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SUGAR INDUSTRY REFORM

Please read below my general thoughts on sugar industry reform, which is long overdue.

1. European sugar growing countries have had to invest and improve productivity on a vast scale in order to be able to compete with low-cost producers in other countries. Europe is now competitive with ACP countries for cost of production, and it is only Brazil (growing on unsustainable soils) who can produce more cheaply. Tariffs have protected the European industry and the reform will create a truer world market for sugar. However, the situation is significantly complicated by historical trading links and the bioethanol industry, subsidies for which vastly influence global prices for sugar.

2. After the end of the EU beet quotas in 2017, there will still be a national beet processing structure, such that British Sugar will remain the sole buyer of beet in the UK. There will, therefore, not be any ability for UK based growers to grow a substantially larger crop or 'flood the market' with extra sugar, as unless they have a contract with a buyer they will not have an end market. It is a largely self-limiting market and will remain so. Evidence of this can be seen in the last two years, where British Sugar negotiated with the NFU for £31/tonne for 2014 crop but only £24/tonne for 2015 crop, due to oversupply in 2014.

3. European growers receive their single farm payment but ACP growers have benefited from European support too. The financial impact of tariffs is less clear and as the industry reforms no doubt adjustments will be seen both domestically and internationally.

4. The EU is making life difficult for our only cane processor, Tate & Lyle. This firm is unable to procure enough tariff free sugar from the ACP countries because of inadequate supplies, themselves a consequence of lack of investment in the sugar cane crop. It is interesting to note that basic improvements such as access to fertiliser and improved pesticides are only now occurring in Jamaica. FairTrade can go a long way to improve the lives of farmers in developing countries, but national investment (with international support) in such an important domestic industry surely should be part of the equation.

5. Subsidy for ethanol production is a big cause for concern, and the negotiations over the Transatlantic Trade & Investment Partnership with the US are likely to address and indirectly impact on the sugar industry. TTIP may liberalise ethanol production from energy crop subsidy, but historical trading relationships complicate the matter significantly, as it is not a question of just one trade deal to be re-done. These relationships may serve to protect the UK's trading partners to an extent should such a deal go ahead. UKIP wishes to promote Commonwealth trade deals as much as possible, but will do so on a free-trade and not protected basis.

6. My team and I meet regularly with representatives of both British cane importers and beet producers. We seek to work even-handedly with both and attach great importance to this as long-standing EU policies have cost jobs in the sector in the UK and may well cost more. In our view the policy is skewed in favour of French and other European beet interests who have manipulated the EU's market intervention to promote their own position at the expense of ours, whether beet or cane. We have been told that there may be more of this to come. Whereas the UK's beet sector reduced capacity openly and honestly, this is not necessarily the case for all other member states. Likewise non-tariff cane quota is not being ended or re-assessed in parallel with beet quota plans. In short, this is a sector where various UK interests behave better than some others. UKIP and the EFDD Group are committed to ensuring the UK is not once again 'done down' by our own good behaviour.

7. Research from DfID in 2012 highlights that the ending of EU sugar quotas will adversely impact some non-EU producers more than others. The impact depends on a variety of factors, from the relative competitiveness of domestic processing, to farmers' abilities to switch crops, to availability of alternative markets and most importantly prevailing world prices. If prices stay high, beet production in the EU is likely to increase and squeeze out imports, but if prices stay low cane refiners remain competitive even at the 98euro/tonne CXL tariff. The preservation of the tariff at least ensures some access to the EU market for ACP countries over high volume sugar exporters such as Brazil and Australia, who are effectively excluded at present other than under specific agreements for import. A very important consideration is the need to maintain refinery operation within the EU, as most raw cane is processed here. Variability in the level of imports will hinder the viability of this infrastructure.

The EU's approach to managing prices and processing capacity through the quantity of the remaining tariffs and intervention prices will be of significant impact and its influence must be considerate to farmers facing volatility wherever they are in the world. It is very important that any aid response to the ending of sugar quotas is targeted and appropriate to the conditions prevailing in individual countries.

It cannot be used to prop up unsustainable industries and production systems, as this perpetuates a negative cycle of dependancy on aid. Adding value locally, for example through the FairTrade accreditation and fair supply chain relationships, is preferable. It is evident that a clear dialogue is needed between aid organisations and agricultural agencies to ensure that impacts are properly assessed and responses appropriate and effective (and we will petition the Commissioner to achieve this). An independent UK would work with its Commonwealth trading partners to meet domestic, EU and world demand for cane sugar and assist in the development of sustainable domestic sugar industries in those countries.

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