



A FAIR, HEALTHY AND ENVIRONMENTALLY-FRIENDLY FOOD SYSTEM

EU SUGAR MANUFACTURERS' CONTRIBUTION TO THE FARM TO FORK AND BIODIVERSITY STRATEGIES



INTRODUCTION

Sustainability is not a new concept for EU sugar manufacturers. Over the years substantial efforts have been made to evolve:

- towards a zero-waste, circular economic production system based on reduced GHG emissions,
- towards more innovative and sustainable cultivation and production tools,
- towards a competitive economic sector facing harsh international competition whilst helping farmers and rural communities generating a decent living.

CEFS stands behind the overall objective of the Green Deal and its related initiatives to make the EU's economy sustainable.

With the COVID-19 pandemic, which has hit hard, EU sugar producers have demonstrated exceptional responsiveness, flexibility and solidarity to continue supplying sugar and other products derived from beet processing to the EU food industry, retailers and consumers. Through industrial adaptation, the EU sugar sector has shifted a substantial part of its ethanol production from fuel to pharma-grade ethanol.

The pandemic comes on top of several challenges the agricultural community in the EU, and more specifically the European sugar beet chain, is facing: producing sufficiently for a growing population, producing sustainably to address environmental and climate change issues, dealing with the recurrence of droughts and new pests, ensuring competitiveness in a sector that is exposed to harsh international competition, whilst generating a decent income to all. These challenges and the answers we provide to them affect everyone, in particular rural communities, farmers and consequently primary food processors.

This brochure gives insights on how EU Sugar Manufacturers are willing to continue on this journey provided some key requirements are taken into account in the implementation of the Farm to Fork and Biodiversity Strategies.

CEFS supports the EU ambitions enshrined in the Farm to Fork (F2F) and Biodiversity Strategies. European food is already a global standard for safety and high-quality. Ensuring a global level playing field in international markets and the respect of EU sustainability standards will be key in achieving the objectives of the Strategies.

+ EU BEET SUGAR SECTOR'S JOURNEY TO SUSTAINABILITY: KEY FACTS AND NUMBERS



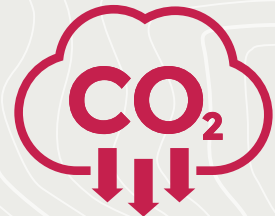
+/- 80%
of our GDP contribution
(15.6 billion €) is generated
in rural areas supporting
high-skilled jobs



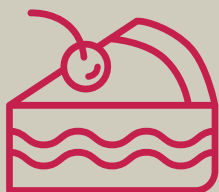
Sugar beet is a key component of crop rotation systems



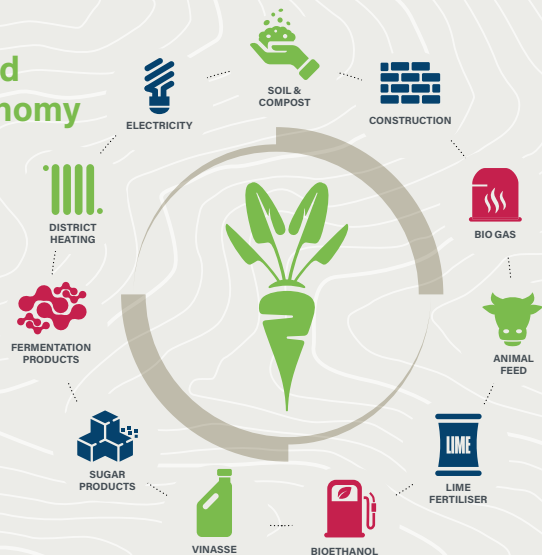
Industry is **well on track to reduce its own, as well as its supply chain's, greenhouse gas (GHG) emissions by 2030** to be in line with the Green Deal objectives (minus 50-55% compared to 1990)



Sugar, which has been used for many centuries to make our traditional homemade foods, plays a role in a healthy and balanced diet adapted to consumers' individual lifestyle.



EU bio-based circular economy



Footnote: WiFOR (2017). The Economic Contribution of the EU Sugar Industry. All figures exclude the UK and Switzerland.

