



## Foreign & Commonwealth Office

### Written Evidence from Tate & Lyle Sugars, 12 May 2014

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#### Context of our evidence

1. Tate & Lyle Sugars is the largest cane sugar refiner in Europe and has been refining cane sugar on the bank of the Thames in Newham, East London, since 1878. There are around 800 full time employees at the plant. This is the only cane refinery now operating in the UK. When Britain joined the EU there were six cane refineries. Cane sugar refining has been a manufacturing activity in the UK since the 1700s. All of our cane sugar raw material is purchased through the European Union's trade policy.<sup>1</sup> Agricultural trade policy is negotiated by DG Agriculture and is broadly protectionist reflecting the majority position of Member States. This protectionist bias has been exaggerated by enlargement and has diluted the voice and perspective of the free-market Member States, such as the UK.
2. Cane sugar refiners compete with beet sugar producers in a European sugar market that is heavily regulated by the European Union Common Agricultural Policy ("CAP"). The European sugar market is heavily protected by punitive import duties on cane sugar<sup>2</sup>, our raw material, in order to protect the European beet sugar sector. These import duties typically double the cost of our raw material relative to beet sugar producers.
3. The only raw material we can source at reduced or zero duty is through the various preferential trade agreements the EU has. The suppliers allowed access to these agreements account for just 5 percent of global trade in sugar and include some of the highest cost and most challenged sugar producers in the world. An important tool to address these challenges for many of these suppliers is access to EU development funds in a timely and effective way. This does not appear to have been the case to date.
4. The cost of this preferential sugar to us is artificially inflated by the basic protectionist trade structure despite it being duty free or subject to reduced duties. This is because we are forced to pay a premium above the market price to this limited group of preferential suppliers that partly to largely reflects the avoided cost of the basic punitive import duty.
5. As a result, our competitiveness as a business is almost entirely dependent on Europe's trade and agriculture policies.
6. The European Commission has taken a number of decisions in recent years which have favoured beet sugar relative to cane sugar<sup>3</sup>. This will be further compounded by the recent political agreement on the CAP. This agreement will see European beet sugar producers largely freed from regulation, particularly production constraints, from October 2017<sup>4</sup>. In contrast, cane sugar refiners will continue to face strict and punitive constraints on access through trade to cane sugar raw material.

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<sup>1</sup> For more information see our campaign website [www.saveoursugar.eu](http://www.saveoursugar.eu)

<sup>2</sup> Currently €339 per tonne for raw sugar and €419 EUR per tonne for refined sugar (Chapter 17 of Council Regulation 1549/2006), supplemented by variable additional import duties that come into force when world prices for sugar are low, and increase as world prices fall further (see Article 141 of Council Regulation 1234/2007, implemented by Article 36 and 37 of Commission Regulation 951/2006). This variable duty is currently suspended.

<sup>3</sup> These have been challenged by us in the General Court of the European Union in actions T-279/11, T-103/12, T-335/12, T-225/13 and T411/13.

<sup>4</sup> See [http://ec.europa.eu/agriculture/cap-post-2013/agreement/index\\_en.htm](http://ec.europa.eu/agriculture/cap-post-2013/agreement/index_en.htm)

7. Member States who are sympathetic to the needs of cane sugar refiners are in the minority in Europe. The United Kingdom voice in support of cane refining at both Council and Parliamentary level has been diluted by recent enlargements which have further weakened the share of support for cane refiners relative to the number of Member States sympathetic to protective policies favouring the sugar beet sector.

**Question 2. What effect has EU enlargement had on UK interests in specific policy areas? What advantages and disadvantages has the UK experienced as a result? Please give examples.**

