by the European Commission in 1988 for abusing its position and blocking another company (Napier Brown and Co) from entering the market for packaged sugar.⁴¹ In 1990 the Monopolies and Mergers Commission vetoed the planned merger between British Sugar and Tate & Lyle because it threatened a consumer price hike.⁴² In 1998 the company was fined again by the European Commission – this time a hefty €40m (\$39m) – for colluding and price fixing in the industrial sugar market (with Tate and Lyle and Napier Brown).⁴³

British Sugar's profit margins have exceeded 20% in every year but one since 1994.⁴⁴ Such high margins are usually defended on the grounds of high rates of investment in risky research or unpredictable market conditions – neither of which are true in this case.

In 2001, British Sugar's profit margin was 21 per cent. Compare that to a profit margin for the overall Associated British Foods group of just 6 per cent.⁴⁵ Without British Sugar, Oxfam estimates that ABF's profit margin would fall to a mere 3.4 per cent⁴⁶: British Sugar is clearly playing 'sugar daddy' to its parent group.

It is the guaranteed sugar prices that make British Sugar's profit margin so high. A more reasonable margin of, say, 10 per cent could still be made if the price of sugar were reduced by 11 per cent. That would save consumers €123m (£77m) a year – but currently that money is transferred from consumers to the company.⁴⁷

Sugar processors are sheltered from competition outside the EU market and have stable costs of production.⁴⁸ Yet, despite being in a low-risk industry, they reap high and reliable profits. The actual profit margin made by EU sugar processors is highly disputed. The

sugar industry has claimed it is less than 10 per cent.⁴⁹ In contrast, one investment bank (ABN-AMRO) has estimated that in theory their profit margin is 28 per cent⁵⁰ but in practice it could be above that because of additional earnings from selling by-products and because actual EU sugar prices are well above minimum guaranteed levels.⁵¹ Industrial users of sugar (who make processed foods such as sweets and soft-drinks) claim that sugar processors' margins are too high. They estimate that the guaranteed intervention price for white sugar could be cut by 16.5 per cent without harming the viability of the industry and without affecting farmers' incomes.⁵²

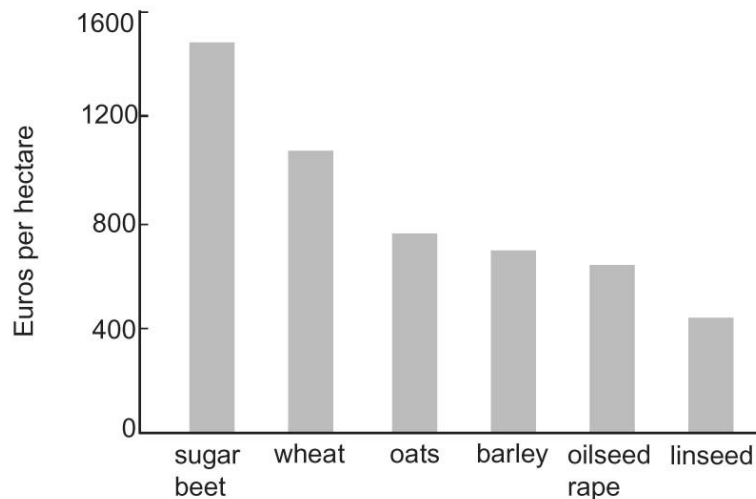
Europe's sugar farmers...

Europe's sugar farmers – constituting only 4 per cent of all EU farmers⁵³ – have long been subsidised by the CAP regime. Its intended aims include contributing to the harmonious development of world trade, ensuring Europe's food security and supporting priority regions needing social and economic development. But – like much of the CAP – the sugar regime is far off target. The allocation of quotas between countries is neither economically efficient nor socially beneficial and the biggest farms often receive the bulk of subsidies.

Sugar beet is one of the most profitable arable crops grown in the EU.⁵⁴ According to the European Commission's own estimates, sugar beet prices are 25-30 per cent above the level needed to generate the same returns as growing cereals.⁵⁵ British Sugar has confirmed that, "sugar beet remains one of the most highly profitable arable crops for UK farmers".⁵⁶ Its high profitability above most other arable crops in the UK is clear (Figure 6)

Yet this high profitability has not been harnessed to promote socially useful goals, despite the EU having explicit policies in favour of this. Quotas are allocated among countries roughly in proportion to their domestic market size, and sugar beet guaranteed prices are set, EU wide, to enable even the least efficient countries to stay in production. The perverse result is that most sugar beet is grown where it is least suited: over half of Europe's quota is allocated to countries with below-average productivity rates.⁵⁷ The regime is off-target with social policy too: sugar beet grown in the EU's so-called Priority Regions – regions in which development is lagging behind or which are undergoing economic and social conversion – accounts for only 20 per cent of the total beet under cultivation.⁵⁸