23.700 sugar factory jobs



Supporting **338.500** additional jobs along the supply chain



Total jobs generated by the sugar industry = **362.200**



14 JOBS SUPPORTED FOR EVERY DIRECT JOB IN A SUGAR FACTORY

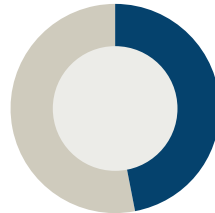


Jobs are industrial and highly-skilled



154,000 EUR PER EMPLOYEE

(vs 57,000 EUR in the wider food & beverages industry)
Due to high efficiency and capital intensity



47% labour share of GVA

+ We wish to share our positions on the various aspects the F2F and Biodiversity strategies address:



+ CULTIVATION



+ PRODUCTION



+ NUTRITION



+ TRADE

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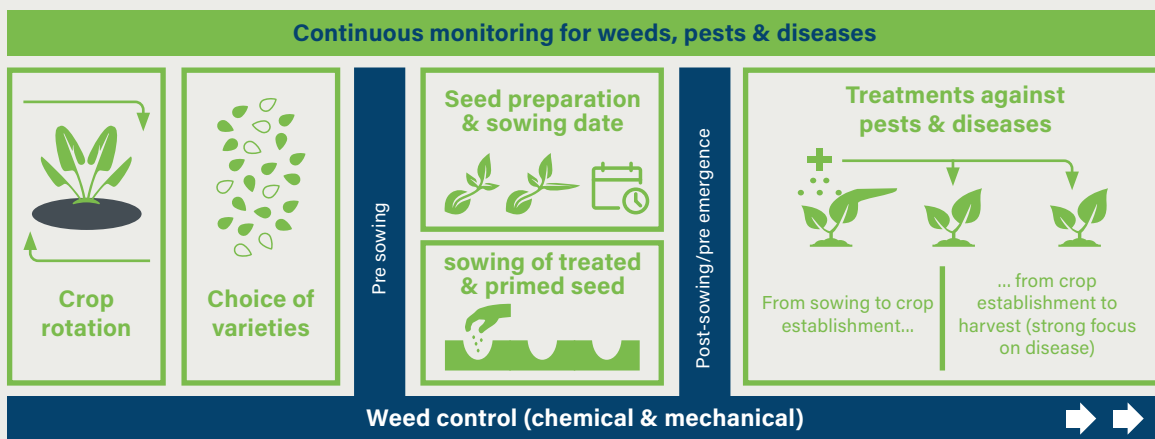
+ CULTIVATING SUGAR BEET: GIVING FARMERS THE MEANS TO CULTIVATE SUFFICIENT, HIGH QUALITY BEET TO MEET CONSUMER AND INDUSTRY NEEDS

The EU Commission sets the goal of reducing by 2030 the overall use and risk of **chemical Plant Protection Products (PPPs)** by 50%. The sugar beet sector has substantially reduced the use of PPPs in the past years. Setting quantitative targets, could lead to dead-end situations in which farmers are left without valid solutions to protect their crops against certain diseases and pests and by extension where processors are lacking raw material to

supply the food chain. **CEFS pleads for a credible approach with regard to targets and starting baselines, taking into account the efforts already made which are explicitly recognized by the Strategy.** Availability of alternatives and agriculture practices such as Integrated Pest Management must be maintained and boosted, whilst at the same time guaranteeing decent farmer incomes and sector competitiveness.

INTEGRATED PEST MANAGEMENT

management and integration of different crop protection methods



Any reduction of chemical PPPs must be accompanied by a clear framework that allows the development and use of new innovative techniques including biotechnology and the development of bio-based products which play a role in increasing sustainability, provided they are safe for consumers and the environment. The current lack of regulatory clarity for New Breeding Techniques prevents them from becoming mainstream and a permanent part of the agricultural toolbox in the EU.

CEFS sincerely hopes that the results of the Commission study on the potential of new genomic techniques will finally lead to a proper regulatory framework based on state-of-the-art scientific expertise and evidence.

The **economic sustainability of sugar beet cultivation** is pivotal for the entire sector's competitiveness. The **Common Agricultural Policy**, and direct payments, should be **funded at least at the same level** as currently. The CAP should integrate the objectives of the Green Deal ensuring a proper transition and leaving no people and sector behind.

The recommendations for the future Member States' national Strategic Plans will be key in this context and the Commission must ensure that Strategic Plans are strictly monitored in a way that **no new distortions of the single market emerge** as a result of the proposed delivery model.

