ACP Sugar Industries Group

EU Voluntary Coupled Support
Revisited
2015 to 2021 Data

9 November 2021
EU Domestic Sugar Support: VCS is Material

Decoupled Subsidies
Impact resilience more than volume

Coupled Subsidies
Impact volume, competitiveness and foreign suppliers

Without VCS
EU imports need to grow 12 to 20%

Estimated EU Sugar Subsidies in 2019 (M.EUR)

- **Total Support** ≈ 607 M.EUR
- **Coupled Support Sugarcane** Adds 0.2 Mt
- **Coupled Support Sugar Beet** Adds 2 to 4 Mt
- **Decoupled Support Cane & Beet** Adds ≈ 0 Mt

Source: ProSunergy
# EU Sugar Volumes Sustained by VCS

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<tbody>
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<td>Actual</td>
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<td>Forecast</td>
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| Subsidy (EUR)                           | 170,063,855 | 171,614,772 | 178,668,497 | 179,270,656 | 182,478,835 | 182,352,149 | 180,646,587 |
| Area Supported (ha)                     | 381,351     | 392,644     | 485,991     | 437,269     | 426,769     | 418,169     | 413,269    |
| Subsidy (EUR/ha)                        | 446         | 437         | 368         | 410         | 428         | 436         | 437        |

| Sugar Produced with VCS (Mt)            | 3.2         | 4.1         | 4.7         | 3.8         | 3.7         | 3.5         | 3.8        |

Note: EU Commission published average beet VCS per hectare are lower than the amounts shown above because the subsidy is divided by the declared maximum area, not by the area actually harvested.
VCS is €4.2 Billion, of which 4.4% subsidises sugar beet.

“Member States may ... grant VCS in sectors or regions where ... specific agricultural sectors particularly important for economic, social or environmental reasons undergo certain difficulties. 

Coupled Support is a production-limiting scheme ... based on fixed areas and yields ... and shall respect financial ceilings.

... Each member State may only use a limited part of its national ceiling for direct payments to grant VCS. This budgetary limit is 8+2%, which ... may be increased to 13+2% ...

... Member States ... may review their support on an annual basis.”
VCS is …

• Not “a production-limiting scheme” allowed under the WTO “Blue Box” rules of the Agreement on Agriculture*. It does not limit:
  ➢ EU production – the EU is the party to the AoA, not individual Member States.
  ➢ Member States’s production – thanks to a retroactive Omnibus regulation (n°2017/2393) the only effective limit is budgetary.

• **Illegal under the WTO Agreement on Subsidies and Countervailing Measures.**

VCS is:

➢ a subsidy (Article 1),

➢ specific (Article 2),

➢ causes adverse effects to the interests of other members (Article 5)

➢ and serious prejudice (Article 6).

* For any domestic support to be termed as Blue Box, it has to be “direct payments made under production limiting programme” with such payments being based on either “(i) fixed areas and yields; or (ii) up to 85% or less base level of production; or (iii) fixed number of livestock”.

EU Sugar Volumes Sustained by VCS

VCS-supported EU Sugar Production
2015/2016 to 2021/2022 (fcst)

('000 tonnes)

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<thead>
<tr>
<th>Year</th>
<th>('000 tonnes)</th>
<th>Share (%) of EU Production</th>
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<tr>
<td>2015/16</td>
<td>3,100</td>
<td>23%</td>
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<tr>
<td>2016/17</td>
<td>3,040</td>
<td>22%</td>
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<td>2017/18</td>
<td>4,200</td>
<td>32%</td>
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<td>2018/19</td>
<td>3,800</td>
<td>28%</td>
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<tr>
<td>2019/20</td>
<td>3,920</td>
<td>30%</td>
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<tr>
<td>2020/21</td>
<td>3,780</td>
<td>28%</td>
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<tr>
<td>2021/22</td>
<td>4,200</td>
<td>32%</td>
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Avg. = 3.8 Mt

Sources: EU Commission; ProSunergy, Julianprice.com
Sugar Beet VCS Main Beneficiary Member States

Sugar Beet VCS Subsidy Share by Member State
2015/2016 to 2021/2022 (fcst)

- Poland 48%
- Czech Rep. 15%
- Italy 6%
- Spain 12%
- Other Member States 19%

Sources: EU Commission, ProSunergy, Julianprice.com
By maintaining EU sugar production which otherwise largely would disappear, Voluntary Coupled Support:

- *A posteriori*, damages EPA-negotiated preferences
- Decreases available EU market share for ACP sugars
- Inevitably lowers EU *and* international prices
- Threatens alternative markets for ACP & LDC sugar
- Contradicts EU “Policy Coherence for Development”
VCS & the ACP: What Can Be Done?

- **WTO:** the main VCS weakness
  - Re-connect with Global Sugar Alliance
  - Seek ACP Group & individual country support

- **EU:** funding
  - Target trade and development issues & institutions.
  - Green energy funds

- **UK**
  - EU sugar exports to the UK are subsidised

- **General:** spread the word: VCS damages poor countries.
Why Sugar Matters: Economic Development

Together with independent sugarcane out-growers, a typical sugar estate and mill will provide between 5 and 10,000 direct jobs for decades, of which many are skilled and well-paid.

In rural areas, a sugar operation also brings:

- Clean energy
- Communications
- Community services (health, training, security)
- Clean water

For a country, the sugar industry brings bio-energies and improved foreign exchange balances.