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ADDENDUM TO THE REPORT

from :	Working Party on Sugar and Isoglucose
on :	7, 22, and 29 September
to :	Special Committee on Agriculture
No. Cion prop. :	11491/04 - COM(2004) 499 final
Subject :	Communication from the Commission to the Council and the European Parliament accomplishing a sustainable agricultural model for Europe through the reformed CAP – **sugar sector reform**

Delegations will find attached the following background note from the Commission's services on the sugar sector reform.

Second Addendum to Background N° 1

4. Forecast 2013/14

The sugar market balance in 2013/14 - i.e. five years after the review foreseen in 2008/09 – will mainly depend on the decisions on quota and/or price that will be taken as from 2009/10 and the developments of ACP/LDC export to the EU.

The forecast presented below is based on the prolongation of the reference price (421€/t white sugar and 329 €/t raw sugar) as well as the level of the quota (14.6 Mio t) beyond 2008/09. The ACP Protocol is also supposed to remain unchanged. The world market price of raw sugar is expected to be 170 – 200 €/t in 2013/14 (200 – 240 $/t).

The development of LDC exports to the EU will depend on :

- The shift to the EU market of all the current LDC exports at world market price;
- The production of the new investments aimed at supplying the EU market.

Such exports are foreseen at the level of half a million tonnes in 2013.

However these exports might be accompanied by swap trade flows on the level of which there remains a lot of uncertainty. Swaps depend on world market and EU prices, freight costs. They could be also deferred by an high LDC production that needs to cover its high costs, while a low level of national consumption is involved.

With a large margin of uncertainty the EU imports from swap trade flows are expected at the level of 750 thousand tonnes. As a whole, imports from the LDCs in 2013/2014 should be between 1 and 1.5 million tonnes.

Under the current rules some of the ACP protocol countries would have to reduce their exports and/or to use the swap system to keep supplying the EU. Shortfall from some of them might be replaced by low cost producers as Swaziland, Zimbabwe, Zambia, Malawi, and Mozambique (if agreed as ACP protocol supplier). So as a whole, ACP would supply the 1.3 million tonnes they are committed to do.

Sugar from the Western Balkan is supposed to decrease by 0.1 million tonnes depending on the development of the Croatian adhesion to the EU.

The sugar balance in 2013/14 could remain close to the level of 2008/09 but it could lead to a surplus close to 1 million tonnes.

During the review of the regime in 2008 if such a surplus is confirmed and its estimation might be more accurate, a decision should be taken on the level of the EU quota and/or prices.

		Base year	2005/06	2006/07	2007/08	2008/09	2013/14	
Prices								
Sugar								
cumulated cut	%		20%	20%	33%	33%	33%	
Reference price	EUR/T	631,9	506	506	421	421	421	
Sugar beet								
Minimum price net of levies	EUR/T	43,6	32,8	32,8	27,4	27,4	27,4	
Quantities, million tonnes								
Consumption	**C**	**16,3**	**16,1**	**16,1**	**16,1**	**16,1**	***16,3***	
Quota	**Q**	**17,4**	**16,1**	**15,6**	**15,1**	**14,6**	***14,6***	
EU production under quota	**P**	**17,3**	**16,0**	**15,5**	**15,0**	**14,5**	*14,4*	*13,7*
Imports	**I**	**1,9**	**1,9**	**1,9**	**2,0**	**2,4**	***2,6***	***3,1***
of which ACP/India		1,3	1,3	1,3	1,3	1,3	*1,3*	
of which EBA/SPS		0,2	0,2	0,2	0,3	0,7	*1,0*	*1,5*
of which MFN		0,1	0,1	0,1	0,1	0,1	*0,1*	
of which Balkans		0,3	0,3	0,3	0,3	0,3	*0,2*	
Exports	**E**	**2,9**	**1,8**	**1,3**	**0,9**	**0,8**	***0,7***	***0,5***
of which non Annex 1		0,4	0,4	0,4	0,4	0,4	*0,5*	
of which with refunds		2,5	1,4	0,9	0,5	0,4	*0,2*	*0,0*