



International Sugar Organization

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ISO STUDY - MECAS(11)05

Market Evaluation Consumption and Statistics Committee

www.isosugar.org

May | 2011

Niche Sugar Markets

COMING SOON

There are fast growing niche markets for sugar and sugar derivatives, production and handling of which throughout the whole supply chain meets more rigid and demanding environmental and social standards. There has been an impressive expansion in non-conventional sugar markets with average growth rates more than 10 times higher than that of world sugar consumption. Organic sugar grew from just 20-40 thousand tonnes only in 1999 to over 300 thousand tonnes of estimated output in 2009 with an average annual growth in excess of 25%. A further growth in both output and demand to a level of about 450-500 thousand tonnes a year by 2015 is projected. Growth rates are similarly impressive in the case of Fairtrade sugar. Global volumes of Fairtrade sugar increased from less than 20 thousand tonnes in 2007 to about 90 thousand tonnes in 2009. In absolute terms, however, two analysed markets (those for organic sugar and Fairtrade sugar) represent just a minuscule part of the world sugar market responsible for less than 0.2% of world consumption in the case of organic sugar and 0.1% in the case of Fairtrade sugar. There is, however, a new emerging market, which may significantly overgrow the existing sugar niche markets. In the near future, sugar and cane derived products certified that they have been produced in a socially and environmentally sustainable way will form another niche market with the size significantly exceeding those of "traditional" niche markets. Moreover, sustainable certified sugar and some cane derived products as ethanol could become main stream in some developed markets in the longer term.

The paper first discusses the market for organic sugar reviewing practices and standards for organic production, as well as supply availability and demand potential for organic sugar. The second chapter is dedicated to the market for Fairtrade sugar with a special emphasis on general concepts of Fairtrade as well as both demand and supply growth and future potential of the market. The final chapter is dedicated to sustainable sugar as an emerging niche product. There are a number of internationally recognized certification programmes, which would assure final consumers that, even in the case of non-organic and non-Fairtrade, sugar and cane derived products have been produced in a socially and environmentally sustainable way. After providing information on non-sugar specific international certifiers which can certify different aspects of sustainability, then attention is focused on Bonsucro (originally called the Better Sugarcane Initiative - BSI) as an international sugar crop specific certification system providing sustainability certification to producers of cane sugar and sugar cane derived products.



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ISO STUDY - MECAS(11)06

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May | 2011

Government Sugar Trade Related Policy in a New Market Environment: a Survey

COMING SOON

A tight global sugar market balance over the past 2 years has put global and national sugar markets under extreme pressure, resulting in extremely high sugar prices. Governments have acted in different ways to moderate these price gyrations for consumers and to ensure availability of supply. Responses have mainly been in sugar trade policy, such as the removal or reduction of import tariffs and the opening of new tariff rate quotas, but some governments have also released strategic stocks into the domestic market. No exporters have gone so far as to ban exports but early April there was discussion within the Brazilian government concerning the possible imposition of an export tax on sugar.

This survey focuses on how governments have responded to high sugar prices. Significant sugar trade policy related reactions to high world market and domestic sugar prices over the past two years are identified and analysed. In the second part of the survey attention is turned to the spawning of new Regional Trade Agreements (RTAs)– in particular Free trade Agreements (FTAs) – due to the lack of progress of the WTO Doha Round.

A key conclusion is that it has mainly been governments of sugar importing countries that have adjusted sugar related trade policy, taking action to moderate the cost of imports by cutting duties; but prices have nevertheless tended to trace the volatility of world market prices. The US and Mexico have been constrained by their TRQ systems, leading to exceptionally high premiums of domestic prices over world market prices (beyond import parity). In the EU, domestic prices were lagging behind the full cost of sugar imports and the Commission responded by opening a world market TRQ to cover a shortfall in imports from preferential suppliers. In India the government moved to successfully moderate domestic price rises by allowing duty free sugar imports, but with a much larger 2010/11 production it just recently approved significant volumes of exports. New RTAs to varying extents are providing improved access for sugar between participant countries, including to the US and to the EU. Whilst it's clear that a WTO Doha Round Outcome would have significant impacts for sugar trade policy, the likelihood of agreement being reached remains elusive, even after a decade of negotiations.



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ISO STUDY - MECAS(11)07

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May | 2011

South American (excluding Brazil) Sugar and Ethanol Prospects

COMING SOON

This is the first ISO paper ever to provide in-depth analysis into sugar and ethanol developments in South America excluding Brazil– the SAEB region. The SAEB region encompasses a total of 11 countries - Argentina, Bolivia, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela - and the overseas European department of French Guyana. All but Suriname and French Guyana currently produce sugar.

This paper has the objective of assessing the recent developments and outlook in sugar production and consumption in the SAEB region, including the dynamics of the regional caloric and non-caloric sweeteners market compared to sugar, in order to ascertain the future role of the region in the world sugar trade. In this regard, the paper also presents a collection of studies on the SAEB region's largest sugar industries, discussing issues such as policy framework, sugarcane farming arrangements, sugar pricing structures and future production capacity investments.

The study also investigates the future potential for production in the SAEB region to rise to the extent of satisfying the projected increase in regional demand (as calculated by the ISO sugar consumption model) as well as higher volumes of exports to both preferential markets (like the US and the EU) and to the world free market. While the SAEB region has two of the world's top 10 sugar exporters - Colombia and Argentina – and fastest rising producers like Bolivia, Peru and Ecuador, it also hosts large net importers such as Venezuela and Chile, whose import dependency is set to rise over the coming years.

This study also presents the latest developments on fuel ethanol, including ethanol pricing and production quotas, as well as cogeneration from the cane bagasse in the region. Production of fuel ethanol from sugarcane is booming in the region, particularly in the major markets of Argentina and Colombia, where E-5 to E-10 blends in petrol are already in place, following aggressive recent government legislation.

In summary, the paper concludes that, while SAEB gross sugar exports are projected to continue to rise from the record 2.4 mln tonnes achieved in 2009, the region's net exports are unlikely to go much beyond 500 thousand tonnes by 2020.



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