The EU Commission sets the goal of reaching at least 25% of the EU's agricultural land under **organic farming by 2030**. CEFS fully understands citizens' calls for more organic products and overall supports it. However, setting an unrealistic compulsory EU target will prove to be counter-productive and could potentially destroy the "new-born" market for organic sugar. To ensure the objectives set by the F2F and Biodiversity Strategies, there is a **need for sufficient critical mass of sugar in order for factories to process efficiently organic beets**. This is why secondary EU organic legislation must allow Ion Exchange Resins (IER) for sugar production. The use of IER for organic sugar production is the only technical option that entails no change in the final product composition, improves energy efficiency, and reduces environmental impact.

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+ ENSURING SUSTAINABLE FOOD PRODUCTION AND FOOD SECURITY

The **end of the quota system** demonstrated in 2017/18 and 2018/19 that **sugar manufacturers have suffered the most from this change**. According to CEFS confidential survey on sugar production costs, over this period, EU average white sugar prices decreased by 35% whereas world market price went down by 32%. Costs related to beets only decreased by 20%. The operating results of sugar companies were under high pressure resulting in financial losses far higher than the reduction of beet costs, restructuring measures in the form of factory closures and costs reduction programmes.

The Commission Price Reporting Scheme has registered since December 2017 (> 2 years) an EU white sugar price below the reference threshold of 404€/t. This threshold is a benchmark for triggering private storage and other safeguard measures (i.e. withdrawal, import measures...). The situation we are currently facing is complex due to a combination of external factors, out of control of the EU, as well as EU market tools which are no longer adapted to the post quota period and the globalized trade realities. To prevent new crisis in the sector, adequate monitoring is key. **EU sugar manufacturers should be granted a derogation to competition law, if and when appropriate whatever the CAP legal basis**. More specifically, article 222 of the Single CMO should be interpreted or amended to ensure that producers in a broad meaning (not only farmers) are included in the scope. This is particularly true in our sector where growers are producing beet and deliver them to their processors/producers who in turn mechanically extract the sugar, the agricultural product regulated by the Single CMO.

CEFS eagerly awaits the Commission Contingency plan for ensuring food supply in times of crisis and the Commission initiatives to clarify of the scope of competition rules with regard to sustainability.

A swift and proper implementation by the Commission of new market tools to tackle crisis adapted and fit for new realities of global markets is a positive move and EU Sugar manufacturers are ready to be part of this process.

The contractual relationship between beet growers and sugar manufacturers is set out in a comprehensive annex in the current Single CMO. There is no longer a unique beet price fixed at EU level for all EU growers. More market orientation is the new framework for EU agriculture sectors set by the EU. It offers sugar beet farmers more contractual security than in any other agricultural sector stipulating inter alia that delivery contracts are compulsory and that the terms for buying sugar beet are to be fixed in compulsory agreements within the trade concluded between growers and sugar undertakings (or their respective organisations). Value-sharing clauses may be agreed between a sugar producer and its beet suppliers. The **comprehensive contractual relationship between beet growers and sugar manufacturers**, which is set out in detail in the current Single CMO regulation, **should be preserved** in order not to undermine the competitiveness of the sector.



The sugar beet sector is able and willing to provide substantial amounts of "green", sustainable products, allowing further GHG reduction in other sectors (e.g. raw materials for the production of bio-based products). This will be possible provided that an adapted enabling legal framework is properly set. **The political will to replace traditional fossil based products by bio-based alternatives should be supported by an adequate market environment**. The use of sugar beets in renewable materials needs investment and still faces high competition from traditional, fossil-based products. In order to boost their relative competitiveness, it is therefore important to help bio-based alternatives reach economies of scale and supporting the production of bioenergy and bio-based products as alternatives to fuel products.

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NUTRITION: ADEQUATELY ADDRESSING A SET OF COMPLEX AND MULTIPLE FACTORS FOR HEALTHY CONSUMPTION OF SUGAR

Healthy and sustainable diets are pivotal in **fighting overweight and obesity**, root causes of diet-related non-communicable diseases such as type 2 diabetes, cardiovascular diseases and certain types of cancer.

Obesity is a complex and multifactorial issue, but in the end always caused by an imbalance between energy intake (consumption of all types of food and beverages, including sugars) and energy expenditure (the energy our body actually uses).

Therefore, any measure taken with regard to nutrition in the context of the F2F must be framed in a way that encourages calorie reductions in products and in consumers' diets.

Calorie reduction should be the new priority. There is already a broad range of reformulated products on the market (e.g. sugars-reduced and sugars-free versions). The current coexistence of regular and reformulated versions guarantees that consumers can compose a varied and balanced diet that will suit their dietary needs. Several nutrients, among which sugars, have been tackled at EU level. The EU must now take stock of what has already been done and address the issue of calorie reduction.