1. Enlargement added to the number of EU Member States who take a protectionist view on agricultural policy. Conversely this has diluted the voice of liberally minded Member States. This is true for both the European Council and European Parliament.
2. The tipping of the balance towards protectionist views resulting from EU enlargement is best seen in the recent CAP Reform deal. Its impact on the EU sugar sector is highly asymmetric. It unleashes two of the three European sweetener producers – beet and isoglucose – from legislative constraints whilst keeping the third producer – cane refining – tightly constrained by legislation. This will inevitably lead to the loss of high quality manufacturing jobs, competition, choice, and higher prices for sugar consumers unless some urgent action is taken to free up the cane refining sector from legislation. Whilst the UK Government and other cane refining Member States argued for fair and parallel treatment for cane refiners, they were unable to secure this through the CAP Reform process due to the majority of Member States holding protectionist policies in respect of agriculture.
3. Despite the majority of stakeholders recognising that the outcome is discriminatory and prejudiced, agricultural decision-making in the EU continues to revert to national interest. Given this embedded self-interest we question whether cane refiners will ever get a fair deal from an agricultural policy under EU competence due to our minority position in the European sweetener sector.
4. British Government policy states “we strongly believe that the sugar beet and sugar cane industries should be afforded the opportunity to compete on an equal basis” and that removing the beet quotas without a parallel reduction in import duties would leave EU cane refineries in a “perilous position”<sup>5</sup>. This policy is endorsed by the House of Lords.<sup>6</sup> It is clear to us that we would get a fair deal from a sugar policy under the competence of the British Government. It is also clear to us that it is only likely we would get a fair deal when the British Government have competence over sugar policy.
5. The current decision making process on agriculture clearly disadvantages the UK national interest. This is because it dramatically dilutes the UK government position in the formation of EU agriculture policy. There are a number of trade-offs which are not based on smart legislation<sup>7</sup> or logic. They were mainly an effort to broker agreement between two opposing ideological mind-sets – protectionism versus free market principles. This resulted in the two largest EU Member States, the UK and Germany, abstaining from the final vote on the Single CMO on the basis that it was too protectionist in nature.
6. The Council process creates disadvantages for the UK on sugar as 27 Member States with a huge diversity in their agricultural structure, some with no direct interest in sugar production, means the centre of gravity prevails. This is not smart regulation. The undermining of the UK negotiating position is becoming more severe as the EU grows. This is because new Member States tend to weight the balance of power in Council towards agricultural protectionism.
7. The six Member States with cane refining industries<sup>8</sup> saw a fair deal for this sector as a priority of the recent Common Agricultural Policy and worked hard together to achieve this. However, they were not enough to create a minority to force the Council to deal with cane refining fairly. This is a serious design fault as the legitimate interests of those Member States with cane refiners are no longer able to be reflected in the Council position simply because Europe has got larger.
8. The size of the European Parliament has also disadvantaged the UK sugar policy. Given the number of Member States and conflicting priorities, the process of making legislation efficiently is now increasingly difficult. The European Parliament amendment process for the Common Agricultural

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<sup>5</sup> See the Government response to the House of Lords EU Committee D report of the EU Sugar Regime at <http://www.parliament.uk/documents/lords-committees/eu-sub-com-d/sugar/government-response-eu-sugar-regime.pdf>

<sup>6</sup> See the final report of the House of Lords enquiry into the EU Sugar Regime at <http://www.parliament.uk/documents/lords-committees/eu-sub-com-d/sugar/sugarreporteng.pdf>

<sup>7</sup> As defined by the European Commission Smart Regulation programme.

<sup>8</sup> UK, Italy, Portugal, Finland, Bulgaria and Romania.

Policy was a mess. Sugar was subject to 176 amendments alone and the Single Common Market Organisation agreement faced more than 800 amendments. It was impossible for MEPs, advisors and stakeholders to manage. Voting was extremely confused, with so many amendments to follow and vote upon<sup>9</sup>.

9. Finally, the Commission now appears increasingly politicised. DG Agriculture policy seems to simply weigh up the political temperature and then makes a proposal based on what it thinks will be acceptable to the majority of Member States, rather than on more objective reasoning. This has been particularly noticeable since the EU has grown and the decision making process has become resultantly more complex.

10. In summary, the decision making process with such a large number of stakeholders and Member State interests lacks control. The breadth of the issues being covered and the vast range of stakeholder interests means that the outcome was a poor quality and rushed compromise that does nothing to advance UK interests on sugar. A UK decision-making process would have been more efficient, considered, and balanced.

11. In conclusion, enlargement has brought greater protectionism to EU sugar policy and has diluted the voice of the UK in both the Council and Parliament.

**MAY 2014**  
**END**

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<sup>9</sup> See, for instance, this article in the UK national press on the confused voting process  
<http://www.telegraph.co.uk/news/worldnews/europe/9829032/Bingo-hall-vote-caps-classic-piece-of-EU-double-dealing.html>