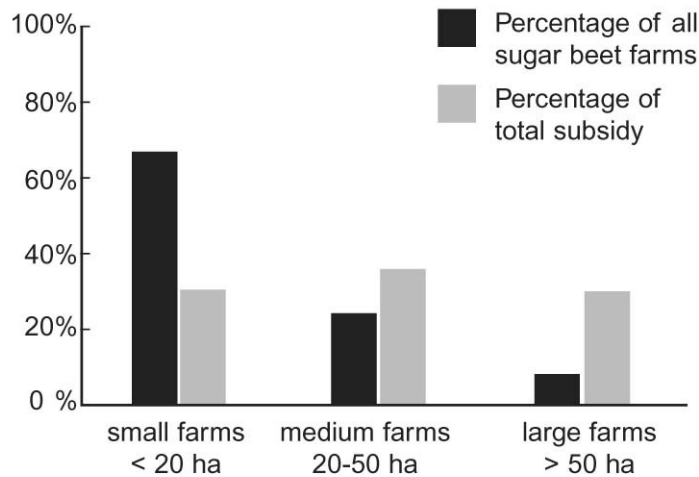
Fig 6. The relative profitability of major UK arable crops, euros per hectare, 2001



Source: Nix 2001

Nor is the profitability targeted to support smaller farms. Although sugar beet price support is valued by many small and family farms, quota allocations make no attempt to ensure that smaller farms are major beneficiaries. As a result, in some countries the largest sugar beet agribusinesses reap the bulk of the benefits of subsidised prices. In the UK, for example, in 1999 the Ministry of Agriculture, Fisheries and Food (now DEFRA) estimated that farmers received sugar beet price support worth €224m (£140m) – that’s an effective subsidy of €1,180 (£740) for each hectare of sugar beet grown. For the larger farms, that’s an average subsidy of €96,000 (£60,000) each.⁵⁹ In contrast, small farms receive just one tenth of the subsidy of large farms (Figure 7).

Fig 7. Distribution of the benefits of price support in the UK, by sugar farm size, 2000



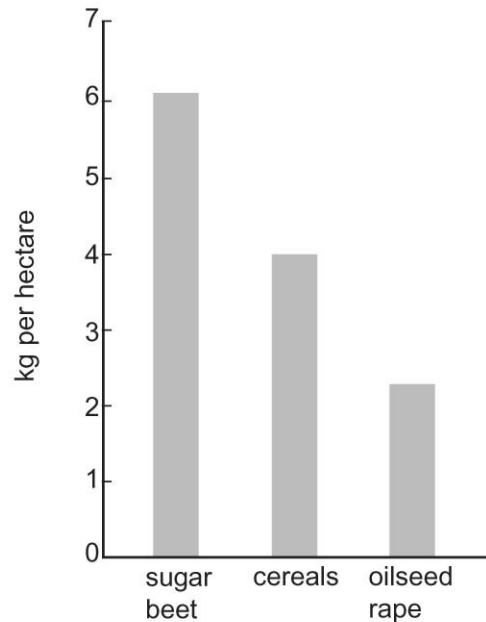
Source: DEFRA 2002a.

...but not Europe's environment

Europe's farmers may benefit from growing sugar but the farmland does not. Sugar beet is farmed intensively in Europe, with harmful impacts on the environment. According to a recent study by the UK government, sugar beet farming causes soil erosion and pesticide use is relatively high. When sugar beet is harvested, soil caught in the roots is removed from the land – up to 350,000 tonnes each year in the UK.⁶⁰ Wind and water erosion and soil compaction all increase the environmental impact. Pesticide use has fallen in recent years, but is still more intensive for sugar beet than for most other crops in the UK (Figure 8).⁶¹

In self-defence, the sugar beet lobby points to the wildlife attracted to this spring-sown crop, such as the stone curlew, lapwing and skylark. But these environmental benefits are side effects of the policy, not its deliberate aim. If Europeans value such wildlife, their taxes should be used to pay directly for its protection - not for crop subsidies that only incidentally and temporarily support habitats for birds.

Fig 8. Pesticide use for major crops in the UK, 1998



Source: DEFRA 2002b

The African, Caribbean and Pacific (ACP) countries

Across a range of commodities and products, Europe has given trade preferences, since 1975, to a number of African, Caribbean and Pacific (ACP) countries as a consequence of colonial era connections.⁶² As part of the sugar regime, raw cane sugar is imported from 17 of the 77 ACP countries⁶³ (plus India) restricted by quotas but purchased at the high EU price. It is refined into white sugar primarily in the UK (by Tate & Lyle), Portugal and France.