Sugar is a multifunctional ingredient and cannot simply be "taken out" of food and drinks. Also, less sugar does not necessarily mean fewer calories, notably not in solid foods. In order to maintain the texture and structure, reducing sugar often requires adding other caloric ingredients (or additives). **Thus, ensuring that sugar reductions lead to simultaneous energy reductions is crucial to ensure that reformulation activities effectively contribute to fighting obesity.**

CEFS is concerned about the potential setting of maximum limits of sugars in foods. By focusing on limiting certain nutrients without looking at the bigger context of the calories and the diet, this measure would not tackle the real problem of excessive calorie intake and weight gain. Also, given the political intervention in companies' free choice of formulation and freedom of competition, the abundance with the proportionality principle would have to be ensured and would have to be based

on a sound scientific basis. This would require the implication of EFSA. In the case of sugar, EFSA did not set an upper limit for sugars based on their effects on body weight and other issues such as type 2 diabetes, cardiovascular risk factors, and dental caries, despite recognizing that high intakes of sugars in the form of sugar-sweetened beverages might contribute to weight gain.¹ **We will need to see the outcome of EFSA's review based on the latest scientific data, which is expected in 2021.**



CEFS supports initiatives that promote and facilitate consumers' informed choices. The front-of-pack Nutri-Score scheme can be a tool to complement the comprehensive information on the back-of-pack. Given the importance of energy intake in weight gain, the consumer should also be able to readily view the energy content of the product next to any front-of-pack scheme. **The use of the Nutri-Score should not outshine the need for the nutritional information provided on the back-of-pack, which avoids consumers being misled.**

CEFS however remains sceptical about nutrient profiles for claims purposes and their ability to help fight obesity. If they focus only on certain nutrients and ignore the products' energy content, they are likely to allow claims on certain products and not others despite these products' similar impact on health, hence leading to deceptive claims (which is exactly what the Claims Regulation is meant to prevent). It is worth recalling that in 2008, EFSA, whose advice is required by the Claims Regulation (EC) 1924/2006 on the question of nutrient profiles, did not support sugars being a generic profiling criterion but stated that, if at all, sugars might be considered in the case of particular beverage/food groups (such as sugar-sweetened beverages and confectionery).²

1. European Food Safety Authority, Scientific Opinion on Dietary Reference Values for carbohydrates and dietary fibre. EFSA Journal 2010; 8(3):1462[77pp.]. doi:10.2903/j.efsa.2010.1462.

2. European Food Safety Authority, Scientific Opinion on Nutrient Profiles. The EFSA Journal 2008, 644, 1-44, p 14.

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+ A LEVEL- PLAYING FIELD ON THE INTERNATIONAL SCENE REQUIRES A STRONG AND COHERENT EU POLICY ON TRADE

The sugar sector is now operating in a **deregulated environment** at EU level due to the end of the production quotas on 30 September 2017. In contrast, at global level, the major sugar-producing players are increasingly supported and protected. This creates **unfair competition via trade-distorting measures**.

