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# WWF and the EU Sugar Reform –

# Questions and Answers

## *1. Why is WWF working on EU sugar reform?*

The EU sugar regime means we eat sugar beet from Europe rather than sugar cane from developing countries. Some of the world's poorest countries could trade their way out of poverty by supplying sugar to the EU. To do that sustainably, they need fairer trade and better aid to ensure high environmental and social standards.

Producers in developing countries, that cannot afford to protect and support their industries, argue that unfair trade makes it harder for them to make a living from sugar and to invest in better environmental and social performance.

The EU sugar regime reform can and must lead to higher environmental standards in the global sugar industry and to Europe buying more of its sugar from developing countries.

**More Information**
*The impact of sugar on the environment and practices to mitigate this*

http://www.panda.org/about_wwf/what_we_do/policy/agriculture_environment/commodities/sugarcane/index.cfm

## *2. What do we want?*

A decision by the European Council of Agriculture Ministers to reform the European Union sugar regime in such a way that will result in increased sugar earnings in the poorest developing countries, help key developing countries to raise environmental standards and contribute to alleviating poverty.

This can be achieved by having:

- Twice as much sugar imported (3-4 million tonnes) from developing countries at a worthwhile price, along with:
    - Assistance to Least Developed Countries (LDCs - i.e. the developing countries which currently do not have preferential access to EU markets, such as Ethiopia, Sudan, Nepal and Burkina Faso) to make the most of the reforms, to raise environmental standards and implement better management practices and to expand their exports to Europe sustainably;
    - Assistance to countries that currently export to the EU under preferential agreements to adjust to reforms and to raise environmental standards.

- 40% less sugar produced within the European Union, with:
    - An end to the production of sugar beyond quotas - 'C' sugar
    - An end to any type of payment to producers, processors, users or traders of sugar that allow the dumping of EU sugar on the world market.

- o High environmental standards and cross-compliance applied to beet grown in Europe that will address our concerns about the impacts of irrigated intensive beet farming.

## *3. What about the environmental value of sugar beet as a rotational crop?*

It is true that sugar beet is a break crop in intensive arable farming systems in Europe and that this reduces inputs over the rotation, reduces pest incidence and therefore pesticide use and provides winter food for migratory birds. However any number of other crops and/or changes to existing arable crop management could deliver the same benefits if we really felt that these were major needs. Are these benefits enough to live with the massive negative impacts of the European sugar regime on the global environment and poverty?

**Similar benefits could be delivered through other approaches in any crop system** – reduced and targeted use of pesticides, creation of buffer strips and areas of wild habitat around farms, retaining hedges and river banks, planting winter forage and feed for wildlife, retaining stubble over winter rather than autumn sowing.

By developing these as targeted environmental schemes rather than through subsidising sugar beet production we could achieve the same result in Europe without putting poor farmers out of business across the world.

## *4. What about the ‘food miles’ of imported sugarcane?*

For many foods, it is better to choose to eat locally grown produce over produce which has been flown half way round the world, causing high levels of greenhouse gas emissions and other pollutants. However, sugar is generally bulk-shipped, a relatively low impact method of transport compared to flying or road transport.

A UK study has shown that the environmental impact of the overseas trade in the UK’s food is less than 1% of the total. On-farm impacts and in particular the road haulage of food within the UK is far more significant.

## *5. Won’t the proposed reforms lead to high levels of job losses in the EU sugar industry?*

**The Current Employment Situation**[1]
Agriculture: In 2000, there were 233,000 farms growing beet in the EU, 8,000 of which were specialised beet farms. They employed a total of 402,000 Annual Work Units[2] (AWUs), or 6.3% of the European total for the agricultural sector. 27% of these are in Germany; 15.3% are in France; 14.5% are in Italy. Generally speaking, sugar beet growing is a largely mechanised operation, with relatively low levels of labour units per hectare.