This preferential access has been of great value to those ACP countries that are part of the arrangements (known as the Sugar Protocol and the Special Preferential Sugar arrangement). Although it accounts for just 8 per cent of total EU production,⁶⁴ it has provided these countries with stable export earnings and, in recent years of depressed world market prices, it has annually been worth at least €500m (\$490m) over what could be earned on the world market.⁶⁵

The EU claims that this preferential access is a form of development aid, insulating the countries involved from any harmful effects of its regime – but this doesn't stand up to scrutiny. First, EU protectionism squeezes market opportunities for competitive major

exporters such as Thailand and depresses world market prices. Secondly, only 17 ACP countries are part of the preferential sugar arrangements. Many other sugar producers - including least developed countries - have been excluded. Of the 17 countries with preferential access, only four are among the least developed countries - Madagascar, Malawi, Tanzania and Zambia - and their combined share of the benefits is just 4 per cent of the total.⁶⁶ Other sugar producing LDCs, such as Sudan, Ethiopia, Mozambique and Senegal, are also ACP countries but, until last year, had no access to EU sugar markets at all.⁶⁷ Thirdly, among the lucky 17, almost 80 per cent of the benefits accrue to just five of them - Mauritius, Fiji, Guyana, Swaziland and Jamaica - none of which are least developed countries.⁶⁸

Although preferential access has provided secure sources of foreign exchange, it has also led several countries to have a high degree of dependence on exports of raw sugar cane. Tight controls on imports of refined cane sugar to Europe - intended to protect Tate & Lyle's refinery in London, among others - have limited the opportunity for these ACP countries to add value to their commodity exports and create their own white sugar brands.

Some developing countries that do have preferential access to the EU have tried to build up sugar-based food processing industries in order to escape dependency on raw commodities. However the viability of these industries is under threat from the EU regime. The culprit is the EU's practice of providing export subsidies on the sugar content of its processed foods in order to bring their price down to the world market level. When world sugar prices collapsed in 1998 - falling below the costs of even the most competitive producers - Europe's sugar-based confectionary exports, such as Cadbury's chocolate, were subsidised to match this low level. Swaziland, which had spent 10 years building a value-adding sweets and chocolates industry, was hit hard by the price collapse of 1998. While Europe's confectionary exports were subsidised to match that price, Swazi sweets were unable to compete. Since then, production has fallen by 30 per cent, seriously challenging the viability of value-added production in Swaziland.⁶⁹

The sugar processors (try to) make their case

The European Sugar Manufacturers' Association (Comité Européen des Fabricants de Sucre, or CEFS) is the umbrella organisation that brings together Europe's major sugar processors - with British Sugar, Südzucker, Beghin-Say and Danisco as major members.⁷⁰ Its attempt

to depict the sugar regime as a bargain for all, quoted below, is a poor cover up of the real impacts of Europe's sugar policy.

Claims of the European Sugar Manufacturers' Association	Oxfam's reply
<i>"The sugar regime ensures that consumers and industrial users of sugar are supplied with high-quality sugar at a reasonable and predictable price".</i>	By any sane assessment, Europe's sugar is over-priced: it is always at least twice, and usually three times, the world market price. In July 2002, the EU white sugar price exceeded €632 (\$619) per tonne, compared to €184 (\$180) per tonne on the world market. ⁷¹
<i>"In the absence of a sugar regime the price of sugar would have been more volatile and supplies uncertain."</i>	The substantial reduction in price would more than compensate EU buyers for greater volatility – and there would be minimal risk of a shortage of supply: world stocks are currently around 50 per cent of world production. In fact Europe's regime depresses world prices and makes them more volatile for developing countries that rely on it for much-needed foreign exchange.
<i>"The sugar regime has allowed the EU to produce sugar from beet whilst ensuring a sufficient income for beet-growers and sugar manufacturers."</i>	The income is more than sufficient: British Sugar lands an estimated £77m (€123m) jackpot each year and big UK sugar farmers are subsidised around £60,000 (€96,000). The brunt is borne in developing countries where sugar cane producers – and workers wages – are being squeezed.
<i>"Community sugar production costs the European taxpayer nothing. It is beet-growers and sugar manufacturers who finance quota sugar exports to third countries. Taxpayers and consumers therefore benefit from this regime."</i>	Nonsense. Taxpayers pay €800m (\$784m) to fund the subsidy for exporting sugar equivalent to ACP imports. And for EU quota exports, it is Europe's consumers who pay € 800 m (\$784m) each year in high prices to funds the farmers' and processors' levies. How can a bill of €1.6bn (\$1.57bn) be dressed up as a benefit?

<i>"The stability provided by the sugar regime has allowed beet-growing and the sugar industry in the EU to improve their competitiveness."</i>	EU producers are far from competitive, with among the highest costs in the world. It costs \$660 (€673) to produce a tonne of white sugar in Europe – just \$280 (€286) in countries like Guatemala, Colombia and Malawi.
<i>"Very substantial investments have been made to improve compliance with environmental constraints."</i>	But environmental impacts are still significant. In the UK, for example, sugar beet is sprayed with 50 per cent more pesticide than cereals.
<i>"The European Union is one of the world's leading importers of sugar."</i>	But EU imports accounted for only 9 per cent of the EU's sugar supply in 2001 ⁷² – and the industry has lobbied hard in an attempt to block any more, even from the least developed countries. Without the regime, Europe would import around 7m tonnes each year, not a feeble 2.3m.
<i>"All its imports form part of a preferential system aimed at helping the least developed countries in the African - Caribbean - Pacific zone by bringing an essential market within their reach."</i>	ACP import quotas are a valuable source of foreign exchange for the lucky few included – but many are excluded. In addition, by importing only raw sugar and by subsidising the sugar in its exported foods, the EU has also hampered the ability of ACP producers – such as Swaziland - to create their own sugar-based food industries.
<i>"The EU's exports...form a declining share of the world market."</i>	The EU's export share is only declining because Brazil, in particular, is expanding production. But in 2001 the EU still accounted for 40 per cent of world white sugar exports: by far the biggest player. ⁷³
<i>"The sugar regime has enabled the EU to more than fulfil its international trade obligations, including those laid down within the framework of the Uruguay Round Agreements."</i>	Only because most of the subsidy is hidden away. ACP exports are subsidised directly from CAP funds. The rest of the subsidy, for quota exports, is paid for by EU consumers. And non-quota exports are indirectly subsidised by the regime. The WTO definition of export subsidy is too narrow to capture the impact of this set up.