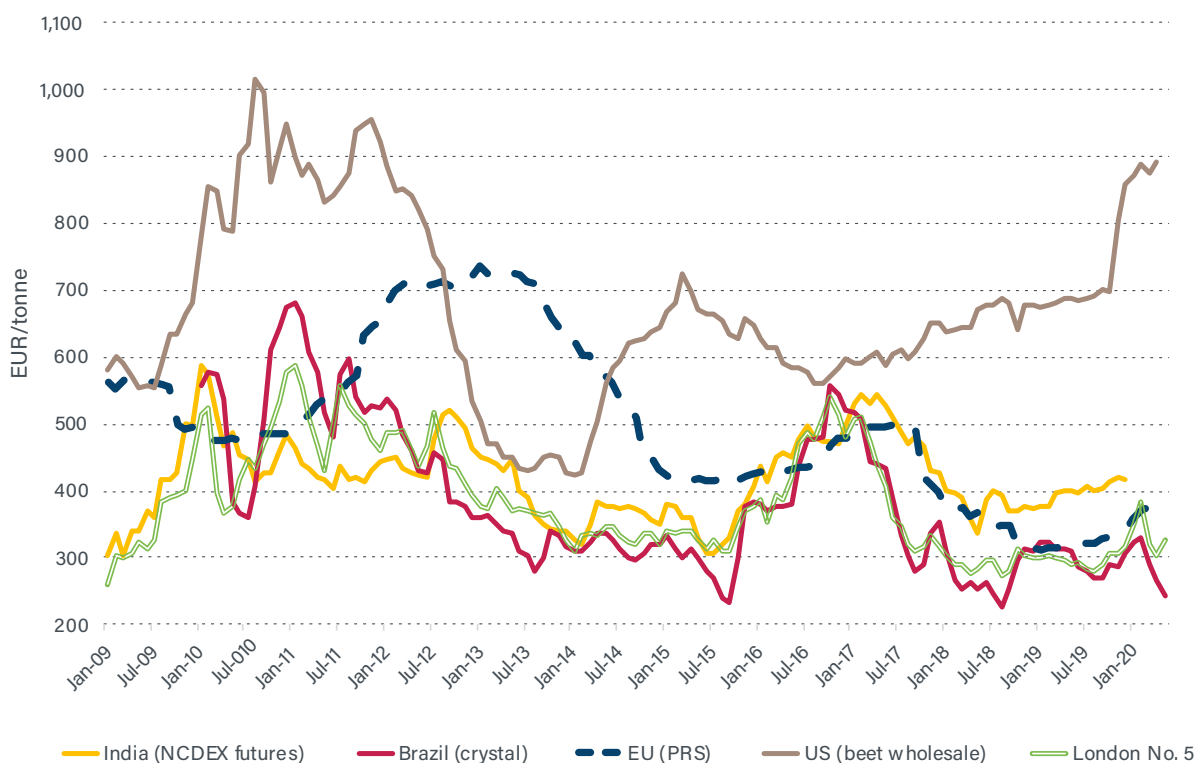
CEFS asks for a fair level playing field on the world market. The F2F and Biodiversity Strategies need to address distortions on international trade and unfair government support.

It is essential that the sugar entering the EU market is not produced in such a way that violates social rights or environmental norms, nor with trade-distorting direct or indirect government support.

Tackling world market unfair government support (e.g. the subsidies provided by India to its sugar sector), recognizing the sensitivity of EU production, ensuring efficient and **strict Rules of Origin** and avoiding imports that violate social/environmental/sustainability norms must become **part of the new European Trade Policy responding to a variety of new global challenges and taking into account the lessons learned from the coronavirus crisis**. This is more than ever crucial in a context of uncertainties related to the relations with the **EU and the UK** which risk to **have damaging consequences for the sector**.

We also eagerly await the Commission's initiatives to avoid placing on the EU market of products associated with deforestation or forest degradation. In this sense, the decision taken by Brazilian authorities in 2019 to allow sugarcane cultivation in the Amazon region is a step in the wrong direction in view of the EU Biodiversity objectives for 2030.

DOMESTIC WHITE SUGAR PRICES COMPARED, EUR/TONNE



Source: CEFS elaboration on the basis of public data European Commission, F.O. Licht, ISO, and USDA.

The EU Green Deal, the F2F and Biodiversity strategies raise hopes for a successful transition towards even more sustainable production systems. **This transition must be well calibrated** in order not to leave sectors/people behind or create frustrations.

EU Sugar Manufacturers have made impressive efforts over the years, financially and technologically, to become a global standard for sustainability in world sugar production. Based on what is already achieved, CEFS and its members are ready to take further action. CEFS will take part in these discussions and contribute to constructive and workable solutions.

To realistically reach these objectives, for CEFS any EU action needs to be:

- **science-based and relying on sound evidence** from an environmental, social, nutritional but also economic point of view and on proper impact assessments;
- **coherent** ensuring notably a sustainable marriage and coherence between the Farm to Fork Strategy and the different EU policies supporting an increase in environmental and climate ambitions, such as the CAP;
- based on **appropriate funds for the implementation of policies and for transition**;
- based on a **coherent and strong trade policy**.

Only in this way a sustainable food production and consumption chain can be created that works for producers, consumers and environment whilst reinforcing the EU competitiveness.




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CEFS stands for le Comité Européen des Fabricants de Sucre, or in English: the European Association of Sugar Manufacturers. CEFS is an international non-profit organization and a recognised interlocutor for the EU Institutions since 1953, sharing knowledge and technical expertise on sugar. CEFS' membership is composed of sugar-producing companies in the EU, the UK and Switzerland.