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[1] Unless stated otherwise, figures in this section refer to the EU-15, i.e. the ‘old’ EU member states.
[2] The indicators are expressed per annual work unit to take account of the changing volume of labour in the industry. The annual work units (AWU) are calculated to reflect the relative labour inputs of the persons covered; one annual work unit is equivalent to the time worked by a person employed full-time over a whole year.

Industry: Within the EU, sugar is produced by 135 factories which employ a total of 38,500 people directly. This number has been declining steadily for a number of years as the industry is undergoing a process of rationalisation, as the sugar factories have shed labour to increase profits (for comparison, in 1992 there were 58,500 people employed in the industry).

**The Effects of the Reforms**
It is expected that relatively few jobs will be lost in the agricultural sector; a 2003 European Commission study estimates around 6,500. Many farmers will be able to switch to other crops (and as beet is often grown as part of a rotation, most of them will already be growing other crops). The bulk of the job losses (around 25,000) are likely to be in the sugar mills and refineries. Some of these will be saved if refineries switch from beet to cane refining. It should also be noted that there would have been further job losses in the industry even without the reforms, as the rationalisation process is still ongoing.

**Generous Support for the EU sugar industry**
While the sugar reforms will undoubtedly lead to some job losses, in its proposal the European Commission has outlined a number of measures to keep these to a minimum and compensate those affected. These include –

- Compensation for 60% of the value of the price cuts
- A 1 million tonne quota increase and exemption from the quotas for sugar destined for use in certain industries (e.g. pharmaceuticals)
- A voluntary restructuring scheme for EU sugar factories to encourage factory closure and renounce their quotas. The scheme will include assistance to help the factories and their workers cope with the environmental and social impacts of the changes
- A top-up payment for beet producers affected by the closure of factories for which they have delivery rights.

## *6. Do developing countries really need €500 million a year to adjust?*

While the EU has been more than generous in cushioning its own industry from the impacts of reform, it has done little to help growers in African, Caribbean and Pacific Countries who are currently granted preferential access to EU markets. These countries, many of which are ex-colonies of EU members, rely on income from sugar sold to the EU for their livelihoods. 96.7% of Mauritius' sugar is destined for export to the EU – without the sugar regime it is unlikely that Mauritius would grow anything like as much sugar and its income would drop, seriously undermining the economy of the island.

The ACP countries' special treatment has been worth €500 million a year to them. WWF believes that a direct development aid package would be more suited to the real needs of those countries. This should be directed at promoting high environmental standards whether in sugar or in alternative livelihoods and would also offer better value for EU taxpayers. Under the current proposals the ACP countries will receive just €40 million a year to adjust to the reforms.

WWF and Oxfam are calling on the EU to give both the ACP countries and the Least Developed Countries (who currently do not have preferential access to EU markets) €500 million a year to develop their industries to make them more efficient and sustainable.

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## 7. What about Brazil?

Brazil is the world's biggest sugar producer and is currently expanding production by 5% a year. Many fear that any type of reform will lead to Brazil supplying all the world's sugar and destroying their environment to do so. There is massive pressure in Brazil from export driven agriculture on natural habitats like the Cerrado palm savannah where sugar, soya and charcoal is being produced and where charismatic species like the maned wolf and giant armadillo are under threat.

But these threats should not be used as a reason to not reform the EU sugar regime but as something that must be addressed during the reform process.

**How?**
WWF is not advocating entirely liberalised trade in sugar – we believe that the EU should continue to import sugar from the 18 countries it already imports from (the Sugar Protocol countries) but we also want the EU to start importing more from the Least Developed Countries. Brazil is neither in the Sugar Protocol nor is it an LDC. So our reforms are not directly driving further sugar expansion in Brazil.

However by ending dumping we are likely to see Brazilian sugar exports expanding into other regional markets where we would like to see EU sugar not being dumped.

Brazil is a cheap producer, in part because it supports the bioethanol industry which when the price of oil drops can shift quickly to sugar production and in part because it supports export-orientated agriculture. The answer to the threat of Brazilian sugar expansion lies with the Brazilian government and industry in establishing functioning environmental standards and policies. We would support a role of the EU in helping to raise standards in Brazil but not through trade alone.