Source: CEFS 2002.

4. Who bears the brunt of the sugar regime?

The beneficiaries of the sugar regime are easily identified but those who bear the brunt of its impacts are dispersed, hidden, and ignored by policy makers.

Efficient exporters

Brazil, Thailand and Australia are among the world's most competitive exporters of sugar.⁷⁴ If there were no protectionist sugar regimes in Europe, the US and Japan, they would meet a substantial part of the additional sugar demand in international markets. A number of low-income countries – such as India, Colombia, Cuba and South Africa – are significant sugar producers and would also benefit from greater trade opportunities of both raw and white sugar. The EU regime reduces the export opportunities for these countries and depresses the prices they could get – resulting in diminished earnings of much-needed foreign exchange. Cuba, for example, recently announced that almost half of its sugar mills are closing down in part because of depressed export prices.⁷⁵

Least developed countries

Several LDCs, such as Mozambique, Malawi and Zambia, are among the lowest cost producers of sugar in the world but Europe's regime destroys their ability to reap much of the potential benefits of that advantage.

The EU sugar regime harms the least developed countries' sugar markets in three ways - because it:

- **Restricts LDCs exports to Europe.** Without the CAP it is estimated that Europe would import 7m tonnes of sugar each year, instead of exporting 5m⁷⁶ and some of that would come from the competitive LDCs. Countries like Mozambique are squeezed out of valuable opportunities in the EU market (see below).
- **Undercuts LDC exporters in valuable third markets.** By exporting sugar at subsidised prices, the EU captures potential third markets - such as the Middle East and North Africa – from producers in the developing world. In 2001 the EU exported 770,000 tonnes of white sugar to Algeria, 150,000 to Nigeria and 120,000 to Mauritania.⁷⁷ All of these are lost markets for developing country exporters. In the same year, Europe imported

sugar from just four LDCs and exported twelve times as much back to all of the LDCs.⁷⁸

- **Depresses and destabilises world prices.** Europe subsidises its sugar exports to bridge the gap between its own high price and the low world price. Even if world prices fall unsustainably low, Europe matches the difference. The effect is that the EU depresses world prices - often to levels below the costs of production of even the lowest cost producers such as Malawi, Mozambique and Zambia. This damages their investment prospects by shrinking expected foreign exchange earnings. In addition, the EU claims that its fixed export quotas are predictable, so helping to stabilise the world market. But this ignores the impact of its highly variable non-quota exports that actually exacerbate world market price fluctuations.

Stolen opportunities: Mozambique

One of the countries to suffer from the EU's sugar policies is Mozambique, among the poorest countries in the world. Sixteen years of civil war, ending in 1992, destroyed many people's means of a livelihood. The war also destroyed much of the country's agricultural production and the infrastructure on which it relied. Average income per capita in 1999 was just €235 (\$230) and a child born in that year was not expected to live to age forty.⁷⁹ About 80 per cent of Mozambique's population live in rural areas, where over 70 per cent of people live below the income poverty line and agriculture is almost the only source of employment.⁸⁰

Since the war's end, rehabilitating the sugar industry has been a priority because of the importance of sugar as a potential export crop that can generate much-needed foreign exchange. Mozambique is among the world's lowest cost producers, along with Zambia and Malawi. At full capacity, production costs for refined sugar are just under €286 (\$280) per tonne - far less than one half of EU costs at €673 (\$660) per tonne.⁸¹

Attempts to rehabilitate the industry have faced many barriers. Having been completely blocked out of the EU market until this year, Mozambique has not benefited from the EU's high prices. Europe's dumped surpluses on the world market, and its dominance in third country markets, have further depressed export prospects. In addition, sugar imports from neighbouring countries - due to tariff loopholes in Swaziland and the chronic economic crisis in Zimbabwe - are undermining domestic market demand. Combined, these conditions are creating very difficult circumstances for what is potentially an important industry for Mozambique.

The sugar sector is the single largest source of formal employment in the country, employing 23,000 workers in 2001⁸²: one third permanently employed and the rest seasonal workers. If more sugar mills are successfully rehabilitated, total jobs could rise to 40,000. In addition, linkages with transport, packaging, storage services, and intermediate good production (such as molasses and bagasses for producing alcohol, cattle feed and paper) could create a further 8-10,000 jobs. In addition, since sugar is less prone to adverse climatic conditions than most other major crops in Mozambique, it is an important way of diversifying income and providing household income stability.⁸³

There are some environmental concerns about sugar cane production – due to burning the stubble and using chemical pesticides – but soil degradation and erosion is low compared to other crops. Furthermore, sugar cane alcohol has become a major renewable alternative to fossil fuels – especially in passenger cars in Brazil – and has the potential to be a green fuel alternative for many other developing countries.⁸⁴

Working on sugar plantations is physically strenuous but the scarce jobs are highly valued by rural households in Mozambique for the stable cash incomes they offer, enabling families to send their children to school, buy clothes and medicine and ensure there is enough eat. (Box 3)

Box 3 Losers in the sugar stakes: the people of Mozambique

Maria Gulela is 41 and a widow living with her six children and two nieces – the children of her brother who died of AIDS.⁸⁵ She lives in the village of Manhica, home to most of the 4,000 people employed by the Maragra sugar mill seven kilometres away. For six months of the year Maria works on the sugar plantation harvesting the cane.

She had worked on the plantation from 1978 until 1984 when it was shut down by war. She took up domestic work in Maputo and on a market stall, but then returned to Manhica when the sugar mill was reopened, in 1999, by the South African refining company Illovo Sugar. She returned because she wanted the steady cash income that the job gave. Without it, “life became more difficult”, she said.

During the harvesting season she is paid the basic cutters’ wage of 621,000 metical – worth \$27 but equivalent to earning \$97 a month in the US.⁸⁶ Such regular cash income gives households like hers an alternative to subsistence agriculture growing sweet potatoes and peanuts. Without her job, she says she would, like many others in Manhica, make cane alcohol to sell in Maputo, 70 kilometres away. This would earn her just 400,000 metical a month (\$17⁸⁷) – less than two-thirds of her current income.

According to Maria, “with a fixed wage I manage to organise our day to day lives better and we have a guarantee that the children will go to school, that

on a certain day of the month we will have sugar and soup at home.” But still she faces problems, saying, “We who are working have to help those who are not and the money it is not enough”.

Jobs in the sugar industry are valued in Manhica but they are far from ideal. Though they pay better than many alternatives, they still leave households short. Cane cutting is physically strenuous, working days are long – up to twelve hours in season – and conditions are poor. “We work under the sun and rain without stopping” said Maria. “We have had malaria problems because of mosquitoes...We asked the company to provide us with repellents but they said it would be too expensive and we should buy them with our own money. So we have to choose between avoiding mosquitoes and having enough clothes at home”.

She has attended meetings of the sugar worker’s union, SINTIA, joining its calls for salary increases and better conditions such as protective clothing and shorter working hours. If expanding the sugar industry in Mozambique is going to lead to better lives for sugar workers, strengthening their bargaining power through unions will be central to ensuring their demands for decent working conditions are met.

Maria and other workers from Manhica want better working conditions - but they also stress the importance of creating more jobs in the sugar industry for their families and neighbours, saying that this would not only raise incomes, but also reduce crime and bring more schools and roads and better communications. “This job means that I am a human being” she says, “because it brings me some hope in life.”

On learning of Europe’s sugar subsidies, one of her fellow workers said in disbelief, “these policies – if this really is how they are – are putting us at a disadvantage. They are rich and could give us a chance to live”. Another added “Tell those people that our children are dying of hunger and disease. If our salaries could increase, life would be different”.

The ‘Everything But Arms’ Initiative

In 2000 the EU discussed launching an initiative to provide tariff and quota-free access to its market for all products except armaments from the 49 least developed countries – the ‘Everything But Arms’ Initiative. This included full access to the EU sugar market for LDCs – promising increased valuable exports for the four LDCs which already had quota-limited access (Malawi, Madagascar, Tanzania and Zambia) and creating new market opportunities for other LDCs which were locked out of Europe (such as Mozambique, Ethiopia, Sudan and Bangladesh).

By the time the initiative was launched in 2001, vested European interests had successfully lobbied to slash back the deal on sugar, rice and bananas. Instead of open access, sugar producing LDCs have been granted very restricted quotas that will be incrementally increased. In 2001/02 the total quota for EBA sugar was a mere

74,000 tonnes, with cumulative annual increases of 15 per cent planned until 2009 when unrestricted access has been promised.

The loss of export opportunity under the restricted EBA is significant: if Mozambique had unrestricted access to EU sugar markets, as originally planned, Oxfam estimates that it could have been earning up to €108m (\$106m) by 2004⁸⁸ – almost three quarters of the EU’s annual development aid to the country of €150m (\$147m).⁸⁹ As with the preferential access granted to the ACP countries, the deal only includes raw cane sugar: refined sugar imports are tightly controlled, so again limiting opportunities for value-adding in a country like Mozambique which already has refining capacity.

Europe’s handling of the EBA initiative makes clear where its priorities lie. When push comes to shove, the EU is not interested in sustaining this so-called development aid to the ACP countries, but rather in propping up its own agricultural output. In order to make room for EBA sugar imports, Europe has only marginally cut back its own sugar beet production. The bulk of the costs of increased LDC access has fallen on the ACP suppliers.⁹⁰ Characteristically, the EU is placing the major adjustment costs on developing countries by imposing this reduction of ACP imports worth up to €107m (\$105m).⁹¹

5. Stopping the scam

The EU’s sugar regime has hardly changed since it was designed over 30 years ago. It has avoided significant reform at every turn, in negotiations in 1992, in 1995 and again in 2000: sugar escaped reform each time – and is not even part of the current CAP midterm review.⁹² No doubt this has kept happy the European Sugar Manufacturers’ Association, who assert that the regime “preserves the interests of all the parties concerned. It was deliberately designed to this effect. It must be maintained”.⁹³

If current CAP reform proposals are an indication of the direction of future reform for sugar, price support will eventually be replaced by direct income payments. These reforms will greatly reduce the incentives for Europe’s farmers to produce sugar beet and take away the windfall profits of the processors. But they will also end the high value of European market access for those ACP countries with preferential access and for the least developed countries in the EBA. These developing countries must be included in discussions of the timing and nature of the reforms and some will need assistance in creating viable alternative options to their current dependence on raw sugar exports for foreign exchange.

Oxfam supports these expected moves towards full reform of the EU regime. And beyond Europe, other changes are needed - including sugar regime reform in the US and Japan and greater discipline on export subsidies and domestic support measures within the current agricultural negotiations at the WTO. Further, the future shape of the world market will need to be considered, including possible changes in market structure and, if appropriate, the use of international cooperation mechanisms to stabilise prices and monitor competition. These will all be important steps towards creating an international sugar market that makes sugar and sugar-based food processing a valuable production and trading opportunity for many developing countries.

But EU reform is not even on the table until 2006 at the earliest. Furthermore, it will need to be handled gradually in order to prevent greater market instability and to ensure that shifts in supply do not create sudden spikes in the world price of sugar, which could lead to sugar being increasingly replaced by high fructose corn syrup in soft drinks and processed foods.

Developing countries should not have to wait until 2006 and beyond to see any change in the destructive impacts of Europe's sugar regime. Dumping excessive EU production is unjustifiable, especially in light of the damage it does to developing countries for which sugar should be a viable and valuable industry.

While supporting full reform, Oxfam calls for immediate action:

A 25 per cent cut in EU quota production - in order to make possible the following three measures:

- **End EU sugar dumping. This would mean ending quota exports and storing all non-quota production for use in the following year's quota**
- **Give full and immediate access to imports from the least developed countries through the Everything But Arms Initiative, as originally intended under the European Commission proposals**
- **Maintain quotas for ACP preferential sugar imports and reverse their quota cuts that have already been made for EBA imports**

In addition, use farmer and processor levies (currently paid on all quota production to subsidise exports) to help fund the costs of adjustment of eventual full reform faced by small-scale EU farmers and the ACP exporters.

At the same time, cane sugar refiners in developing countries - such as Illovo Sugar in Mozambique - must provide decent working conditions and wages for their employees. Only then will the opportunity to expand sugar production in the developing world lead to better livelihoods for sugar workers.

Regime reforms on this scale will inevitably generate adjustment costs in Europe. However, these costs pale into insignificance against the costs currently inflicted by the EU on developing countries. Policy makers in Europe have public policy responsibilities for rural development and the environment. As representatives of one of the world's richest and most powerful trading blocs, they also have responsibilities towards developing countries - including a responsibility to make globalisation work for the poor. No doubt the process will be politically challenging - but Europe has for too long dumped the fallout of its internal political tensions on the developing world.

Notes

¹ The average jackpot in the UK National Lottery is £ 11.5 m or US\$ 18 m.
<http://www.lotteryshop.com/secure/ukgroup-pop.html>

² Sugar Knowledge International, <http://www.sucrose.com/learn.html>
Approximately half of US sugar production is from beet, half from cane.

³ Borrell and Pearce 1999. p.6

⁴ NEI. 2000. p.113. Most recent comparable data from 1989-94. original data in US\$. Costs in Europe will in part be affected by the € / \$ exchange rate. Throughout this briefing paper, written in July 2002, exchange rates of € 1 = \$0.98 = £0.627 are used.

⁵ World exports were 16.25 m tonnes in 2000/01. EU exports were 4m tonnes (expressed as tonnes of raw sugar). Source: FO Licht.

⁶ Borrell and Pearce 1999. p.6

⁷ There are two types of quota, known as "A and B quotas". The only relevant difference between them is the different levies charged to farmers on each quota (see endnote 17 below)

⁸ Non-quota sugar is also known within Europe as "C production".

⁹ Hannah 2000. p.1

¹⁰ Borrell and Hubbard 2000. p.24

¹¹ European Commission 2002. Total production in 2000-01 was 17,018,000 tonnes and total exports 6,863,000 tonnes.

¹² European Commission 2002.

Average 24% for France, 23% for the UK, 1996/97-2000/01

¹³ http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm7_e.htm

¹⁴ This is the EU intervention price for white sugar, ex-factory. If the EU market price of sugar falls to this level, the EU is obliged to intervene and buy. In the UK, there is a premium of € 14.60 added per tonne, raising the UK's "derived" intervention price to € 647 per tonne. Original data in euros. Source: European Commission.

¹⁵ This price is free on board (FOB) for European ports. Original data in euros. Source: European Commission.

¹⁶ The dumping margin would be the extra import duty required on the particular product from the particular exporting country (in this case the EU) in order to bring its price closer to the "normal value" or to remove the injury to domestic industry in the importing country. This is a common form of anti-dumping action.

¹⁷ A levy of 2% is charged on all A and B quota plus a variable levy of up to 37.5% is charged on B quota. Its variation depends on the EU/world price gap: the wider the gap, the higher the levy needed to pay for the export subsidy.

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- ¹⁸ Court of Auditors. 2001. para. 80. original data in euros.
- ¹⁹ European Commission 2002.
- ²⁰ Court of Auditors. 2001. para. 80. original data in euros.
- ²¹ Moore, Mike. *Farming subsidies no help to peasants*. The Guardian, 5 August 2002.
<http://www.guardian.co.uk/business/story/0,3604,769143,00.html>
- ²² Groombridge 2001. p.1. original data in US\$.
- ²³ Groombridge 2001. p.1. It is estimated that ending US production would increase demand and raise world prices by 17%.
- ²⁴ Groombridge 2001. p.1-2. original data in US\$.
- ²⁵ Bruce Babcock, personal communication. Original data in US\$.
- ²⁶ IMF Staff Report on Mozambique, 17 January 2001. Cited in Hanlon, 2001.
- ²⁷ World Bank 2001 p. 9
- ²⁸ Instituto Nacional Do Açúcar 2000. p.11
- ²⁹ The 'intervention price' is the price at which the EU will intervene in the market, by buying sugar, to ensure that the price does not fall below this level.
- ³⁰ According to one sugar analyst, large industrial sugar users (such as multi-national making chocolate) usually pay prices 5% above the intervention price; small industrial users (making Brighton rock candy, for example) pay around 15% above the intervention price.
- ³¹ NEI. 2000. p.184
- ³² NEI. 2000. p.173-5. Data for 1997-98. Since then, concentration has increased.
- ³³
http://www.suedzucker.de/04_investor_relations_e/annualreport/keyfigures.shtml
- ³⁴ www.daniscosugar.com
- ³⁵ Beghin-Say presentation, 30 May 2001, <http://www.eridania-beghin-say.com/pdf/290501/Beghin-Say-UK.pdf>. At the time of writing Eridania/Beghin-Say is being split into two companies: Eridania in Italy and Beghin-Say in France.
- ³⁶ Earnings before interest and tax, % 2001, from Bureau van Dijk AMADEUS database. <http://www.bvdep.com>
- ³⁷ British Sugar <http://www.britishsugar.co.uk/bsweb/sfi/agricind/bstoday.htm>
- ³⁸ <http://www.britishsugar.co.uk/bsweb/bsgroup/history/birth.htm> 17/01/01
- ³⁹ ABF is majority owned by Wittington Investments which donated £650,000 to the Conservative party between 1994 and 1998. Wittington Investments Annual Reports. Data provided by Companies House.
- ⁴⁰ Monopolies and Mergers Commission. 1991. p.62

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- ⁴¹ Monopolies and Mergers Commission. 1991. p.62. original data in euros.
- ⁴² Monopolies and Mergers Commission. 1991. p.70.
- ⁴³ European Commission 1999. original data in euros.
- ⁴⁴ Earnings before interest and tax (EBIT). Bureau van Dijk AMADEUS database. <http://www.bvdep.com>
- ⁴⁵ Earnings before interest and tax margins for 2001. Bureau van Dijk AMADEUS database, <http://www.bvdep.com> and ABF financial reports, <http://www.abfoods.com/investors/finreports.html>
- ⁴⁶ Calculation by Oxfam based on the profit and loss accounts of British Sugar and Associated British Foods for 2001. Bureau van Dijk AMADEUS database
- ⁴⁷ Calculations by Oxfam based on British Sugar's profit and loss accounts for 2001. Bureau van Dijk AMADEUS database. Original data in GB £.
- ⁴⁸ Committee of Industrial Users of Sugar. 1998. p.4
- ⁴⁹ Hazeleger 2001. p.16
- ⁵⁰ gross profit margin
- ⁵¹ Committee of Industrial Users of Sugar. 1998. p.4
- ⁵² Committee of Industrial Users of Sugar. 1998. p.3
- ⁵³ Court of Auditors. 2001. para 75a
- ⁵⁴ Monopolies and Mergers Commission. 1991. p.16
- ⁵⁵ Court of Auditors. 2001. para 40
- ⁵⁶ <http://www.britishsugar.co.uk/bsweb/sfi/agricind/crop.htm> 20 May 2002
- ⁵⁷ NEI. 2000. p.195
- ⁵⁸ NEI. 2000. p.210-213
- ⁵⁹ Calculation by ActionAid. In 1999, MAFF estimated total price support to sugar beet at £140m, with 189,000 hectares under cultivation – at £741 per hectare. In 2001 the largest sugar beet farms in the UK grew on average 80 hectares of sugar beet, resulting in effective subsidy of £59,260 per farm.
- ⁶⁰ Department for Environment, Food and Rural Affairs. 2002a. p. 10
- ⁶¹ Department for Environment, Food and Rural Affairs. 2002a. p. 7
- ⁶² These preferences are now set out under the Cotonou Agreement, signed in 2000, between the 77 ACP countries and the EU, which grew out of the original Lomé Agreement of 1975-2000.
- ⁶³ ACP countries under the sugar protocol are: Barbados, Belize, DR Congo, Fiji, Guyana, Ivory Coast, Jamaica, Madagascar, Malawi, Mauritius, St Kitts and Nevis, Surinam, Swaziland, Tanzania, Trinidad and Tobago, Zambia and Zimbabwe.
- ⁶⁴ European Commission 2002. EU total production, including 1,523,000 tonnes of ACP cane sugar processed in the EU, was 18,541,000 in 2000-01.

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- ⁶⁵ NEI. 2000. Annex A p.8. original data in euros.
- ⁶⁶ NEI. 2000. Annex A p.8
- ⁶⁷ Mozambique, for example, was excluded from the Sugar Protocol because Portugal was not a member of the EU at the time of its creation hence its former colony's interests were not of consideration.
- ⁶⁸ NEI 2000. Annex a8.
- ⁶⁹ Goodison. Personal communication on prospects of the Swazi confectionary industry.
- ⁷⁰ British Sugar and Danisco are direct members of CEFS; Südzucker and Beghin-Say are represented through their respective national sugar industry associations.
- ⁷¹ See footnotes 13 and 14
- ⁷² European Commission 2002. total supply was 24,654,000 and total imports were 2,288,000.
- ⁷³ ISO 2002.
- ⁷⁴ Brazil's support of its bio-ethanol program provides some cross-subsidy to sugar production, but even without such support Brazil would be one of the lowest cost producers in the world.
- ⁷⁵ Adams 2002.
- ⁷⁶ Borrell and Hubbard 2000. p.23
- ⁷⁷ FO Licht.
- ⁷⁸ FO Licht. Personal communication. Around 72,000 tonnes are imported from 4 LDCs and 854,000 tonnes exported to all 49 LDCs
- ⁷⁹ UNDP 2001. p.144. Income here is in terms of exchange rates. In terms of purchasing power parity, average income was \$860 (€ 877). Original data in US\$.
- ⁸⁰ Instituto Nacional Do Açúcar 2000. p.4
- ⁸¹ NEI. 2000. p. 113. Data for 1989-94. original data in US\$.
- ⁸² Mosse. 2002.
- ⁸³ Instituto Nacional do Açúcar. 2000. p 5-6.
- ⁸⁴ Personal communication with David Hathaway.
- ⁸⁵ The interviewee's name has been changed to protect her identity.
- ⁸⁶ 610,000 metical is worth US\$26 at exchange rate prices. But US\$26 can buy a lot more in Mozambique than in the US. In fact US\$26 can buy in Mozambique what US\$96 can buy in the United States. This conversion is known as the purchasing power parity rate and it is used to enable comparison of living standards across countries.
- ⁸⁷ Converted at exchange rate prices.

⁸⁸ Oxfam calculation, based on estimate of production capacity by Joseph Hanlon and personal communication with Patricia Jamieson of Tate and Lyle on EBA prices. Original price data in euros.

⁸⁹ Agence France Presse. 2002. original data in euros.

⁹⁰ ACP access has been cut under the Special Preferential Sugar arrangement, in line with the expansion of LDC exports under the EBA.

⁹¹ EBA quota was 74,185 tonnes in 2001 and is planned to increase by 15% until 2008. By that year, the EBA quota would be around 197,000 tonnes and according to current plans will be subtracted from the ACP's special preferential sugar allocations. This reduced ACP quota will be worth € 107 m in 2008. original data in euros.

⁹² The sugar regime will be considered in a separate review in 2003 but the regime is not planned to be changed before 2006.

⁹³ Comité Européen des Fabricants de Sucre. 2002.

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This paper was written by Kate Raworth with the support of many Oxfam International colleagues. Oxfam acknowledges the assistance of Paul Goodison, Marcelo Mosse and Joe Hanlon and many others in its production. It is part of a series of papers written to inform public debate on development and humanitarian policy issues. The text may be freely used for the purposes of campaigning, education, and research, provided that the source is acknowledged in full.

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